

ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009
COMMITTEE STATEMENT
LB85

Hearing Date: Tuesday January 20, 2009
Committee On: Urban Affairs
Introducer: McGill
One Liner: Authorize urban growth districts and provide bond authority

Roll Call Vote - Final Committee Action:
Advanced to General File

Vote Results:

Aye:	6	Senators Coash, Friend, Lathrop, McGill, Rogert, White
Nay:		
Absent:	1	Senator Cook
Present Not Voting:		

Proponents:

Senator Amanda McGill
John Spatz
Don Herz
Bruce Bohrer
Justin Brady
Lynn Rex
Jack Cheloha

Representing:

Introducer
City of Lincoln
City of Lincoln
Lincoln Chamber of Commerce
NE State Home Builders Asso.
League of NE Municipalities
City of Omaha

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

This legislation (with minor variations) was introduced in 2008 as LB 813, also at that time under the sponsorship of Sen. McGill. The Urban Affairs Committee heard the bill on January 22, 2008 and placed it on general file on January 30. The Speaker made it a Speaker Priority Bill. On April 1, Sen. McGill filed an amendment (AM2577), the principal substance of which has been incorporated into the text of LB 85. It died at the end of the session without receiving consideration by the full legislature.

The bill is aimed at the perceived problem of finding the financial resources to enable municipalities to finance the infrastructure needs of fringe areas: portions of the city that are along the edge which have developed over the past few years. (Subsection 1) It is the intent of the bill to encourage cities to use the authority of the act (and local option sales and use taxes) to fund bonds issued for infrastructure improvements.

Any city or village could create one or more urban growth districts: areas along the edge of the city that are currently within city limits but which were not within the city limits as they existed on January 1, 1988. The districts are formed by ordinance and the ordinance includes a description of the boundaries of the district and the local option sales tax rate of the city and the estimated urban growth local option sales and use tax revenue anticipated to be identified as a result of the creation of the district.

Once formed, the municipality may issue urban growth bonds or refunding bonds to finance or refinance the construction or improvement of roads, streets, streetscapes, bridges, and related structures, parks, or other public infrastructure within the growth district or in any other area of the municipality.

The bonds shall be secured by a pledge of a portion of the city's local option sales tax, the urban growth local option sales and use tax revenue: this is defined as the total local option sales tax revenue multiplied by the ratio of the area within the growth district to the area of the whole municipality. The bonds shall mature not later than twenty-five years after the date of issuance.

Annual debt service on all bonds issued pursuant to this act shall not exceed the urban growth local option sales and use tax revenue with respect to such district for the fiscal year immediately prior to fiscal year in which in which the current series of such bonds are issued.

By express provision of the new statute, current charter or statutory debt restrictions would not apply to these bonds.

The bonds would, notwithstanding any other provision of the act, be general obligation bonds: the cities are expressly required to levy sufficient property taxes on all property within the municipality at the necessary rate to provide sufficient funds to pay off the principal and interest of the urban growth bonds as they mature.

It is the clear intent of the legislation that the financing of the bonds come from the local option sales tax, but the payment of the bonds is essentially guaranteed by the property tax base of the city.

Mike Friend, Chairperson