

April 27, 1981

LB 327

has happened in the past and the only other alternative that they can undertake is just to allow the people who might be the creditors of the subdivision of government to suffer the loss. So the federal law allows the states to do this but we have to take the positive action. I have offered the amendment. It is printed in the Journal and as I said, I would like to have Senator Landis speak to it. I understand he has no objection.

PRESIDENT: The Chair recognizes Senator Landis.

SENATOR LANDIS: Mr. Speaker, members of the Legislature, I have no objection to the Schmit amendment. The chapter now on the bankruptcy act allows for the organization of a bankrupt's debts and the payment of those on an organized schedule and limits creditors rights to be consistent with that organized pattern of repayment. I have no objection to Senator Schmit offering this amendment and I intend to vote for it.

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Mr. Speaker, members of the Legislature, a question of Senator Schmit if I may.

PRESIDENT: Senator Schmit, will you respond?

SENATOR BEUTLER: I am sorry I did not see this amendment before hand but I really do have a concern about what this kind of an amendment might do to the bond ratings of municipalities and the cities of Nebraska because it seems to me that if the information is put out that they can declare bankruptcy and absolve themselves from debt it might have a tremendous effect on bond ratings and an effect on the interest rates being paid by municipalities on bonds. Have you checked with bond counsel on this question?

SENATOR SCHMIT: Yes, I visited with counsel on it. In fact, just the opposite should occur, Senator. It has been a long time, I believe, since I believe the City of Ralston, maybe Senator Koch could inform us of that, the City of Ralston at one time years ago went through default but what this does is it will allow for reorganization and the payment of those debts whereas otherwise if you go bankrupt, we have seen that happen a few times with our major cities in some parts of the country, there is nothing but a bail out system. This does provide a system of reorganization just as you would have for an individual. It should strengthen the credit rating rather than otherwise.

SENATOR BEUTLER: Thank you.