

March 8, 1982

LB 817

The incentive for the person who is to develop is an access to capital which they might or perhaps most likely would not be able to find in the existing Nebraska private sector. The incentive for the bond buyer is the tax exempt status of these bonds, making them and the income derived from them tax exempt, thereby creating a federal tax advantage for the bond buyer. The purposes of the bill, public policy of the bill are laid out in the early sections and they occur up to pages 4. We then begin some of the definitions of the sections, what the fund is, what a loan shall be, what a lender is, what a project shall be. I suppose a determining factor in your support for the bill occurs on pages 5 and 6 which outlines projects...in other words, those kinds of things to which money could flow through the purchase of these bonds. 6(a) indicates manufacturing industrial research enterprises and they are not limited to those manufacturing industrial research enterprises that occur in blighted or substandard areas, language that you would have become intimately familiar with in the course of the last six or eight days. 6(a) is just generally the application of tax revenue...or, excuse me, tax exempt bonds for commercial purposes. 6(b) on the top of page 7 is the application of taxes and bonds for blighted or substandard areas and this could be for commercial or business enterprises and it could be retail businesses, it could be hotels, motels, recreation facilities, or the like. Frankly, LB 817 is a broad based development bill. It is not narrowly targeted to certain kinds of retail outlets or commercial outlets. It is supposed to be a general incentive for development by the use of these kinds of bonds. This is in recognition of the fact that today we are in a capital tight situation in which states are out actively promoting the development of themselves and are competing in the marketplace for the location of new industries and the expansion of existing industries. Most states in our area have this kind of tax exempt bond power. Nebraska lags to this extent and although this may or may not be wise policy depending on your agreement with the tax exempt bond issue, any objective measurement would place us at a disadvantage with the use of these tools to our surrounding states. In the event tax exempt bonds are not an appropriate mechanism as some people on this body will argue, the place to decide that, the place to initiate controls is at the federal level. Frankly, there is some discussion at the federal level to limit tax exempt bonds, but that should be appropriately a federal decision binding all states equally, otherwise by failing to take advantage of this kind of approach we simply place ourselves at a disadvantage compared to our neighbors to attract new business. One of the distinguishing features of 817 is that this is a state controlled project just as the