

February 21, 1991 LB 237

without losing it as an admitted asset. By the way, the Section 52, which is the junk bond provision, is not subject to being put...any overage there is not subject to being put into the wastebasket.

SENATOR BEUTLER: Okay. All right, and then beyond the wastebasket, if you're still not happy you can go to the commissioner and ask him to authorize an additional investment. Is that correct?

SENATOR LANDIS: Yes, that's correct.

SENATOR BEUTLER: And if I'm reading Section 19 right, that's what that does and my question there is, is it wise to give a political figure that kind of authority? One and two, is it wise to do it without setting any standards as to when he should or should not do it?

SENATOR LANDIS: Let me answer the question by using experience as our guide. This is existing law. Section 19, in effect, is existing law and a company now could go to the director and ask for the permission to invest without regard to the code in a particular item. I do not know of any abuse of that discretion. Any time we give discretion, an opportunity for abuse exists. I don't know what kind of standards that could be drawn that would make sense other than the rest of the code and the direction of the code and its purpose statement which you'll find in Section 2 which serves, in a sense, as a goal...

SPEAKER BAACK: One minute.

SENATOR LANDIS: ...for the whole code. But this form of discretion has existed and with every (inaudible), abuse possibly exists.

SENATOR BEUTLER: Yeah, I keep thinking back to the Commonwealth deal, of course, as I'm sure you do on some matters such as this, although that wasn't an investment problem, it had many different aspects. One of it, of course, was the discretion placed in the Department of Banking and the Director of Banking, also a discretion placed there without standards, and I'm wondering whether it makes sense or whether it's necessary, given the other flexibility built, that you've now built into the statute, to give such broad prerogative to what is basically a political figure.