

September 28, 1992 LB 9

Committee. We are not talking about bonding a job out at 15 or 20 years. We are talking about bonding at 6 years. We are talking about a savings, to a certain degree, in construction costs, and I would suggest that it is a real savings; that to be very conservative, we can assume a 3 percent increase in construction costs over the 2 to 3 years during the period of construction, and I think that is conservative because an argument could be made that construction costs, if the economy heats up at all, construction costs would increase greater than 2 to 3 percent. We are talking about a very, very conservative...well, 5 1/2 percent, the figure that Senator Moore suggested as the interest rate over the 6 years, that, too, is a very prudent and conservative number because it may very well be that that number may be less. Thirdly, you have a...but whether it is or isn't, that is still a fairly conservative number. And, thirdly, you have another factor which is the unexpended...interest on the unexpended balances, the money that you are not spending on doing this project in two years, but in doing it over a period of six years, and there is an interest factor there. I think it is a very...the point is that this is a very complicated formula to assess and to make a conclusion, or to draw a conclusion that this is...that this is a one and a half million dollar expenditure that the state shouldn't make. I think you also have to balance that off against what will...if what Senator Beutler is saying is, as he suggested to me, and we have done Beadle now out of General Funds, so these projects will be the next two or three or four in line, and don't worry about it, I promise they will be, well, two or three or four years down the line, with the...you have to figure in the deterioration factor that goes into the projects that are now on line. So you add to that, you add that to the construction costs. So you have, one, you have an increase in construction cost on a project that is, if you assume it to be the same as it is today, plus the deterioration or depreciation of those buildings, which would increase the cost of construction even further. I think the committee has come back with a very, quite frankly in contrast to what Senator Beutler is suggesting, liberal, I think this is an extremely conservative and prudent way to do these construction projects. Now if we had a 20 year or 15 year or even a 10 year financing vehicle, sure, I think we would have to debate that and look at the overall cost, but I think if we are looking at short-term 6-year bonding, that is responsible, prudent, and conservative, and is the kind of thing that we need to do, and especially when we don't have the money that we had to do Beadle available to us