

January 13, 1989

LB 30-34, 361, 410-460

CLERK: Mr. President, I do, thank you. I have a reference report referring LBs 374-409, signed by Senator Labedz as Chair of the Reference Committee.

In addition to that, Mr. President, I have received a communication from the Chair of the Reference Committee referring the communication received from the University Board of Regents regarding the University Health Care project. That has been referred to Appropriations Committee for public hearing.

Mr. President, your Committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 30 and recommend that same be placed on Select File; LB 31, LB 32, LB 33 and LB 34, all on Select File, Mr. President, all with E & R amendments attached. (See pages 223-26 of the Legislative Journal.)

Mr. President, new bills. (Read LBs 410-449 by title for the first time as found on pages 226-49 of the Legislative Journal.)

Mr. President, in addition to those items I have notice of hearings from the Agriculture Committee offered by Senator Rod Johnson as Chair; from the Business and Labor Committee offered by Senator Coordsen as Chair; from the General Affairs Committee. That is offered by Senator Smith as Chair. And, Mr. President, a notice of hearing from Senator Warner as Chair of the Appropriations Committee.

SENATOR HANNIBAL: Mr. Clerk.

CLERK: Mr. President, new bills. (Read LBs 450-459 by title for the first time. See pages 236-38 of the Legislative Journal.)

Mr. President, finally, I have an announcement the Urban Affairs Committee has selected Senator Korshoj as Vice-Chair of the committee.

Senator Rod Johnson would like to add his name to LB 361 as co-introducer. (See page 238 of the Legislative Journal.)

(Read LB 460 by title for the first time. See page 238 of the Legislative Journal.)

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LB 141, 161, 333, 379, 457, 742

time by title. See page 1027 of the Legislative Journal.)

Ag Committee reports LB 161 to General File with amendments, that is signed by Senator Johnson; Banking Committee reports LB 333 to General File with amendments, and LB 457 to General File, those signed by Senator Landis as Chair; Transportation reports LB 141 to General File with amendments, and LB 742 to General File with amendments, those signed by Senator Lamb. (See pages 1028-29 of the Legislative Journal.)

Mr. President, Senator Baack gives notice of cancellation of hearing. That is all that I have at this time, Mr. President.

PRESIDENT NICHOL PRESIDING

PRESIDENT: We will move on to LB 379.

CLERK: Mr. President, LB 379 was introduced by Senator Hartnett. (Read title.) The bill was introduced on January 12 of this year, referred to Education. The bill was advanced to General File. I have no amendments to the bill, Mr. President.

PRESIDENT: Senator Hartnett.

SENATOR HARTNETT: Yes, Mr. President, members of the body, this would give school districts authority to invest school district funds in repurchase agreement. Current law allows school districts to invest school funds in the securities under the prudent man rule, and really what it does, it is kind of a clarifying law is that large school districts that receive large amounts of money can invest it within a...before a seven-day period of time and that is really what it does. Some of the attorneys for some of the larger school districts feel that this has to be clarified, and with that, I would ask for the advancement of the bill, unless there are some questions.

PRESIDENT: Senator Elmer, please. No? Okay, did you wish to close?

SENATOR HARTNETT: (Mike off) ...kind of a clarifying.

PRESIDENT: Okay, the question is the advancement of the bill. All those in favor vote aye, opposed nay. It looks like I need a little help, ladies and gentlemen. Record, Mr. Clerk, please.

February 16, 1990 LB 163, 164A, 226, 260, 457, 571, 838
846, 866, 880, 958, 1003, 1019, 1028
1039, 1062, 1103, 1106, 1113, 1184, 1205
1215, 1229

Senator Hartnett. (See pages 846-48 of the Legislative Journal.)

Judiciary reports LB 838 to General File; LB 880, General File; LB 846, indefinitely postponed; LB 1103 and LB 1205, indefinitely postponed.

I have amendments to be printed to LB 866 by Senators Lamb, Haberman, Rogers and Crosby. (See pages 848-50 of the Legislative Journal.)

Mr. President, priority bill designations. Senator Labeledz has selected LB 457. Senator Hartnett for Urban Affairs has selected LB 1106, LB 1229; Senator Conway, LB 260; Senator Bernard-Stevens, LB 1062; Senator Beck, LB 958; Senator Rod Johnson, LB 1019; Senator Haberman, LB 1039, as one of the Retirement Systems priority bills. Senator Hall's Revenue bills are LB 1028 and LB 1215; Senator McFarland, LB 226; Senator Hefner, LB 571; and Senator Chizek's personal priority, LB 880, and Judiciary Committee's, LB 1003 and LB 1113.

Mr. President, Revenue Committee gives notice of hearing. And one new A bill, LB 164A by Senator Ashford. (Read by title for the first time as found on page 850 of the Legislative Journal.)

And, finally, Senator Scofield has amendments to LB 1184 to be printed. (See page 851 of the Legislative Journal.) That's all that I have, Madam President.

Madam President, when we left LB 163, the Enrollment and Review amendments had been adopted. Senator Johnson had an amendment to the bill that had been adopted. Senator Morrissey had amendments. Senator Hefner had his first amendment adopted. The bill was bracketed, Madam President. I now have pending Senator Hefner's amendment. Senator, this amendment is on page 599 of the Journal. I believe...it's AM2141, Senator, the biodegradable. Right. Okay.

SENATOR LABEDZ: Senator Hefner, on the amendment.

SENATOR HEFNER: Mr. President and members of the body, you will find this amendment on page 599. And what this would do, this would add a tax or a fee on disposable diapers...on nondegradable disposable diapers at the rate of 10 cents per dozen. The tax would be collected by the Department of Revenue

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LB 457, 1031, 1059, 1126, 1220
LR 299

of the top 14 or one of 14 or 15 National Cancer Institute designated research facilities. I think this is a good investment to make. I do understand frustrations on some members of the floor. Notwithstanding that, I would urge your advancement of LB 1220.

SPEAKER BARRETT: Thank you. The question is the advancement of LB 1220 to E & R Initial. All in favor vote aye, opposed nay. Please record.

CLERK: 26 ayes, 0 nays, Mr. President, on the advancement of LB 1220.

SPEAKER BARRETT: LB 1220 advances. Mr. Clerk, have you items for the record?

CLERK: A few, Mr. President. A study resolution (LR 299) offered by Senator Dierks will be referred to the board; amendments to be printed by Senator Hefner to LB 1059; Senator Warner to LB 1031; Senator Conway to LB 457. That is all that I have, Mr. President. (See pages 1389-91 of the Legislative Journal.)

SPEAKER BARRETT: Thank you. Proceeding to LB 1126.

CLERK: Mr. President, 1126 was a bill originally introduced by the Health and Human Services Committee and signed by its members. (Read title.) The bill was introduced on January 12 of this year, referred to Appropriations, advanced to General File. I do have committee amendments pending by the Appropriations Committee. (See AM2849 on page 1178 of the Legislative Journal.)

SPEAKER BARRETT: Chairman Warner, will you handle the committee amendments.

SENATOR WARNER: Mr. President, and members of the Legislature, LB 1126 was introduced, if you look at the title, by the Health and Human Services Committee and, as I recall, it was the result of a study that had been conducted by that committee. But as it was introduced, it was a straight appropriation bill to provide increases in three specific areas, one of which was the personal care aides which there was both trained and those who had not had the amount of training that were to be increased. All these, as I recall, were at the minimum wage. Then there was a

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LR 239

boards as provided for in the LR 239 and LB 1141, so I would move that the A bill be advanced.

SPEAKER BARRETT: Any discussion on the advancement of the bill? Seeing none, those in favor of its advancement please vote aye, opposed nay. Have you all voted? Please record, Mr. Clerk.

CLERK: 26 ayes, 1 nay on the advancement of 1141A.

SPEAKER BARRETT: LB 1141A is advanced. The call is raised. Have you items for the record, Mr. Clerk.

CLERK: Mr. President, just one, Senator Nelson has amendments to LB 1059 to be printed. That is all that I have. (See pages 1399-14021 of the Legislative Journal.)

SPEAKER BARRETT: Thank you. Proceeding to LB 457, Mr. Clerk.

CLERK: Mr. President, 457 was a bill introduced by Senator Schmit. (Read title.) The bill was introduced on January 13, referred to the Banking Committee for public hearing. The bill was advanced to General File.

SPEAKER BARRETT: (Gavel.) The Chair recognizes Senator Schmit to open on the bill.

SENATOR SCHMIT: Mr. President and members, LB 457 is a bill which provides for branch banking in Class VI and VII counties in Nebraska, principally, Douglas, Lancaster, and Sarpy Counties, and allows you can operate any number of branches in those counties, and it will, no doubt, result in increased branch banking activity in this area. We have already this year enacted some legislation which allows for a substantial increase in branch banking in the state by virtue of the bill, I am not sure which one it was, Senator Landis isn't here, 956, 936, one or the other, but a bill which allows for institutions to acquire failing S & Ls, and so the branch banking question is not nearly as volatile as it was 20 years ago or even 10 years or 5 years ago. This bill, as I introduced it back in the early days of the 1989 session, should not be a controversial bill. You and I know that the savings and loans can branch unrestricted and do in many cases have a large number of branches. The banks, of course, have found themselves in a position where for competitive reasons they find it necessary to be able to establish branch facilities. I well recall when the

establishment of a second auxiliary teller facility were fighting words in the branching...in the banking industry. Today the Nebraska Bankers Association, I believe, is neutral on this bill, as they were...in fact, they were supportive of the bill which allowed the banking institutions to acquire a failed S & L. That is a statewide opportunity. This institution...this bill here pertains only as to the three counties that I have indicated and should not be controversial. I think we recognized on this floor a long time ago that the expansion of certain types of banking and the changes in certain types of banking structure was going to occur and will have to occur, and it is of interest to me that I have received a number of letters in support from institutions outside of these three counties have asked if it is possible for their institutions to be included in this same kind of an operation. In fact, a number of smaller institutions have indicated to me they would like very much to be able to establish a branch in one of these three counties, and try to bring some money from the more populated counties back to the rural areas, and I, frankly, do not look with disfavor on that idea, but I recognize that the idea is probably premature at this time. I think that we are going to see in the next few years some really serious adjustments in our business economy and in our agricultural economy. I don't think there is any doubt in anyone's mind but that we are going to face some real substantial credit needs in agriculture and face some real substantial needs in the three counties that I have mentioned here. We have on this floor sometimes with, sometimes without my support enacted a number of bills designed to encourage the location of businesses within this state. Those businesses are only going to come here if adequate financing is available, and if we are going to provide adequate financing, we have to be able to allow these institutions to broaden their base, and to secure the deposits that are necessary so as to be able to finance the new expansion that will take place. I know that there are some persons here who feel differently about this bill. They have some justifiable concerns. I will try to answer any questions anyone has. I know that over the years there have been some major accommodations and I appreciate the cooperation we have had from some of the persons who had originally some serious reservations about this bill. But I would just like to say that I think this bill is a necessary step in the transition and that it ought to become law. There are a number of persons here who may want to comment on it, but I would certainly hope that you can support the bill.

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LB 457, 958

SPEAKER BARRETT: Thank you. An amendment on the desk, Mr. Clerk.

CLERK: Mr. President, the first motion I have, Senator Conway had an amendment.

SENATOR CONWAY: I would like to withdraw that.

CLERK: Withdraw.

SPEAKER BARRETT: Withdraw it.

CLERK: Mr. President, the next motion I have on the bill is by Senator Moore. Senator Moore would move to indefinitely postpone the bill. Senator Schmit, as primary introducer, would have the option to lay the bill over, Mr. President.

SPEAKER BARRETT: Senator Schmit, your wishes.

SENATOR SCHMIT: Well, first I have a question of Senator Moore. Senator Moore, seeing as how we have a wall between us here, invisible as it may be, not having visited with you about this, is this a friendly kill and are you waiting to see if you get appointed out there or something? Can you explain to me...?

SENATOR MOORE: It's about as friendly as some of your no votes the last two days, Senator Schmit. No, it is not.

SENATOR SCHMIT: Mr. Speaker, based upon that answer, honest as it is, and probably one of the more honest statements you've made in the last couple of days, Scotty, I think I will lay it over while I regroup.

SPEAKER BARRETT: Thank you. LB 457 is laid over. The next bill, Mr. Clerk, LB 958.

CLERK: Mr. President, 958 was a bill originally introduced by Senator Ashford and by Senator Beck. (Read title.) The bill was introduced on January 4 of this year, referred to the Transportation Committee for public hearing. The bill was advanced to General File. I do have committee amendments pending by the Transportation Committee. (See page 723 of the Legislative Journal.)

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LB 457

guests, please, of Senator Schellpeper under the north balcony. We have Bill and Mariam Willers from Stanton, Nebraska. Would you folks please stand and be recognized. Thank you for visiting us. Senator Lamb, for what purpose do you rise?

SENATOR LAMB: Well, Mr. President, I've heard a number of people request reverse order on the floor here, and so I've never done that. But I would like to do that this morning. And the reverse order I'm speaking about is General File. I would like to start at the bottom of General File and work back up in reverse order, Mr. President.

PRESIDENT: We shall have no demonstrations from the floor, please. (Laughter.) Yes, Senator Moore, did you wish to speak about that?

SENATOR MOORE: I was assuming it was in jest, and so I won't dignify it with an argument.

PRESIDENT: I didn't hear him withdraw it. Anybody wish to speak about this? Mr. Speaker.

SENATOR WITHEM: I would raise a point of order.

PRESIDENT: Senator Withem.

SENATOR WITHEM: Yeah, I believe the proper request is that, if Senator Lamb is serious about this, would be to file a motion to change the Speaker's agenda, and would require a 30-vote...30 votes of the members voting in support. I don't believe a simple request amends the...unless he's asking unanimous consent. If he is asking unanimous consent, I formally object in a preemptive objection to his asking unanimous consent. Otherwise it should be a motion filed, I believe.

PRESIDENT: Okay. Senator Lamb, please.

SENATOR LAMB: Well, Mr. President, since we only have seven days left or so in this session, unlike some of my colleagues who have lots to say, I will...I will withdraw the motion so that we can get on with other business.

PRESIDENT: Thank you. We'll move on to LB 1055, please. Oh, we finished that up yesterday, I understand. So we'll go on to LB 457, please.

CLERK: Mr. President, 457 was a bill originally introduced by Senator Schmit. (Read title.) The bill was introduced on January 13 of last year, at that time referred to Banking Committee. The bill was advanced to General File. The bill was discussed briefly on March 16 of this year, Mr. President. At that time Senator Scott Moore made a motion to indefinitely postpone. Senator Schmit, as primary introducer, agreed to lay the bill over. The motion to indefinitely postpone is now pending, Mr. President.

PRESIDENT: Senator Moore, please.

SENATOR MOORE: I'll use my mike over here to get away from Senator Schmit's striking distance as I talk about this. (Laughter.)

PRESIDENT: Good idea.

SENATOR MOORE: I guess, Mr. President and members, I filed this kill motion, oh, ten days ago when this bill came up. And I filed it for two basic reasons, the age-old arguments on the whole branch banking, it's an ongoing issue. This particular bill confines it to 3 counties out of 93, proverbial camel under the nose's tent and all that. Will I support this bill? No. As I said on this floor before, I mean, to quote LBJ, if you can't walk into the room and within five minutes know who is with you and who is against you, you got no business being in politics. And I guess I've been around enough to know that I don't have the votes for this kill motion. I also hope I've been around enough to know that Schmit doesn't have the votes to advance it. So, with that, I'll withdraw the kill motion.

PRESIDENT: It is withdrawn. Senator Schmit, would you like to talk to us a little bit about the bill. We have an amendment that we'll take up after you explain the bill a little bit. Is that okay?

SENATOR SCHMIT: That will be fine with me, Mr. President. Mr. President and colleagues, I would like to just address a couple of comments made by Senator Scotty Moore, and appreciate his withdrawing the kill so that we can proceed to discuss the bill. I understand there is an amendment to the bill. I want to just address a couple of his comments, because I believe he made them in sincerity and they need to be addressed in that

same regard. First of all, the age-old arguments opposed to branch banking, we have passed on this floor this session several bills which ought to have negated all of the arguments against branch banking. We have, for all practical purposes, statewide branching, virtually unlimited. We have made it possible for a bank to purchase an S & L and/or branch or failing institution, they can do almost anything. What we propose to do here is to allow, in certain areas, some limited expansion of branch banking. The question then is why. I have been told because these particular counties need this kind of service. I'll be very frank and honest with you, if I had my choice I would just as soon it were statewide branching, or adjacent county branching. I would like very much for the bank in Bellwood to be able to place a facility in the City of Omaha, because very frankly it's a small bank, it's a bank which today is servicing a large number of customers and which may need...and does need additional capital. We have, in David City, a branch of an Omaha bank, and we have a merger with FirstTier. As I have said earlier, when I carried bills for the past 15 or 16 years that changed the structure of banking in Nebraska, I was assured and reassured that agriculture and industry and individuals would be taken care of. Well, ladies and gentlemen, one of the reasons why we changed the structure of banking in Nebraska is because the traditional sources of credit did not take care of those needs. I just spent this morning with Larry Bare and Morrie Reynolds, two gentlemen with whom Mr. Moore is very well acquainted, and discussed with them some of the aspects of the NIFA program. For all practical purposes the NIFA program on housing is working well. In all honesty, the program of industrial loans is not working very well. And, in all honesty, the program designed to assist agriculture is not working at all. And it is not necessarily because of the fault of the individuals who are involved over there, it is because of the fault of some of the restrictions placed upon the law by this institution, over my objections, back in the 19...middle eighties. It is a fact, because of some of the restrictions placed in the law by the Congress, which is an anti-agriculture Congress in most respects. And I would just like to say that the bill we have here today provides for additional competition, provides for resources for those three counties, and eventually, I think, will...and I'm sure my friend, Kurt Yost out there, is jumping up and down and saying I told you so, but eventually will provide the basis as to why there needs to be more competition all across the state. Any one in the country can go into competition with me, farming,

feeding, anything I do. But we have set artificial barriers toward competition in this state for many years. Most of those barriers have come down. I would have to say that most of the time the bankers in this state had to be brought kicking and screaming into the Legislative Chamber to agree to those changes. If it had not been for the changes we made years ago, we would have seen substantially greater numbers of bank failures and we would know a substantial number of communities that would, today, have less and fewer...and less adequate banking facilities than we have at the present time. But, ladies and gentlemen, I can count on the fingers of two hands the letters I've received congratulating me, in the last 15 or 16 years, for having carried those bills. Even those persons who wanted them usually assume they got them by their own efforts. But, ladies and gentlemen, the reason we need to do this is not because of the banks but because of the people of the State of Nebraska, the people who need the credit. I wouldn't introduce the bill in this instance for any reason, except the fact that I know the people in those counties need those facilities and need those services. And as soon as they are recognized and as soon as they are acknowledged and as soon as they are performing well in those areas, we will see the demand increase for additional services like ones that can be provided through this bill in other areas of the state. I know someone will tell me, and I've been chastised and criticized for many years by some of my friends in the banking industry, and we have many fine institutions out there who have taken a real interest in their community and have done well, and I congratulate them for it. Ladies and gentlemen, if you drive into a community you can tell by the attitude of the community, by the aptitude of the community, and by the growth of the community, whether or not you have good banking facilities and adequate banking facilities in that community. You have to remember also that some parts of this state are just not as flush with resources as are others. And so the free flow of capital from one area to another is important. I've had enough experience in this area to know that there are times when the most aggressive banker in a community needs additional capital. Unless you have the structure in place, you are not going to be able to allow that capital to move. Someone has said this is a bill for Norwest, this is a bill for FirstTier, this is a bill for someone else. Ladies and gentlemen, it is a bill to allow those banks to service the people of these counties in the manner in which they need to be serviced. I will be the first to tell you that I am not totally pleased with the way the

services are being rendered at the present time, and by some of these same institutions. But, again, I think efforts are being made to provide service. Why should we continually restrict the competition for these institutions when it is the people who have to pay the price? I did a little survey of interest rates for agriculture and for business across the State of Nebraska. I did two surveys. I did one on the amount of interest paid on a CD of \$10,000 and \$100,000. And then I asked for the interest rate charged for farm loans and for business loans in roughly those same capacities. Ladies and gentlemen, the interest rate that was being paid on deposits varied from 7 percent to 9, 9 and a half, from time to time. The interest charged, the interest charged on those kind of loans ranged from 9 percent to 18 percent, 9 percent to 18 percent. Who in the world is going to pay 18 percent on a loan, a business loan, if they have any other alternative? But, if there is a fence, an artificial barrier built around a community, and that individual is fenced in and is locked in, ladies and gentlemen, they have no choice. Now someone says all you have to do is go down the road to another bank. We know better than that. The most suspicious person in the city is an individual who comes from another community to request a loan from an out of town bank. And, ladies and gentlemen, you can imagine the response that the banker from the out of town bank gets when he calls the hometown banker and says, what about John Doe, what kind of a credit risk is he? The first question is, what's he doing over there? The second statement is, well, I wouldn't loan him any money. Ladies and gentlemen, there have been...

PRESIDENT: One minute.

SENATOR SCHMIT: ...some substantial improvements in banking in Nebraska in the last 20 years. There have been some substantial improvements in the business activity, but you do not have that, you do not have that unless you have adequate banking opportunities. I want to say one more thing, I am one of the few persons probably on this floor who has cautioned about the possibility, in fact I believe the probability of a recession within a few years in this state and in this nation. Ladies and gentlemen, if and when that should take place, you can be certain that you are going to need strong banking facilities in this state. I said for many years we do not need more banks, we need stronger banks. I think that I was proven right. I think again that what we are proposing to do here today will provide stronger banking facilities and a stronger line of credit for

the business community, the agricultural community and the individuals in this state. I believe the bill is a desirable bill, and I would ask that you vote for it. In conclusion I want to say once again it is a very negative factor on this floor to stand here and say, I told you so. But, if we had not passed those bills that changed the structure of banking in Nebraska in the seventies and the eighties, we would have had many more failures and many more business failures and many more farm failures than we had. I would suggest that we ought to try to continue to do what we have started in the past.

PRESIDENT: Thank you. Mr. Clerk, we have an amendment.

CLERK: Mr. President, Senator Conway would move to amend the bill. Senator Conway's amendment, I believe, Mr. President, is found on page 1390 of the Journal.

PRESIDENT: Senator Conway.

SENATOR CONWAY: Thank you, Mr. President and members. On page 1390, as the Clerk read, is the amendment that originally was printed there, and you can refer to that particular amendment. Currently, under the banking statutes it allows an institution, a primary institution that maintains a charter, an opportunity to have five auxiliary facilities associated with that mainline bank or, as this bill will now refer to them as branches, can mean five detached facilities. We have a unique situation in this state with one bank, and that's all that this amendment really addresses is a one bank situation. But from time to time a situation or a unique situation will fall through the cracks, and that is what this amendment is intended to address. Currently, that unique situation is Norwest Bank, they have three separate charters in the state. They have one in Omaha, one in Lincoln, and one in Bellevue. With the charters that they have, they currently have the right to have these five branches affiliated with each of those three charters. If they were to merge any of these charters together, all three of them or two of them, say the Lincoln and Omaha charter be merged together, which they may want to do for efficiency, management concerns and the like, what they would do, with the passage of this bill then, is would lose their right to their five branches that they currently have. And, so in theory really what this amendment does is allows them to keep their right, even though those five branches that they have a right to now may or may not be in operation. What this amendment allows them to do then is

to say, even though, if you would like to merge following the language and the letter of the law, you will not lose the right to have those facilities. They have that right now. So, what this amendment really does is provides a sustaining opportunity for them to keep the right that they currently have to these five detached facilities. Again, it's a unique situation, only would apply to Norwest in this situation. But because of the fact that they do have three separate charters, and for management purposes in the near future they may want to merge those together, and I am asking that we not strip them of their rights to have these five facilities associated with those three separate charters they currently have. So, with that, I offer the motion to attach this amendment to LB 457. If anyone has any questions, I'd be glad to try to address those.

PRESIDENT: Thank you. May I introduce some guests of Senator Hannibal. In the south balcony we have 69 eighth grade students from Mary Our Queen School in Omaha with their teacher. Would you folks please stand and be recognized by the Legislature. Thank you for visiting us today. Senator Landis, did you wish to speak on this amendment, please, followed by Senator Crosby.

SENATOR LANDIS: Mr. Speaker, members of the Legislature, Senator Conway's amendment is the jockey, but Senator Schmit's bill is the horse, and I want to talk just briefly about the jockey and the horse in this case. I'm going to oppose the amendment and the bill. I'm not quite as adamant in my opposition to the amendment as I am to the bill, but I do recall and I appreciated Senator Schmit's clarity at the beginning when he said 457 is necessary, these counties need this services was his words. He said, these counties, and there are three of them that are affected by this bill, they need this service. Now I'm up for reelection, and it's time to go door to door and I was down on one of my neighborhoods, yesterday, going door to door and knocked on the door, an elderly woman came to the door, well dressed but not richly dressed, just very carefully and neatly dressed, an older woman, white hair, small house, very, very clean yard, hard work, flowers in a flower box, and I said I was running, and she said, oh, I'm glad you're here, I want to talk about a burning issue, it's really, really important in my life. And it was clear there was a flush of emotion on her face, and I said, well, let me guess, your property taxes are too high. And she said, well, they are, I'm almost run out of my house by the cost of staying in this home, but that's not it. And I said, well, what, drugs in the streets, there have been some drive-by

shootings or the like, are you afraid for your home? She said, well, I do have some fear, some trepidation, there have been some shots in the neighborhood, and I, frankly, am a little afraid to go out at night, but that's not it. I said, well, maybe it's health care, cost of health care rising, very expensive. Are you afraid that you won't be able to get medical health care? And by this time there are just tears welling up in her eyes, and she says, well, no, I mean I do think health care is costly, but, gosh, I just don't think that Norwest has enough banking charters in Lincoln and that's the problem that really sets me off the rocker. Well, I don't know about you, but judging by the quick analysis of my district, I don't know whether these counties need these services and it's a crying public issue. I would guess that she probably was unlike others in this case. I don't think that this woman could be found on a survey, nor could we, if we did a list of the top 20 public needs in either Lincoln or Omaha or Sarpy County would we find that we needed more detached facilities for banks, nor do we need more charters, nor do we need to pass 457. The public's interest isn't involved in that bill one whit. You know that there is no woman out there in my district who says that, and there isn't one in yours either. There isn't a single person in this state who says crying, with tears in their eyes, please, don't help me with property tax, don't help me with schools, don't help me with safety, but please help me by having make sure that there are more bank charters in this state. Please, Lord, let me have more of those little bank places we can stick those cards in, that's what's going to make my life better. We need more detached facilities. We need to change the corporate structure for banks, that's going to solve the problems of this state. No. What this bill does is says that you can have more branches in three counties of the state than any of the other 90 counties. It says we can have bank corporate structures for 90 counties that are different than bank structures in three counties. Why? I don't know. Would we pass out economic opportunity in that way? Would we say, you can use the corporation west of Columbus, but you've got to use the partnership east of Columbus. You can use a sole proprietorship north of the Platte, but you can't use that corporate form south of the Platte. We wouldn't do it.

PRESIDENT: One minute.

SENATOR LANDIS: We would not say that you can have a certain structure of business, depending on which county you live in.

If you're going to have economic opportunity, if you're going to have a corporate structure authorized by law, then that corporate structure ought to be the same whether you're doing business in Gering, whether it's Plattsmouth, whether it's Beatrice or Lincoln, whether any businessman who is doing that business could put theirs into a subchapter S, or a closed corporation, or a limited partnership, but you wouldn't say to them, I tell you what, if you live in this kind of a county you can't use that corporate structure, and if you live in that kind of a county you can. Now there certainly are differences between counties in size and population and the like. But, frankly, when the law tells corporations when they can sell stock, what kind of stock they can sell, what their board of directors should be like, how many branches they should have, they should treat every corporation in this state the same, so that the rules are binding on everybody,...

PRESIDENT: Time.

SENATOR LANDIS: ...not the ones that are west of the...of Columbus, or north of the Platte, or who have counties that start with K.

PRESIDENT: Time.

SENATOR LANDIS: In this situation we should reject LB 457, because that is the principle involved in the bill. It's unnecessary, and it doesn't have a sensible policy that should be good for the entire state.

PRESIDENT: Thank you. Senator Crosby, did you wish to speak on the amendment?

SENATOR CROSBY: I'm going to take a leaf out of Senator Landis's book, Mr. President. Thank you. And...cause I'm not sure I understand the amendment nor the bill, so I'll just talk about what...the feelings I have about the bill. And I knew there wasn't any lady at the door, David, I understood that very quickly. But oddly enough, I do have some constituents who have called me, voting average citizen types, who have called me about this bill, because they bank at one of the what I'll call...what we used to call the country banks. They bank at a small town. They like it because it's almost a one-on-one situation, it's very personalized banking, it's a small operation and they like that. They have some problems right now

even that they've called me about that the Banking Department has ruled that they can't bank by mail. They can still bank by mail, but they have to pay the postage, up to a certain, I don't know what date, there is a rule now that the Banking Department says that the bank cannot pay the postage, which is some sort of fine line when you're starting to describe branch banking and so on. So I have had calls from other than bankers. I want to make that clear from the very beginning, because in my district I seem to have a lot of bank presidents, shall I say, and other types who are for the bill. I have one who is definitely against the bill. So...and then this country bank is for the bill. And I have constituents who are banking there, and I also have a constituent at that particular country bank who is a good friend and is part of the family that founded that bank. So, if you think I'm confused, you can see why, because this bill is extremely complicated. The only thing that I'd like to say, and then I'd like...well, I'd like to ask Senator Schmit just to answer a couple of questions. But in defense of banking, in general,...

PRESIDENT: Senator Schmit, please.

SENATOR CROSBY: ...I'm not an economist, I'm not a banker, my mind doesn't work that way. All I know is you put money in and, if you watch your checkbook and so on, you can take some out, if you don't overdraw. But when you stop and think of the banking structure in our country and in our state, it is a very complicated and fragile structure. The big banks, as people like to make them look like these types of characters that don't care about people, I don't think that's true at all. The big banks are really the structure that holds the whole system up. And I know how I'm going to vote on this bill, even though it's very difficult, because, as I say, I have one constituent in particular who doesn't like the bill. Senator Schmit, I wonder if you would just...I'm going to give you the rest of my time to answer just a couple of questions, or discuss why you might think that what we call the suburban banks in Lincoln do not like the bill, for instance, Havelock Bank is part of that, they don't want the bill. FirstTier and so on, I understand why they're for it. And then this small town in Lancaster County, why is there such a divergent opinion and the Nebraska Bankers came in neutral? So you can have the rest of my time and thank you.

SENATOR SCHMIT: Thank you, Senator Crosby.

PRESIDENT: Senator Schmit.

SENATOR SCHMIT: Each instance which you have outlined, of course, is a matter of personal point of view relative as to how the passage of the bill will impact that bank. The bank...the small bank, which you named does not like the bill, is I'm sure concerned that it will provide additional competition to them, which they perhaps feel is maybe not needed, but also might be financially unsatisfactory to them. The small bank which you indicate likes the bill, no doubt feels that they can compete,...

PRESIDENT: One minute.

SENATOR SCHMIT: ...that they would like very much to be able to draw some of those resources from another area which they cannot get at the present time. As I said earlier, a small bank in my community would like to be able to have the bill expanded so they could put a branch in a larger community, because they need the additional funds. And I'm sure that's why the small bank and the small...the bank in the small community would like to see the bank or the bill pass, because it would provide them access to capital which they do not have in their small community, which would then in turn allow them to service a growing area of the county and a growing market. I think that it has to be viewed in the context of each individual situation and also how the owners and management of that particular institution view their role in the community.

PRESIDENT: Senator Schmit, may I interrupt. Senator Crosby's time, but you're the next speaker, so you have five minutes now.

SENATOR SCHMIT: Well, thank you. Well, of course, I recognize that there isn't any way that a person of my agricultural background can compete on this floor with a person such as Senator Landis who has a background that is totally different than mine and I do not mean law. Senator Landis is an expert in the area of acting, and a very fine one and ought to be a professional. In fact, sometimes, Senator Landis, I think you are and you were at your very best this morning. It was almost one of those times when I wished that I had not carried the bill, but I've done that before and I usually, in my own way, get along fairly good and sometimes when I don't it's probably because I don't have such a good bill. That may be what is

happening here this morning. But we did advance, from the Banking Committee, LB 956. LB 956 is a bill which I said earlier allowed any bank in this state to buy any S & L that is in difficulty and I am sure there will be plenty of opportunities for that to occur. Now the question is this. Why is it moral, legal, ethical, proper, desirable, financially safe for an institution to buy an institution that is in trouble that was not formerly a bank, why is it okay for them to do that and it's such a terrible thing to allow this to occur on a planned, managed, regulated basis? Certainly, I have said on the floor many times, we have far too many financial institutions. The situation in which the savings and loans find themselves today is due in part, not totally, but in part to the fact that there may have been too much expansion in certain areas of facilities, not of resources, but of facilities. So this Legislature, this Banking Committee in its wisdom said, okay, so the Schmit S & L is going to go down, we're going to let the Landis bank come in and buy it and make it a branch. That's good, not bad at all. Saves the institution for the community. But it is a branch, it is a branch, ladies and gentlemen, it's a branch of the bank. It can be in Podunk, it can be in Columbus, it can be in Hell's Acre, it can be anyplace, but it's a branch and it is acceptable. And there wasn't any big hue and cry. I did not hear anyone from the banking industry come forward and say, well, why don't you just let it go down. The reason it got into difficulty was because it wasn't needed. They said, oh, no, let the bank of so-and-so come in and buy the institution and keep providing services. Now, with reference to the constituent that Senator Landis had who was so concerned about the banks and I do appreciate that, Senator Landis, because who knows? That individual may be out there. You may not have met that person yet. I would suggest that individual person whose tears were coming down her cheeks might have been coming down her cheeks because this State of Nebraska has already this session done some things that maybe she doesn't like. Maybe I even did some of those things. But if you take a look at your paycheck when you go home tonight, ladies and gentlemen, look at your deductions, probably the most important reason that lady was shedding tears was because we've already taken 40 percent of her income away from her before she ever got to the bank to put the...check in there. I almost swore, but I didn't. The other thing is, the lady probably realizes that before she gets her car down to the shopping center or to the bank, she is going to pay gasoline tax, she is going to pay excise taxes on some other things, she is probably going to get rid of another 10 or 12 or

15 percent of her money.

PRESIDENT: One minute.

SENATOR SCHMIT: So of all the money she takes in, she has control over less than half of it. Why? Because well-intentioned persons such as you and I, with only the public good at stake, are telling them how to spend half of that money by virtue of the fact that we're going to take it away from you and we're going to spend it wisely for the goods and the services that you need but can't provide for yourself and some of them they can. Some of them they may not want. Some of them they don't need. Some of them they would absolutely refuse to buy if they had a choice, but we have decided otherwise. Senator Landis, I go back to the farm every night. I stop in Bruno and Valparaiso and David City and Rising City and Prague. I don't get very many people's complaining either about whether or not Norwest gets another charter, but I get an awful lot of advice on some of the other bills and I have to say that some of it I don't agree with, but some of it I do and they give it to me anyway.

PRESIDENT: Time.

SENATOR SCHMIT: I would suggest that maybe this instance here is something where the public is being served and ought to be served better. Thank you.

PRESIDENT: Thank you. Senator Conway, you're the last light. Did you wish this to be your closing? Okay, you are closing.

SENATOR CONWAY: Thank you, Mr. President and members. Senator Landis raised some good points, but I think by the same token, if we look at the whole banking structure question over the years, it was about 10 years ago or less that this body, luckily before I was here, spent a great deal of time discussing how long the pneumatic tube should be between the main bank and any auxiliary facility. They finally settled, and if you look in the bill in the old language, they settled at 200 feet. We have made some drastic structural changes since that time, but Senator Landis in his discussion, I assume that he would like to see statewide branching apparently. He wanted this even treatment for literally everyone and everyone should be the same. We've got a very highly regulated industry that historically we have treated financial institutions differently,

depending on the type and the nature of the city or the density of the population where they are located. I would draw your attention to a question that was in front of the body, or at least in committee earlier this year, relative to financial institutions selling insurance. We look at city populations over 100,000, in those communities a financial institution is not allowed to sell insurance. And by both state and federal regulation, in communities, small communities across the state, those financial institutions are allowed to do things that we don't allow the large city banks to do. We, historically, have treated financial institutions differently that are located in the cities versus the rural areas with the intent to try to provide a means by which the ultimate consumer and the citizenry is going to be best served through those operations. Speaking to this, I'm really speaking to the bill as much as I am my amendment, but as we process legislation dealing with financial institutions, you traditionally are going to find us offering unique situations describing one, Lancaster or Douglas, county differently than we do our other counties. This is nothing new to a way we have dealt with things in the past. In many cases it is a bit of a camel's nose under the tent. We allow a certain community to change their structure, change their style of doing business, monitor that. If it works well and if the citizenry is well served, then we may step into the next decade of opportunity that...of changing various structures again to try to best serve the citizenry. I think if we look at both my amendment and this legislation that Senator Schmit has brought before us is an attempt to venture out a little bit farther, give us a little bit of a change to see whether or not it is in the benefit of the citizenry of the State of Nebraska relative to the financial services so we're not doing anything that is unique, anything that is especially different than what we've done in the past and that's treating metropolitan and highly densely populated counties differently than we do the rural areas. As Senator Schmit pointed out, there are a lot of these small banks would like a broader opportunity, banks in David City or banks in Wayne, Nebraska or wherever, that may like to have a branch facility in Lincoln or Omaha where the people seem to be flooding into and many of these small communities are losing population. We're not even stepping near that far at this point, we're simply going out to those county edges rather than the limitation within the metropolitan city limits. So, with that, I offer my amendment and hope that you will support the amendment and I also will be supporting LB 457 as an opportunity for Nebraska citizenry to be better served in their

financial needs.

PRESIDENT: Thank you. The question is the adoption of the Conway amendment. All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

CLERK: 26 ayes, 0 nays, Mr. President, on adoption of Senator Conway's amendment.

PRESIDENT: The Conway amendment is adopted. Just in the way, it is my understanding that what you're hearing will be a tornado warning or tornado drill but we're not leaving. The instructions are to stay here and pay attention to business, so we'll try to ignore it as much as possible. Thank you. Any other further amendments on the bill, Mr. Clerk?

CLERK: Mr. President, Senator Warner would move to amend LB 457. (Warner amendment appears on page 1656 of the Legislative Journal.)

SENATOR WARNER: Mr. President, members of the Legislature, this is a piece of legislation that I'd probably be smart to stay in my seat since I saw there were two banks that appeared at the hearing over in my district, one for it and one against it, which leaves me I suppose in the middle, but as I was listening to the discussion this morning about how this would be good for a statewide purpose, I thought well, if that's right, then maybe that's what we ought to do. So the amendment I put up there struck the reference to the counties over 60,000. It just simply makes it statewide. I assume the arguments are applicable statewide if they are applicable to three counties. It seemed reasonable at least. And I thought I would see how the body would feel. There isn't any difference, you know, once you get outside the city limits of Lincoln, I'm talking about Lancaster County, there isn't any difference once you get outside the city limits. It's rural area and small towns. It's like Seward County or any number of other counties across the state, the differences is none as a matter of fact. And then I got to thinking back how we do these things. The script is usually the same, something that is controversial we limit to an area in which in this case it's roughly 21 senators from those three counties, 28 of you unaffected, so you can vote any way you might like. And then of course, after it gets enacted in those three counties, then you have...a couple of years from now you have 21 senators who are unaffected because they already

have it, and so then all you've got to do is pick up four or five more and you have it statewide. And it would seem to me that if the arguments are that it is beneficial, then those benefits ought to be statewide. In fact, that is what was said. So if the amendment I have drafted is drafted correctly, and I just sat here and wrote out and struck the language, I believe, that refers to the counties of 60,000 and over by classification, and I would urge that the body adopt it because as a practical matter, that is exactly what you are dealing with. As a practical matter, over a period of four years or maybe six, this is what will be enacted, and if it is good public policy, then it ought to be...it may as well be done now. There is no advantage, no reason, no logic to do it piecemeal other than the fact you can divide the body on votes. Twenty-eight now of you are unaffected or thereabouts and in three or four years 21 of us will be unaffected or thereabouts, and it makes it much simpler to enact this kind of legislation. I think we ought to direct the issue which is the real issue, and that is whether or not it would be statewide because that, in effect, is what we're doing.

PRESIDENT: Thank you. Senator Schmit, on the Warner amendment, followed by Senator Landis and Senator Nelson.

SENATOR SCHMIT: Mr. President, yesterday Senator Chambers wanted to know if the senior members of this Legislature could, their votes could count for double. If I have sold Senator Warner on the merits of this bill to the extent that he is willing to support it statewide, I'm sure that ought to count for something with some of the rest of you who might have been less than enthusiastic. I appreciate, Senator Warner, your willingness to help Bellwood out so we can put a branch in Lincoln, and I'm going to accept you on that because we can use the funds out there. We're going to do it because I just found out also, you know, that the vast majority of the NIFA money for housing goes to Lincoln and Omaha. Now there is a scattering of it goes across the state, mostly first class cities, but the vast majority of it goes to Lincoln and Omaha. With the sad state of the S & Ls in this country, with the failure of Commonwealth and the failure of State Securities and the failure of Franklin, you're going to see the need for housing loans being shifted more and more to banks and I would suggest that maybe, that if we were to expand this across the state like Senator Warner would suggest, that maybe we can get some of that taken care of outstate, we might get a branch out in Bellwood

that would do business with NIFA so that we could get a housing loan in Bellwood for someone out there. I doubt we'd ever have an agricultural loan, but we might get a housing loan. Obviously, the rural banks have not been too concerned about doing business with NIFA, but the institutions here in the City of Lincoln, City of Omaha, being more oriented toward the benefits that we ladle out here and the housing industry itself being aware of it, take advantage of it. So this is an advantage that could be transferred to outstate Nebraska with Senator Warner's amendment, and I think he's right. Being honest sometimes, Senator Warner, doesn't make you popular, but I believe you are right. It's inevitable what is going to happen. We've already got it. We've already got it, LB 956 carried by the Banking Committee, lays it across the state. Why jump up and down and cry and beg and plead when you got it? The most, Mr. Kurt Yost, most bitter opponent of branched banking, can buy an S & L branch in his hometown any time he wants and he'd have a branch. But, oh, no, the bill comes under 457, bad bill; 956, good bill. Ladies and gentlemen, a branch is a branch is a branch is a branch. Now how ridiculous can you get? I remember, like Senator Conway said, the length of the pneumatic tube was important. I will never forget the time when we amended a bill on the floor here back in the days before First of Lincoln were so enlightened and we provided that a branch had to be only X number of feet from the main facility and the next morning a friend of mine in the First National Bank was out there measuring, stepping it off, to see if he came in or not. To his chagrin he was outside by about 20 feet and he thought it was an accident. It wasn't any accident. We knew how to get his support. We fought over the length of the pneumatic tube, we fought over how many feet it could be from a main facility, we fought over all sorts of things. When I introduced the bill in 1973 that provided for a second auxiliary teller facility, you would have thought I was opening up the banks to Jesse James and Bill Hickok.

PRESIDENT: One minute.

SENATOR SCHMIT: It's been nothing but good for the industry and has been good for the people of the state, and I think Senator Warner's amendment is good for the people of the state. Probably a good idea, Senator Warner, that comes along now because as you say otherwise, five or six years from now, someone who is not quite as enthusiastic about it as I am might be carrying the bill and my chances of being here at that time

are very slim, if at all, so I would support the amendment. Ask you to support the amendment and it ought to bring into the fold all the rest of my rural senators who have been somewhat reluctant to join in the support of LB 457.

PRESIDENT: Thank you. Senator Landis, please.

SENATOR LANDIS: Senator Schmit and I agree on this one. I would suggest that the Warner amendment is the appropriate way to face this public policy issue. It is the right way to frame the issue. The question should be, do we want branch banking in this state or not? That's a good, clear, straight-up question that we should ask ourselves. There is a case to be made for it, there is a case to be made against it. In that sense I will join with Senator Schmit and vote for the Warner amendment. Once it is adopted, that then is the question before us, and I think that deserves our best analysis as to whether we support it or not. What is most pernicious, however, is the idea that this is a concept that we will only inculcate in three counties and alter, if you will, the mix between the rights of bank charters in 90 counties from the rights of bank charters in three counties. All of those charters should have the same rights, it seems to me, and the Warner amendment would allow us to consider that question on the basis unto which it should be most appropriately decided. I'll be happy to vote for the Warner amendment. Of course, then let's talk about 457 as good law, but we will have faced the question squarely and appropriately.

PRESIDENT: Thank you. Senator Nelson, please.

SENATOR NELSON: Mr. Speaker, this is somewhat a learning process for me, not having served in the Banking Committee and so on and so I truly am trying to sort through LB 457 since I come from a community that has both large banks and smaller banks and independent banks very near. Needless to say, I've had input from all sources on this bill. I didn't feel myself knowledgeable enough and I still don't. I had the very same idea as Senator Warner. Why not allow branch banking countywide, or if you're going to do that, almost open it up statewide. My question this morning to some of the people that were on the phone with me, all right, if...what's wrong with my small town banks being able to put a branch bank in Grand Island? Well, I don't know. They can give the personal service and so on that we may or may not be able to. I don't know if

that's quite fair, but then in the very same conversation and almost the same sentences, I'm not quite sure whether the small town should be allowed to come into Grand Island, but I guess it's all right for Grand Island to go out to the small towns, so I have a little problem with that line of thinking. And I, too, I said, well, if I knew enough and had enough time to work on this, I think I would put an amendment in to have countywide branch banking and then that way we would not be singling out one or the other. I see the 60,000 inhabitants per county. I think not too many years down the road Hall County then would be included with this bill, so it's not necessarily just an Omaha or a Lincoln bill, so at this point I will only listen but I do support Senator Warner and I might ask Senator Warner, have I interpreted, Senator Warner...

PRESIDENT: Senator Warner, will you respond?

SENATOR NELSON: ...have I interpreted this right? This would almost just allow wide open branch banking county to county and my amendment what I was considering was county to county but I guess it isn't fair to a city that is right on the edge of a county either.

PRESIDENT: Senator Warner, please.

SENATOR WARNER: I would just comment, Senator Nelson, you still have the limit of five, I believe, in the current law, so...

SENATOR NELSON: Of course, in my area they don't have five I guess but thank you. Thank you.

PRESIDENT: Thank you. Senator Schmit, please.

SENATOR SCHMIT: Just to answer Senator Nelson's question, Senator Nelson. Under LB 956, we really already have statewide branching. We have statewide branching under certain conditions and Senator Landis is right, Senator Warner is right. Why should we have it under certain conditions and not under certain conditions? Why should we say you can buy a broke financial institution and make it into a bank, but you can't buy a healthy one, or you can't branch to set up a healthy one? We have statewide branching under 956 and I don't think it's all bad. I had some reservations about it, but I don't think it's bad and I think this is a much better solution really.

PRESIDENT: Thank you. Senator Warner, would you like to close on your amendment, please? No? And the question is the adoption of the Warner amendment. All those in favor vote aye, opposed nay. Senator Warner, please.

SENATOR WARNER: Mr. President, I guess it's probably necessary to ask for a call of the house.

PRESIDENT: Okay. The question is, shall the house go under call? All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

CLERK: 10 ayes, 1 nay to go under call, Mr. President.

PRESIDENT: Thank you. The house is under call. Please record your presence if you're light is not on. Please look up to see if it is or not, and turn it on, please. Those not in the Chamber, please return to the Chamber and record your presence. Please return to your seats so we can see who is here and who isn't. It makes it a little easier from here if you'd cooperate along that line. Thank you. Looking for Senator Wesely, Senator Withem, Senator Peterson. Senator McFarland, Senator Chambers. Senator Warner, did you wish to have call ins?

SENATOR WARNER: Let's do a roll call. It would probably be faster.

PRESIDENT: Okay, a roll call has been requested. We're still looking for...okay, Senator Warner, we'll proceed even though a couple are still missing, and the question, ladies and gentlemen, is the adoption of the Warner amendment, roll call vote. Please hold your conversation down so the... (gavel) please hold your conversation down so the Clerk can hear your response. It is difficult sometime. Mr. Clerk, the roll call.

CLERK: (Read roll call vote.) 25 ayes, 7 nays, Mr. President, on the adoption of the amendment.

PRESIDENT: The Warner amendment is adopted. The call is raised. Mr. Clerk. May I introduce our doctor of the day. He lives in Senator Ashford's district. We have Dan Halm of Omaha. Doctor, would you please stand so we may recognize you and thank you. And we thank you and appreciate your services for the day.

CLERK: I have nothing further on the bill, Mr. President.

PRESIDENT: Okay, we're now on the advancement of the bill. Senator Schmit, do you wish to talk on the advancement of the bill?

SENATOR SCHMIT: Mr. President and members, the bill is now, as Senator Warner has explained it, a bill which has more broad impact upon the state than was originally intended, but it does not alter the basic fact that in Nebraska we already have statewide branching. What we do have is some regulatory and some controls and some indications of growth that can be utilized as the banks decide to move into this area. I think that we have seen on this floor over the years a remarkable progression in the development of banking in the State of Nebraska. Some of it has been good, some of it not so good, but all of it I think has been well debated on this floor. There have been very few bills that have passed on the floor that were not passed without a substantial amount of debate. This bill has been, I believe, debated in its basic form as it is today under LB 956. We said, you know, we can do it, we need to do it because of this reason. This bill provides for a specific number of branches, it provides that you can have them across the state, and that everyone can participate. I think that we know today that, as Senator Warner has said, there is going to be a move in this direction. It was kind of interesting when the bill was introduced. There were very few people at the hearing. I recall when if you held a hearing on branched banking, the hearing had to be held in this room and the building was full. I recall one time when Senator Carpenter introduced a bill for countywide, citywide and statewide branching, and they were hanging from the rafters. And Senator Carpenter made the remark, he said, I have never seen such a conglomeration of self-interests assembled in one room in my 70 years, but the facts are that, as time progressed, the banks in this state found that they could live with some competition, they could live with some change in structure and that as business changed, as agriculture changed, banking had to change. Well, I would much prefer if I could walk into the First National Bank in David City and still do business with Paul Kosch, if I could walk into the First National Bank in Columbus and do business with J. O. Peck who used to serve here or Johnny Peck, I still can see Johnny. If I could walk into the bank, in the Columbus bank and still do business with Elmer Bradley, but that is not going to happen. Businesses change, needs change. The business community in Columbus has changed substantially

since I was a youngster there and you need more access to capital. You need the flexibility and the fluid ability to move capital that these bills provide. You need the entrepreneurship that goes with branched banking to be sure that you can take care of the needs of a community. Ladies and gentlemen, I'm going to ask you, why did we create NIFA? We created NIFA because there was a need, an unmet need. Do you know why some of that unmet need was there? Because in certain areas of the state there was not adequate capital for business, for housing, nor for agriculture, so we created a quasi-government institution and they have issued hundreds of millions of dollars of bonds which has raised hundreds of millions of dollars of capital which has resulted in thousands upon thousands of people owning their own homes.

PRESIDENT: One minute.

SENATOR SCHMIT: Well, ladies and gentlemen, why should the government be involved in this when we have private capital willing to make the investment, willing to expand the facilities, willing to go out in the countryside and do what has to be done to provide services to the people? The resources are there, the management capacity is there, the need is there. What more are we talking about? I think it's time to go. Thank you.

PRESIDENT: Thank you. Senator Landis, please.

SENATOR LANDIS: Mr. Speaker, members of the Legislature, for those of you who haven't been here in the body very long, it may not appear as if anything has happened but I guess you should know this is an interesting little moment because the issue has slipped out of the bottle and has run away from the lobbyists. Right now the amount of panic outside the door is wonderfully immense. Nobody knows what is happening because basically we're going to decide this issue. They've been here fighting this issue on the way it was written and they have been lobbying like crazy and Senator Warner's amendment, basically, was not contemplated by either side which means at this point for a limited period of what, like 15 minutes, this decision is going to be inside the body on our own, so this is a very interesting moment. And sometimes when you watch the body you can see that that is happening and sometimes you can't and that is what is happening right now, so for me it's a good day in the Legislature. Let me tell you the...let me tell you what I think

are the arguments on both sides of this issue because they embrace two different philosophies. LB 457 was statewide branching which means a bank can branch, take one of its legal branches and put it anyplace in the state they want to. It is based on the notion that competition is going to be good, that if a small bank wants to start a charter, I'm sorry, want's to start a branch in Omaha, so be it. If a large bank wants to send a branch out to a first class city, so be it. There will be the opportunity for competition and out of that competition should come lower rates, better services and the like. That is in contrast with the theory behind a good deal of our banking legislation on the other hand which has as its theory the notion that banks have to be chartered for particular areas, particular service areas, that banks are protected in how many charters there shall be because they perform the function of amassing capital and you can't have a zillion banks amassing little bits of capital and do any good. There is only a limited number of banks that can do any good because you've got to amass capital to have a significant holding and let the bank do its job. So what we say is, you may start a new bank if you can show a need for it. One of the things a bank charter has to have is a showing of need to the director in which case, if that showing can be made, a charter will be granted. We also give that charter an area of locational responsibility in which we conclude that they will be there to service the customers in that area. The theory here being that the banking relationship is not quite the same as Kwik Shops where you can drive into one or another one and get exactly the same services, but that banking as a service has a long-term investment, personal relationships are important, a sense of corporate responsibility for a particular area to invest in that area, to feel responsible for that area is necessary. Now that is the general tenor of our banking law. The general tenor is banks have a corporate responsibility to the needs of the community and should service those needs. In some senses they have higher obligations to meet those needs with certain laws, and in some senses they get special treatment because they are servicing those needs, so that there is a two-edged sword to banking legislation. It depends, I suppose, on which of those two theories you personally believe...

PRESIDENT: One minute.

SENATOR LANDIS: ...and I'm going to listen to the debate here and reflect on this myself, but I will tell you this. This is a

fascinating morning and I personally think that the Legislature has done the right thing in taking the issue away from the lobby and allowing the issue itself to be debated rather than attempting to politically shave it one way or the other by establishing some crazy quilt of corporate rights through the original version of 457. The Legislature is on the right track in looking at this issue faceup and statewide.

PRESIDENT: Thank you. Senator Schmit, please, followed by Senator Conway. May I introduce some guests, first, Senator Schmit, of Senator Wehrbein? In the south balcony we have 17 fourth grade students from Columbian Elementary School in Plattsmouth, Nebraska with their teacher. Would you folks please stand and be recognized. Thank you for visiting us today. Senator Schmit, please.

SENATOR SCHMIT: Yes, Mr. President. Senator Landis makes an excellent point. There is only one way it could have been better, Senator Landis. Had the decision-making process on this floor started on the seventh day of the session rather than on the...with only seven days left. It would have been much better for the people of the State of Nebraska and it would have been a little more elevating for the image of the Legislature. There is nothing wrong with that. Decisions ought to be made on this floor. Decisions ought to be made by those of us who are elected by the people to represent them and their interest. Sometimes we make a mistake, sometimes we do the right thing, but it is much preferable to having 30,000 people, each of us saying, well, let's take a poll and see what it goes like. Let's see what the people think. The people expect us to use our own good judgment, to draw upon our experience and our background and make the decision. They expect us to listen to them, but in the final analysis as has just been demonstrated here with the Warner amendment, so maybe the battle lines were drawn. And all of a sudden Senator Warner comes up with an idea and he proposes we do something different and this Legislature in their combined wisdom said, yes, we think that Senator Warner had a good amendment and we adopted it. Not by very much, but 25 is as good as 49. There has been a lot of times I would have settled for 25 on this floor and I commend Senator Warner, and I appreciate Senator Landis's remarks. It is out here. The issue is here and it ought to be decided now. Now when someone says we're not ready for it, someone says, well, we don't need it, I come back again. Why do you have FHA? Why do you have the Federal Land Bank? Why do you have NIFA? We've got those

institutions, ladies and gentlemen, because somewhere, someone will not make a loan, will not do business with someone who has a need. You know what? There have been some feeble attempts, very feeble attempts, not very enthusiastic I might add, to replace the Franklin Federal Credit Union in Senator Chambers' district, Senator Lynch's district and Senator Labedz's district, but I would suggest there will come a time if you will open it up that someone will move into that area, will establish a facility, provide the service, fulfill a need and find out that there is a substantial amount of business to be done there that was not being taken care of previously and needs to be taken care of today. The same thing is true with Bellwood. And I introduced a bill to allow a cooperative credit to become a bank. There are, I believe, about 20 of the cooperative credits in the state. My good friends in NBA said, oh, no, we don't want them. Mr. Amen who was the Director of Banking said we don't want them, we don't need it. Ladies and gentlemen, it was a small institution, very limited in its ability to perform a service for the community. Today it has grown, I believe, ten times in deposits over what it was and it shall continue to grow. And kind of interestingly, it's the only institution in my county that is locally owned. We all own a little piece of it. There is a little pride in that. Now there may be a time we need to go to a larger facility, larger institution because the bank at Bellwood does not have the capacity to take care of all of the demand for money that exists there, but it is a local institution and, believe you me, there is a pride in that institution that was not there when it was just a co-op credit and today it is performing a very vital service. But no one pressured for that bill except about two institutions from two local communities. They came to me from...

PRESIDENT: One minute.

SENATOR SCHMIT: ...Bellwood, my local constituents, who said, how about it? Introduced the bill, became law. I have to concede it is the only bill I have introduced for my own city and my own county I suppose in the 22 years I have been here, it was a good one. I believe that the bill in the present form today is a good bill. It's not going to cause anyone in the hinterlands to lose any business if they want to do business. I remember the first time that I carried a bill on this floor in 1973 and there were all sorts of admonitions about the dangers of a second auxiliary teller facility, how it would eventually mean that there was going to be a branch of Omaha National or

First National in David City. And Paul Kosch said if I have been here for 80 years and cannot compete with the Omaha National, then I ought to go. I ought to pack up my suitcase, move out of town.

PRESIDENT: Time.

SENATOR SCHMIT: Thank you.

PRESIDENT: Thank you. Senator Conway, please.

SENATOR CONWAY: Thank you, Mr. President and members, I rise in support of the advancement of 457 as it is now amended with the Warner amendment. If we look at banking in a once upon a time as we probably developed the structure of government for the State of Nebraska, we had the mentality of having counties structured in such a way and courthouses positioned in such a way that everyone could get there within a half day's ride on a horse. Much of our banking structure, I believe, was also structured in a similar fashion. We no longer really look at the banking system as a function of location or physical plant. Probably everybody in this room has some plastic in their pocket and they can interact with a financial institution no matter where they are in the world. I can remember last summer being in California and in need of a little cash and I pulled a little plastic card out of my pocket that interacts with the electronic systems and can interact with my bank at that distance. I can do the daily kinds of activities and transactional activities anywhere in the world. So as we look at the ever-changing system of financial activity, whether those services may be cash transactions, borrowing against credit lines and so forth for the typical consumer, the location and the institution specifically is not institution specific. I imagine most everyone that is in business of...in this body probably deals with several financial institutions at this point. You don't have one financial institution. You have one for "transactionary" activities. I know I have a very sizeable loan with a financial institution in Maryland. That was the one that served me best for that particular need. And so as you look at this kind of activity in this ever-changing mentality, that competition I think is healthy. We have to compete with financial institutions from other states. We ought to allow our state to position itself in such a way that they can structure in the most efficient manner as possible. Many of the small financial institutions, I believe, ought to jump on this

opportunity and take this opportunity to view it as a time that they don't have to live and die simply within the community they are in, but they have the ability to expand into other communities, take their services elsewhere and be much broader in their activities. It's a situation where as we do our financial business, we...and I don't worry about the financial institutions with respect to what this means to them. If we take the average deposit into an institution today, that deposit may or may not rest with that institution, they may move that money out in a CD via another institution, the institution you borrow from may be different. We look at affiliate institutions where we can go into one institution. They may not be able to serve the loan and have it underwritten by another institution, moving it through their financial institution. So that whole concept of banking in structure has changed so much to serve the public that I don't...I'm not at all fearful in venturing into this statewide branching opportunity for the institutions in the State of Nebraska, not for the benefit of the institutions, but I firmly believe for the benefit of the citizenry in this state. We still have a great deal of regulation, we still have the limitation in terms of any one financial institution overpowering by virtue of the caps that we have, the number of branches that they have. We still have all those things in place, we're just simply saying that they don't have to do business only within the confines of the city limits that they are currently located, but have that opportunity to venture out, again, not for the institution's sake, but for the citizenry of the State of Nebraska, so I strongly endorse the advancement of 457 and believe that it's a bold step in a positive fashion. So with that, I hope the body will advance it to E & R Initial.

PRESIDENT: Thank you. Senator Schmit, would you like to close on the advancement? Senator Schmit, would you like to close on the advancement of the bill, please?

SENATOR SCHMIT: Mr. President and members, I believe that the bill has been adequately discussed. I believe that we all understand the provisions of the bill, I believe understand the benefits of the bill. I believe that the bill needs to go to Select File. There may be some concerns from certain areas and I am sure that we will hear from them, but certainly, that's the way the process works. I think that, again, we need to make those decisions here on this floor as Senator Landis indicated. Senator Warner's amendment was a very good amendment. It brought the issue full center and focused where it ought to be

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LB 457, 1221
LR 378

and I think that now we have an opportunity to say, all right, 956 gave us statewide branched banking under no restrictions, now we have given you restrictions on branched banking statewide and I think the bill ought to be advanced. I ask your support. Thank you.

PRESIDENT: Thank you, and the question is, shall LB 457 be advanced? All those in favor vote aye, opposed nay. Say...yes, a roll call vote has been requested. Slipped my mind for a moment. Sorry. Mr. Clerk, a roll call vote on it, on the advancement of the bill. A call of the house has been requested. The question is, shall the house go under call? All those in favor vote aye, opposed nay. Record, Mr. Clerk.

CLERK: 13 ayes, 1 nay to go under call, Mr. President.

PRESIDENT: The house is under call. Please record your presence. Those not in the Chamber, please return and record your presence. Unauthorized personnel, please leave the floor, and please return to your seats so we can see who is here. A reverse order has been requested in the roll call. Please record your presence. Thank you. Looking for Senator Moore, Senator Bernard-Stevens. Looking for Senator Scofield, Senator Wehrbein, Senator... Still looking for Senator Moore and Senator Scofield and Senator Wehrbein. We're looking for Senator Wehrbein. (Mike off.) ...the only one we're waiting for. Do you wish to proceed or do you wish to wait? Senator Wehrbein is here and the question, ladies and gentlemen, is the advancement of the bill and a roll call vote in reverse order has been requested. So, please hold it down so the Clerk can hear your response. Mr. Clerk, roll call in reverse order.

CLERK: (Read roll call vote. See page 1658 of the Legislative Journal.) 18 ayes, 25 nays, Mr. President, on the motion to advance the bill.

PRESIDENT: The bill fails to advance. Anything for the record at this time, Mr. Clerk?

CLERK: Mr. President, I do. Mr. President, I have a motion from Senator Elmer to withdraw LR 378. That will be laid over. That's all that I have, Mr. President.

PRESIDENT: All right, we'll move on to LB 1221. The call is raised.

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LB 457, 976, 1059
LR 403-406

amendment and put that in 976.

SPEAKER BARRETT: Thank you. Discussion on the Pirsch amendment, Senator Chambers.

SENATOR CHAMBERS: Mr. Chairman, I have a request up there to divide the question on this amendment. This amendment is in three parts and I would like to divide it so that we take each one of the three parts separately.

SPEAKER BARRETT: Senator Pirsch and Senator Chambers, would you like to come up and discuss this for a moment. (Mike off.) ...recognizes Senator Haberman.

SENATOR HABERMAN: I move that we recess until one-thirty.

SPEAKER BARRETT: You've heard the motion to recess until one-thirty. All in favor say aye. Opposed no. Ayes have it, motion carried, we are recessed. (Gavel.)

RECESS

PRESIDENT NICHOL PRESIDING

CLERK: I have a quorum present, Mr. President.

PRESIDENT: Mr. Clerk, would you remind us where we were before we recessed for lunch.

CLERK: Mr. President, may I read some items for the record. Mr. President, new resolutions. (Read brief explanations of LR 403, LR 404, LR 405, LR 406. See pages 1661-64 of the Legislative Journal.)

Senator Conway has amendments to or a motion to reconsider the Warner amendment to LB 457. That will be laid over. Amendments to be printed to LB 1059 by Senator Abboud. (See page 1664 of the Legislative Journal.)

The where we were with respect to LB 976, Senator Pirsch had offered her amendment, AM2843. Senator Chambers had requested a division of that amendment. That request was pending.