

One Hundred Fourth Legislature - First Session - 2015

Introducer's Statement of Intent

LB161

Chairperson: Senator Heath Mello

Committee: Appropriations

Date of Hearing: March 11, 2015

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

The purpose of LB161, the Pairing Equity to Enterprises Act, is to address several chronic issues in the Nebraska economy. Among these issues are: the lack of investment vehicles available to all Nebraskans through which they can invest their money in substantial local economic enterprises; the massive application of the capital reserves of the agricultural sector to land appreciation resulting in acute malfunction in an otherwise sound property tax mechanism; the hyper-cautious nature of local savers which tends to magnify risk and underestimate opportunity; the reasonable lack of financial sophistication and knowledge of corporate organization among Nebraskans wanting to make passive local equity investments; the great local difficulty in transitioning an entrepreneurial idea or invention through the proof of concept stage to the actual financing of a viable enterprise bringing it to market; the considerable social cost and revenue loss of using tax and developmental incentives to bait distant corporate decision makers into locating economic activity in the state; the loss of the power of local money when it is placed in the control of distant financial markets through existing investment vehicles; the intense competition by sister states which neutralizes the effectiveness of existing development efforts; the resemblance of many existing economic development programs to corporate welfare producing an inconclusive success record; the strong public desire for an appropriation of some existing public revenue streams back to the citizens on a fair and equitable basis to relieve the burdens of foreseeable social and economic stress; and the need for personal responsibility, savings, and investment.

LB161 realizes that a dollar has far more value and social utility when organized for purposes of production than it does when dissipated for purposes of consumption. As a general rule the power and effectiveness of capital grows exponentially with the degree of its amount and organization. It also recognizes that the recent history of corporate excesses has produced a business focus on short term results rather than long term success and has produced a disproportionate distribution of corporate wealth to an increasing smaller portion of the population.

LB161 incorporates elements of venture organization dating from the Dutch East India Company to the concepts of creating public wealth being explored in the leading universities today. It begins by the sovereign chartering of an operational entity under the control of a publicly appointed Board. It carefully defines the indicia of target enterprises that would integrate well into the Nebraska economic landscape. It is baited with a onetime appropriation to the Fund to reduce the perceived risk to investors. It then leverages the appropriation by requiring the private investment to be determined by the marketplace, but subject to a minimum multiple of the appropriation. The mechanics of the equity sale to the public is left to the Board which can expected to be made in increments small enough to be acquired by all who have the desire to invest. Once the capitalization is complete, the Board acquires or finances the target businesses and positions them in the Nebraska economy. Once firmly planted and growing, the target business may be distributed to the investors; or may be used to grow the Fund or produce dividends for investors. In the discretion of the Board investors may receive the fruits of their investment as shares in the target businesses, as dividends, or as capital gains upon its transfer to others. In

the event the LB161 is not successful in organizing the requisite amount of private capital by January 1, 2017, the investors receive a refund, as does the state.

LB161 is bold. By mobilizing a capital on a large scale from a broad population base for discretionary investment in an ever-changing sea of opportunity, it is the first of its kind to marry the merits of public interest management with private capital to create wealth for all parties. It proposes a strong, new, innovative force in Nebraska's economic development arsenal.

Principal Introducer: _____

Senator Paul Schumacher