



Dave Heineman
Governor

State of Nebraska

DEPARTMENT OF ECONOMIC DEVELOPMENT

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November 5, 2009

Re: Reallocation of Unused Recovery Zone Bond Authority in Nebraska

Dear City and County Officials:

The Nebraska Department of Economic Development (“DED”) invites all counties and local governments within the State of Nebraska (the “State”) to apply for an allocation of volume cap authority to issue Recovery Zone Bonds authorized pursuant to the American Recovery and Reinvestment Act of 2009 (the “Act”). The Act established two new types of Recovery Zone Bonds to encourage economic development within designated “Recovery Zones” throughout the State: (1) Recovery Zone Economic Development Bonds (bonds for public infrastructure and facilities), or (“RZEDBS”) and (2) Recovery Zone Facility Bonds (bonds for private business activity, or “RZFBS”). Attachment 1 to this letter is a summary of the two types of Recovery Zone Bonds.

The State’s total allocation of RZEDB volume cap authority was \$90 million; and the State’s total allocation of RZFB volume cap authority was \$135 million. Such Recovery Zone Bond volume cap authority was reallocated by the Internal Revenue Service to a number of counties within the State as well as the cities of Lincoln and Omaha. Earlier this Fall, DED, at the direction of Governor Heineman, notified each county and city which received an allocation of Recovery Zone Bond volume cap authority that any unused or unreserved allocation on October 15, 2009 would be deemed waived by such county or city as of such date. On October 15, 2009, approximately \$39 million in RZEDBS volume cap authority and \$42 million in RZFBS volume cap authority reverted to the State for reallocation to counties and local governments.

The State is now inviting all counties and local governments within the State to apply for an allocation of RZEDBS volume cap authority and/or RZFBS volume cap authority. **All applications must be received by the Department no later than December 4, 2009.** DED strongly encourages each county or local government considering submitting an application to contact its bond professionals to determine if the county or local government is an eligible issuer of the Recovery Zone Bonds, the potential project represents an eligible use of Recovery Zone Bond proceeds, and such project will be located in a “Recovery Zone” as required by the Act. In general, a Recovery Zone is any area designated as having significant poverty, unemployment, rate of home foreclosures or general distress. Successful applications will demonstrate a strong need for this federal resource as well as new job creation, retention, or improvement of existing jobs. In addition, each applicant must be able to use any allocation of volume cap authority and issue Recovery Zone Bonds no later than **July 1, 2010**.

Recovery Zone Bonds represent a unique opportunity to reduce the cost of funding both public infrastructure and facilities and private business projects that may not have occurred without this federal resource. Any volume cap authority that remains unused after **December 31, 2010** will expire and no longer be available to finance projects within the State. Because the resource is limited in amount and duration, it is imperative it be used in both an effective and timely manner.

Round 1:

Each of the 53 counties and the cities of Lincoln and Omaha that received and reserved all or a portion of its initial allocation of Recovery Zone Bond volume cap authority by October 15, 2009 has until July 1, 2010 to use such authority and issue Recovery Zone Bonds. Any volume cap authority that is not used by July 1, 2010 will automatically revert to the State for reallocation.

Round 2:

All counties and local governments within the State (including any county or city that received an initial allocation of volume cap authority) are now invited to apply to DED for an allocation of uncommitted Recovery Zone Bond volume cap authority. Applications must be received by DED no later than December 4, 2009. DED will only process complete applications. As set forth in the application, DED personnel will review all applications and will make recommendations to the Director. The Director will forward his recommendations to the Governor's office, which upon review of such recommendations will determine all allocations of volume cap authority. DED will notify applicants of whether they have received an allocation of volume cap authority by January 8, 2010. Any volume cap authority that is not used by July 1, 2010 will automatically revert to the State for reallocation by the State.

Round 3:

Any Recovery Zone Bond volume cap authority allocated pursuant to Round 1 or Round 2 but unused by July 1, 2010 will be reallocated by the State pursuant to Round 3. The December 31, 2010 deadline for issuing Recovery Zone Bonds will not provide DED with sufficient time to invite applications for any remaining volume cap authority. Instead, the Governor's office will consider allocating such volume cap authority to those applicants that did not receive an allocation during Round 2, or to those applicants who either failed to timely submit an application by the Round 2 deadline or submitted unsolicited applications prior to July 1, 2010. DED will notify applicants of whether they have received an allocation of volume cap authority by August 5, 2010. The table below provides the deadlines for each activity.

REMINDER: ALL RECOVERY ZONE BONDS MUST BE ISSUED NO LATER THAN DECEMBER 31, 2010. ANY UNUSED VOLUME CAP REMAINING AFTER THAT DATE WILL EXPIRE AND NO LONGER BE AVAILABLE TO FINANCE VALUABLE AND MUCH NEEDED PROJECTS ACROSS THE STATE.

<u>Activity</u>	<u>Deadline</u>
Round 1	
Letters of intent deadline to DED	October 15, 2009
Bonds issued or allocation waived	July 1, 2010
Round 2	
Applications for Volume Cap Due	December 4, 2009
DED notifies applicants of decision	January 8, 2010
Bonds issued or allocation waived	July 1, 2010
Round 3	
Deadline for unsolicited applications	July 1, 2010
DED notifies applicants of decision	August 5, 2010
<u>All Recovery Zone Bonds issued</u>	December 31, 2010
*Expiration of all volume cap or bonding authority	January 1, 2011

The application for an allocation of Recovery Zone Bond volume cap authority are available for download from www.neded.org. If you are unable to download the application, please contact Stew Jobs at DED by emailing stew.jobs@nebraska.gov, or by telephoning (800) 426-6505 or (402) 471-3114. Please be prepared to identify the computer format in which the application may be made available, or whether you would prefer that a hard copy be mailed to you. Additional questions regarding the application process may be directed to Gary Hamer or Stew Jobs at DED (800) 426-6505. Questions regarding Recovery Zone Bonds and the issuance thereof may be directed to Steven J. Clements at the Nebraska Investment Finance Authority (402) 434-3900.

Sincerely,



Richard J. Baier
Director

Attach

CC: League of Nebraska Municipalities; Nebraska Association of County Officials

ATTACHMENT 1

	Recovery Zone Economic Development (public infrastructure) Bonds	Recovery Zone Facility (private activity) Bonds
<i>Eligible Issuers</i>	All counties and local governments within the State.	All counties, cities and villages within the State.
<i>Authority to Issue Bonds</i>	State statutes governing issuance of bonds by political subdivisions for public purposes.	State statutes governing issuance of bonds by political subdivisions on behalf of for-profit and non-profit entities. Activity is open to most types of business and commercial activities (e.g., industrial, retail, commercial and service) unlike traditional private activity bonds that were limited to manufacturing projects.
<i>Designation of Recovery Zones</i>	Issuer finds and determines that an area or areas within its jurisdiction is a Recovery Zone. ¹	Issuer finds and determines that an area or areas within its jurisdiction is a Recovery Zone. ¹
<i>Use of Bond Proceeds</i>	Bond proceeds must be used by a political subdivision within a Recovery Zone for purchase of property, construction of public infrastructure and public facilities and job training and educational programs. Proceeds may be used to fund certain reserves and bond issuance costs. Proceeds cannot be used to refund existing bonds.	Bond proceeds must be used by a Qualified Business ² within a Recovery Zone for construction of new facilities or acquisition of new equipment. Purchases of existing buildings and equipment permitted under limited circumstances. ³ Proceeds may be used to fund certain reserves and bond issuance costs. Proceeds cannot be used to refund existing bonds.
<i>Tax Status</i>	Federal: Interest is taxable. State: Depends on the State law authorizing the bonds.	Interest on the Bonds is exempt from State and Federal taxes.
<i>Federal Cash Subsidy</i>	Issuer receives a direct payment equal to 45% of the interest paid on each interest payment date.	None.
<i>Bond Issuance Deadline</i>	Bonds must be issued prior to January 1, 2011.	Bonds must be issued prior to January 1, 2011.
<i>Federal Prevailing Wage Standards</i>	Applicable.	Non-Applicable.
<i>Arbitrage Requirements</i>	Bonds are subject to Section 148 of the Internal Revenue Code.	Bonds are subject to Section 148 of the Internal Revenue Code.
<i>State Volume Cap</i>	\$90 Million.	\$135 Million.

¹ A Recovery Zone is (1) any area designated as having significant poverty, unemployment, rate of home foreclosures or general distress, (2) any area designated as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990, and (3) any area for which a designation as an empowerment zone or renewal community is in effect.

² A “qualified business” is any trade or business other than (1) residential rental property and (2) commercial golf courses, country clubs, massage parlors, hot tub or suntan facilities or racetracks or other gambling facilities or liquor stores.

³ Such limited expenditures include purchasing an existing facility in a Recovery Zone, but with the ultimate user of such facility spending an amount equal to the facility’s adjusted basis on rehabilitation expenditures. Proceeds can also be used to purchase used equipment located outside of the Recovery Zone if it is subsequently brought into the Recovery Zone.