

**BUDGET MESSAGE OF
GOVERNOR J. JAMES EXON**

January 10, 1972

Mr. President, Mr. Speaker, Members of this Honorable Body, Ladies and Gentlemen:

We face a relatively short session of the Legislature this year. I come to you today seeking your assistance to do what we must collectively accomplish for Nebraska. We will meet the legitimate needs of this state. Hopefully we can do this with dispatch and a minimum of differences.

Americans in all walks of life have been called upon to exercise restraint. Government at all levels should follow suit.

The general economic situation in the Nation and in Nebraska has seen brighter days. Our number 1 industry...agriculture...is suffering from depressed prices. Economic restrictions have been imposed by the federal government, including wage and price controls. At the international level, we have witnessed vast restrictions on trade and devaluation of the dollar. Inflation remains and is a continuing menacing factor. The Federal Government, within the last 30 days, has reduced income taxes and consequently the general revenue. Unfortunately, they are apparently heading for substantially more deficit financing.

In the face of these facts, which emphasizes the position I took one year ago from this podium, I again urge caution in spending. With this background, I am making budget and revenue distribution recommendations to you which will allow a "hold-the-line" policy on the state personal sales and income tax rates for next year, while at the same time, meeting the genuine needs of Nebraska including increased appropriations in some vital areas. Some may not agree that preventing a general tax increase is a paramount consideration. I believe that the vast majority of Nebraskans do. I hope you will concur in that belief.

May I respectfully suggest that if our goal is to do what is required but not raise the personal sales and income tax rates, then would it not be a good idea for this body to pass a resolution to that effect in these first days? This would bring your goals in this area into compliance with the desires and wishes of most Nebraska citizens. In view of the dictates and directives from the Federal level, because of the times and conditions that I have cited, can we do otherwise and be consistent? We could then proceed with the important matter of budget considerations and distribution of available tax funds within that framework.

After careful consideration of our budget needs, I am convinced that the necessary expenditures of this state can be met under such limits. Such action on your part would establish the spending ceiling beyond which we would not authorize appropriations. This seems to me to be realistic budgeting and taxation procedures.

In our continuing efforts to fully cooperate with this body and only after intensive effort, we are pleased to be able to present our budget

suggestions at this early date. Previously we made our initial recommendations available to your appropriations committee during their budget hearings in December. Let me salute the committee for their diligence and timely deliberations. While there remain some differences, we do not disagree significantly on total expenditures.

Within the framework I have outlined, we are recognizing, realistically and factually, necessary general fund increases over last year's appropriations in several areas.

Our suggestions to you include:

\$3 million more for Public Welfare plus an additional \$1 million, which is, in effect, a transfer of additional funds and responsibilities to that department; increased funding for the State Game and Parks Commission to meet the recreational needs of Nebraskans; additional funding for the Department of Economic Development, including plans for the location of Regional Directors in outstate Nebraska to assist those communities to help themselves. This funding also provides for personnel to man tourist information centers at our top flight public rest facilities on our interstate. If we can extend the stay of our 13 million annual automobile tourists in Nebraska just one day, it will provide an additional \$150 million of income to citizens of our state.

We are recommending a substantial increase in our Educational Television Programming which will eliminate the necessity of raising local real estate taxes at the school district level for this worthwhile endeavor.

The problem of drugs continues as a major concern of our times. We have provided new funding to assist local communities to fight this menace.

We believe that rehabilitation programs at our Penal and Correctional Complex must be continued and expanded in addition to consideration of capital construction needs. This does not mean that this administration is recommending vast and unrealistic new spending programs this year in this field before we can properly assimilate our advances. Before we can begin a massive building program for our Penal Complex, let us consider possible further modernization of our statutes, and continue our enlightened parole policies. Let's plan for the future's real need as opposed to an oversimplified "Bricks and Mortar" approach to our present Penal population. The Legislature's Judiciary Committee should be encouraged in their study and suggestions in the area.

We are all proud of the quality of our State Patrol, its officers and men. Our increased recommendations in this area will allow more troopers on the road. In addition, we are attacking further the drug problem within the Criminal Investigation Division of the Patrol by suggesting four additional full-time men for drug investigation and apprehension. When this administration took office, there were only four men assigned to the drug problem. Last year we added six men. In our budget for 1972-73, we are recommending four more troopers to this specific area. Again we caution against unrealistic crash programs to add expense and men at a rate that might not prove beneficial. I remind you that an increase of six men last year and four men next year will result in a fourteen man force,

where previously we only had four.

When we consider the needs of law enforcement generally, let me again urge passage of legislation to afford a possible greater degree of protection to all our uniformed officers and guards who daily confront real dangers to their lives in the exercise of their duties as the first protectors of our society. I again recommend action by this body to increase minimum sentences, upon conviction, of ten years for an assault with a deadly weapon on such uniformed personnel, and a minimum of 50 years for murder. This Legislature could indicate that it is your desire that such minimum sentences should be served without possibility of parole.

The budget recommendation for our Regional Center is basically the same as last year. Due to the declining population in our State Institutions, our suggestions will assure improved quality of care for our less fortunate Nebraskans in such state facilities.

The financing of Education, at a realistic level, again....to meet the legitimate needs....is a paramount consideration for all Nebraskans and certainly for you as Legislators and myself as Governor.

We have provided what we believe are realistic necessities for general fund increases for our University and Colleges. We have recommended raising UNO appropriations towards meeting the quality of instruction at the UNL campus. For the Medical College, we have provided increases which can meet the test of need, which focus on the real problem for rural Nebraska....more general practice physicians and nurses.

While there remain less than significant differences in total appropriations for the University system between your budget committee and my suggestions, the primary concerns for all agencies are the "hand-cuffing" of administrators with "straight jacket" salary schedules and inflexible programming.

May I respectfully suggest that the Legislative budget-making function is to review, appropriate, and establish broad guidelines as opposed to the assumption of administrative functions and decisions in both higher education and in the executive branch.

We have insisted again on tight budgets for all agencies of state government. This year, through the influence of the Governor's Office, departments have generally accepted our philosophy. With tight budgeting, it seems to me, we have the obligation to grant some flexibility to our administrators, allowing them discretion in making the best possible use of tax funds if they are, indeed, to be held accountable. Let me further request that all state employees be treated fairly by the establishment of an equitable policy of salaries and fringe benefits, including Life, Accident and Hospitalization Insurance, and Unemployment Insurance.

I am recommending to you and urge your careful consideration of higher funding of our vocational and junior colleges. We must not sell short this important area of education.

Again I am requesting that State Aid to Education be continued at \$35 million. With recent court decisions, with the announcement of possible upcoming Federal funding of local educational costs, this would seem to be a period when we should exercise caution on expansive state financing.

You know of my objection to confusing State Aid to Education with Real Estate Property Tax Relief. They are separate issues, both deserving consideration, but the lessons of the past have proven that they are not identical issues and therefore should not be treated as one.

The economic posture of our number 1 industry....agriculture....is one that requires new and innovative programs at the Federal level. We are pressing for such reform. On the state level we can and should provide help also with further funding of our agricultural college and increased appropriations of the agricultural experiment stations.

During the last session we launched this state's attack on pollution and the protection of our environment by creation of a Department of Environmental Control. We need refinement of our worthwhile objectives by strengthening this department. We also took another important first step with the appropriation of \$6.6 million to meet Federal matching funds to assist our municipalities in meeting their secondary sewage treatment requirements. The record to date has indicated that the time consuming steps from appropriation of funds to completed construction has resulted in idle state funds. The accumulation of committed but unspent multi-millions of tax dollars in state coffers accomplishes nothing. I recommend that the Legislature institute a program of necessary state funding for this purpose, based on the state guaranteeing its annual portion of payments in cooperation with our municipalities.

I also urge your speedy implementation of a model billboard control law. We have made verbal commitments to Federal authorities in this area to bring Nebraska into full compliance with Federal regulations.

We have alerted all agencies of state government concerned directly or indirectly with highway safety to muster an all-out-attack on highway fatalities and accidents. Budgets in the several departments have been constructed with this thought in mind. We are instituting a "County Action Program" to induce local governments and personalities to become more involved. Individual and personal awareness of dangers and responsibilities remain as our real long-range hope for success. The news media cooperation in awareness programs has been outstanding. We shall continue and expand such efforts.

I request you repeal legislation passed in the last session that increased speed limits on the state highway system from 60 to 65 miles per hour during night time hours. The official records indicate that after the speed limits were raised last year on such highways, we experienced a 46% increase in injury accidents, and a 48% increase in fatal accidents over the same period the previous year.

This body will be presented with the administration's proposal to provide, through credit on the income tax or possibly the sales tax, a fair and phased approach to provide relief from a portion of the personal property tax. I remain steadfastly opposed to a raise in the sales and income tax to accomplish this goal.

In the social area, we have a grossly unfair law in Nebraska that impinges on the most basic individual freedoms. I refer to the commitment statutes which provide for apprehension and placement of citizens in our

Regional Centers without the guarantee of due process. Your careful consideration and new legislation in this area is most worthy of corrective action this session.

We have held a successful conference of law enforcement officials on the increasing problem of pornography and obscenity. With our recommendations, we are providing an additional assistant attorney general to assist that department in further coordinating law enforcement activities against this attack on our society.

We are currently considering the comprehensive health care needs of Nebraska. We may need some legislation in this area to assist in designing an innovative system with a concentration on arresting skyrocketing costs.

The administration will present, hopefully for your review and approval, an election reform measure calling for new and realistic proposals for reporting of campaign contributions and expenditures at the state level and the establishment of ceilings for such expenditures. The Federal Government has thus far failed miserably in this area. It is my desire that we work together to develop such model legislation for Nebraska.

Previously in these remarks, I referred to distribution of available funds, tight but realistic budgets, any my desire not to allow general tax increases. Working together, this can be accomplished, but it will require compromise.

I again seek your cooperation in agreeing to divert a substantial portion of the currently earmarked cigarette tax to the general fund.

In the last session you passed the increase in the cigarette tax which will have accumulated additional revenue of approximately \$16 million for the 1972-73 budget period. It was your stated intention to use all of such funds and future collections to build a recreational facility at the Beatrice Home for approximately \$695,000, a field house for the University for approximately \$12 million and a new State Office Building in excess of \$14 million. The architectural drawings are being finished, and we expect to complete construction of the Beatrice facility this year.

The administration further suggests a compromise that allows construction of the field house, beginning this year, as opposed to waiting until necessary earmarked funds have accumulated for this purpose, as is required by law. We can accomplish this with a short term...5 1/2 year installment purchase agreement or again make arrangements similar to those employed to finance the ETV and Game Commission's new facilities. Let me assure you that this proposal has the support of the Board of Regents, the University Administration, the University Athletic Department, and those groups advocating the field house construction.

Therefore, two of the three primary building projects you initiated last year could be accelerated and completed as I have outlined.

It will be the duty of the Legislature to clarify its intent regarding expenditures at the State Fair Grounds. I have been advised that the University and the State Fair Board have encountered difficulties because of unclear interpretation of the law you passed last year for proper compensation to the Board for vacating of certain land and buildings on which to construct the field house. Once you have expressed yourselves,

we stand ready to cooperate on a reasonable appropriation for this purpose.

That leaves us then with consideration of the proposed new State Office Building. There are some in this body who believe, sincerely, that this is a top priority construction requirement. Our review of the project does not indicate an immediate need. I respect your views but suggest we delay construction of the State Office Building until the field house financing can be completed.

I urge your open-minded consideration and action accordingly on the compromise suggestion offered.

Our revenue estimates from customary sources indicate \$204.5 million will be available during fiscal 1972-73 without an increase in the tax rates. Herewith we are recommending \$195.4 million for the state operating budget, exclusive of any capital construction funds. This then would leave only \$9 million for capital construction needs and personal property tax relief.

The question then comes as to whether or not you will concur with my compromise proposals for transferring part of the currently earmarked cigarette tax funds, amounting to approximately \$16 million remaining after reappropriating the \$695,000 for the Beatrice State Home facility.

If you will consider this approach, we would then realize a balance of \$25 million, for personal property tax relief, capital construction, maintenance, planning and acquisition funds, or possible tax reductions. This \$25 million dollars represents \$9 million from the customary anticipated revenue plus \$16 million of additional cigarette tax funds. Out of this amount would come the first year obligation on the field house proposal of \$2.4 million.

I intend to subsequently make my detailed capital construction recommendations after you have expressed your desires on these important matters.

The following projects, which I feel are high priority needs, cannot all be financed or recommended without the transfer of the cigarette tax funds as I have outlined:

- Personal Property Tax Relief
- Unemployment Insurance
- Love Library
- Home Economics Building at Lincoln
- Classroom and Office Building at UNO
- Improvements at State Fair Grounds
- School of Nursing Building for the Medical Center
- Classroom and Office Building at Kearney
- Control Care Treatment Center at Home for Children at Lincoln
- North Platte Arena Improvements
- State Aid to Cities for Development of Parks and Recreation Areas
- Applied Arts Building at Wayne
- Science Equipment for Chadron State College
- Boy's Dormitory at School for Deaf at Omaha
- Agricultural and Health Laboratory Equipment at Lincoln

Land Acquisition and/or remodeling projects for the following:

- University of Nebraska-Omaha
- University of Nebraska-Lincoln
- Medical Center at Omaha
- Kearney State College
- Nebraska Technical College at Milford
- Chadron State College
- Western Nebraska Technical College at Sidney
- Hastings Regional Center
- Lincoln Regional Center
- Penal and Correctional Complex at Lincoln
- Veteran's Home at Grand Island
- Girl's Training School at Geneva
- Wayne State College
- Peru State College
- State Capitol
- Military Department Buildings Across State
- State Parks and Recreation Areas
- State Historical Society at Fort Robinson
- Kearney Boy's Training School
- Children's Home at Lincoln

New facilities for:

- Kitchen at Beatrice State Home
- Kitchen at Norfolk Regional Center
- Kitchen and Cottage at Geneva Girl's Training School

Planning funds for:

- Penitentiary and Reformatory Improvements or Replacement
- Administration Building for Boy's Training School
- Lincoln Regional Center
- Humanities Building at Kearney
- Library Addition at Kearney
- Outpatient Clinic at the Medical Center
- Utility Distribution System at UNO
- Physical Education Addition at Chadron

It is my belief that a majority of the members of the Legislature will support the items just enumerated.

The real issues then... and I submit the choices are yours...first, that you agree with your Governor that we should hold the line on the general sales and income tax; and second, to accomplish the things that are necessary, with this restriction, specifically including the items just cited, we must compromise and agree to; third, divert the remaining cigarette funds to those higher priority items.

If those among you cannot and will not accept the compromises and suggestions I have offered, then, I respectfully submit, you have the duty and obligation to spell out where or how, in detail, and in which programs you would eliminate or alter our suggestions. The only other alternative is for you to endorse, without equivocation, a general tax increase.

Working together we can make this abbreviated session meaningful and constructive. While there will be differences, I remain anxious to be cooperative and helpful. Our "open door" policy at the Governor's Office will remain in full force and effect. We encourage full discussion.

Thank you for your kind attention and may God help and guide us all as we individually and collectively pursue the legitimate goals for the best interest of the great number one people and the great number one State of Nebraska.

Respectfully,

(Signed) J. James Exon, Governor