

LB 713	Wednesday, February 6, 1974	2:00 p.m.
LB 768	Wednesday, February 6, 1974	2:00 p.m.
LB 780	Wednesday, February 6, 1974	2:00 p.m.
LB 979	Wednesday, February 6, 1974	2:00 p.m.
LB 980	Wednesday, February 6, 1974	2:00 p.m.

(Signed) Duke Snyder, Chairman

UNANIMOUS CONSENT--Change of Order

Mr. Whitney asked unanimous consent to consider LB 432A on General File at this time. No objections. So ordered.

GENERAL FILE

LEGISLATIVE BILL 432A. Title read. Considered.

Advanced to E & R for Review with 27 ayes, 0 nays and 22 not voting.

LEGISLATIVE BILL 568. Considered.

Mr. Murphy offered the following amendment:

No person who issues counterfeit money in an amount less than \$1,000.00 shall be charged as a felon.

The amendment lost with 9 ayes, 17 nays and 23 not voting.

Mr. Goodrich offered the following amendment:

To reduce the 1 year accumulation period to 90 days thru out the bill.

The amendment lost with 9 ayes, 12 nays and 28 not voting.

Mr. DeCamp moved to indefinitely postpone. Motion pending.

Committee to Escort Governor

The President appointed Messrs. Barnett, Burbach, Schmit, DeCamp and Nore to escort Governor J. James Exon to the rostrum where he delivered the following budget message:

Mr. President, Mr. Speaker, Members of the Legislature, Ladies and Gentlemen:

Thank you for allowing me the time this morning to present the Governor's annual budget and State of the State message.

For the fourth consecutive year, I am recommending to the Legislature a balanced budget, which meets the legitimate need and the growing needs

of Nebraska, based once again upon holding the line on the equivalent of sales and income taxes that were in effect way back in 1970. That, in itself, is a record of holding down state taxation increases.

During the last three sessions, I have employed the executive veto when the legislative enactment of spending measures threatened or would have raised those established tax rates. I emphasize today that I will not hesitate to again so act should the Legislature pass bills that reach my desk which violates those rates. It has been my position that we should make every effort to limit increased appropriations caused by serious inflationary pressures on state government and new authorizations to the growth in those prevailing rates.

In this regard, so that we may act responsibly and on a sound fiscal basis, may I respectfully suggest that any non-emergency appropriations measures affecting state revenue or increased spending before your honorable body, including those with authorized expenditures known as "A" Bills, be bracketed until near the end of this 83rd Session, or at least until the main line budget bill has been approved. Such a course would allow us all to know exactly where we are going and how much it is going to cost Nebraska taxpayers to get there. The increased popularity of "A" Bills in the Legislature has the undesirable effect, I suggest, of circumventing the thoughtful and more deliberate "total over-view" budget making processes that I refer to as total over view and this impedes and disrupts what I refer to the budget making process.

When I entered the Chambers this morning, I delivered my 1974-75 budget recommendations in bill form to the President, and request its introduction. Now let me emphasize this is not presented as a perfect document, but one that meets what I consider to be responsible suggestions for your careful consideration as you proceed with the most important duty of this or any other session, that of appropriations to meet the financial needs of this state. To be sure, that recommendation means that you will have to muster the political courage. Yes, even during an election year. To reverse the ill-advised and fiscally irresponsible action of the majority of the State Board of Equalization last November 15th, over my strenuous and detailed objections and warnings of that time. We have a state to run, and must meet not only our on-going appropriations, but long-range appropriations previously committed by your body such as homestead and personal property tax exemptions. As responsible senators, I urge you to join with your Governor and your own fiscal and budget staffs in meeting the most obvious need of holding the line of 13% of federal liability for the state income tax. I remind you that this matter is in your hands. This is surely a time to put aside any hints of partisanship.

The question then is not who gets the credit or blame. This is a time for doing what is right for Nebraska, and to keep our state fiscally sound while meeting our legitimate obligations. History will certainly show whether you acted with courage or fell back and joined a very few of your colleagues, the Secretary of State, the State Auditor, and the State

Treasurer in their less than courageous attitudes towards state needs. I have always emphasized good government with a sound businesslike approach as opposed to political expediency. You have a clear choice.

Remember that after I voluntarily spelled out to you in a special message of April 16, 1973 the healthy financial position of the state at that time, and outlined possible tax cuts that could be taken November 15, 1973, you passed and I signed into law a special retroactive income tax cut to January 1, 1973. With that action, we used up any balance which could have been employed to reduce taxes again last November for calendar 1974, with that action we used up those policies. This I pointed out in my message to you of May 30, 1973. You see, we could not have our cake and eat it too. Most important of all, we must not allow or sanction any attempt to fool the people on taxation or adopt a yo-yo approach to rate setting in Nebraska. If you will act as I have requested, we can hold the line on the state tax rates not only for this year but for calendar 1975 as well. This is a realistic approach.

Now, please hear this and hear it loud and clear. If you appropriate funds for reasonable state needs generally as I am recommending, and in so doing fail to reverse the majority action of the State Board of Equalization, which will impair and interrupt normal and reasonable cash flows, you and the majority of the board could be dictating the possibility of sizeable tax increases this November for collection next year. Because of our requirement that one half of our revenues must be raised by the sales and the other half from the income tax, both taxes might have to be raised dramatically to maintain the fiscal stability of this state. Your Governor, the people, and I suspect the Legislature are unalterably opposed to such tax increases. I caution you that stabilizing or down barometers of economic expansion are predicted by economists and by the Bureau of Business Research at the University of Nebraska.

Please note my budget recommendations reflect a \$62.9 million or 19% cut from total agency requests as submitted.

In reviewing the executive budget, you will find that we have recommended a total of \$150.7 million, or 47% of the total state tax receipts and expenditures, for state aid and assistance to local governments. This category is necessarily up \$22 million, or 17%, over last year. You will note also that nearly one half of all state tax receipts are for other than direct operations to state government. Such assistance is helpful in allowing local governments to meet their obligations and reduce local real and personal property taxes.

Let me alert you to a hoax regarding taxation that is being considered by some. This embodies reducing the state aid and thereby the property tax relief by the amount necessary to cover the tracks of the irresponsible action of the majority of the State Board of Equalization. The gimmick here would be to shift this previous state obligation back to the local school districts and their taxpayers. If such tactics are employed this would cause an increase in mill levies and taxes clear across this state next year.

Within the total operating budget of \$679.3 million, including \$278.1 million in state General Fund monies, you will find in my recommendations, among other, the following:

1. Continuation of the additional \$20 million in state aid to education and property tax relief that I recommended and you accepted as per my recommendation last year. I call again for a reasonable spending lid on school districts that use these additional funds. This will assure continuation of the basic state aid to education at \$55 million.

2. In addition, increasing aid to special education funding by \$4.5 million for a total of \$8.8 million, compared to \$4.3 million last year, so that we may fund LB 403 to assist the handicapped. Items one and two then total over \$63.8 million, the recommended total state aid to education and accompanying property tax relief at the local level.

3. Continued state funding of homestead exemptions, as scheduled, of \$12.5 million; personal property exemptions, as scheduled, of \$13.5 million which is treated as a reduction in revenues.

4. Additional funding to the lower bracket ADC recipients who have been hit indeed by runaway inflation. For example, each mother and one child would receive monthly basic payments from the current maximums of \$124 to \$165 per month, which meets 80% of current established needs. This will require an additional \$1.5 million in General Fund monies.

5. With inflation also hitting hard at our dedicated state employees, I am recommending an additional \$4.7 million for funding of the state pay plan established last year which represents a 6.5% increase.

6. We have presented a well documented and carefully thought out program for the state colleges. This will require additional expenditures of one million dollars over last year, which is an approximate 12% increase.

7. Our recently established state system of technical community colleges requires more funding of \$1 million over last year, again for an average increase of 12%.

8. For the university system, I will appoint a committee to determine exactly how well our university compares as to funding with other schools in the Big 8. I have reduced their requests of \$13.3 million over last year's expenditures, which represents a 27% increase, down to \$7.8 million which is a 15% increase. Here we have recognized a substantial loss in federal funds at the university that was not experienced at other colleges. We have also allowed a \$500,000 increase for new agricultural research and development that will be a benefit to the entire state.

9. We must do even more in community based mental retardation programs where we are already considered national leaders. I am recommending an additional \$700,000 or a 45% increase over last year. Likewise, we are phasing in additional community mental health services.

10. We have been moving aggressively on penal reform, and again are asking your consideration for a four-year phased capital construction approach. I concur with our penal experts in their recommendation of \$3.2 million for necessary capital construction starts and expanded

programs for fiscal 1974-75. This includes 48 new probation and parole officials as requested by the District Court System.

Now, to meet the restraints of the hold-the-line policy as I recommend, to 2½ sales and 13% income tax, we now come to the Capital Construction portion of the executive budget. Based on \$278.1 million for operations and our minimum reserves as prescribed by law, I am suggesting the totals of all funds for Capital Construction of \$19 million for fiscal 1974-75.

This includes an additional \$600,000 for next year's installment on the combined diagnostic and veterinary services facility on the Ag Campus that has now been established at an eventual cost of \$6.3 million. Similarly, we are recognizing the needs of a life science facility at the Lincoln Campus, and are recommending an additional \$950,000 as a new appropriation. This keeps both of these projects on schedule.

The Agriculture School at Curtis and other out-state facilities of the University at North Platte and Clay Center should receive a total of \$765,000 for construction and renovation.

The Omaha campus must have \$2.1 million for central utilities and other priority needs. The medical center is allowed \$2.3 million for their construction in fiscal 1974-75.

Air conditioning in patient areas at various state centers will demand \$510,000 if we are really concerned about people oriented programs.

Specific improvements at the Hastings Regional Center of \$25,000 and at the Norfolk Center of \$100,000, primarily for Veterans' Facilities, are well documented and are necessary.

We suggest \$650,000 to initiate an eventual new 150 bed veterans' facility at Scottsbluff.

Four additional cottages at the Beatrice State Home should be constructed at a cost of \$550,000.

The Cozad school for the handicapped is in need of \$286,000 for a school/residential structure.

Continuance of the state aid to political subdivisions in assisting Nebraska Communities in their development of outdoor recreation and the first phase of the Papio Creek development project will require a total of \$928,000.

To enhance our state parks, we are recognizing needs totaling \$326,000 for next year only.

The budget document details other specific and other important areas of other high priority construction, renovation and repairs.

While there are many other important programs that I could discuss in detail today, which are equally deserving of our attention, I have touched only on some of the highlights of my detailed recommendations contained in the budget bill that is available to you this morning.

Before I take leave of the budget, let me advise you of my thoughts regarding eventual final appropriations in some of the critical areas if you fail to reverse the action of the majority of the State Board of Equalization and still appropriate the approximate totals that I have recommended.

Under such circumstances unfortunate compromises would have to be made in some of the programs that I have outlined. While I feel such action would not be in the best interests of the State, they would be necessary to maintain the solvency of the state and to prevent huge future tax increases.

As your Governor, I ask your help in maintaining the present fiscally sound condition of Nebraska state government.

The continuing discussion on the clarification of the matter of petition candidates for Governor and Lieutenant Governor is totally unnecessary and suggestions for time consuming court tests are unwarranted. This issue can be effectively resolved by either of two actions, or possibly a combination of both by simple legislative action. First, the passage of the suggestion by the Attorney General in this area; and second, by placing a correction in the constitutional shortcoming before the voters in the May primary. Then one of those actions will solve this problem.

I want to tell you I thoroughly support the constitutional amendment before the Legislature to allow the people the right to vote elimination of the sales tax on food since the Legislature has consistently rebuffed my suggestions in this regard.

On the ever present debate on expansive school aid, property tax relief, and tax reform, may I suggest that we attempt to arrive at some reasonable compromise between the Legislature and the Executive. If we could agree, spell out the details, its tax costs and benefits, and then submit the measure in some form of a referendum to the voters in the general election this year, we could obtain a clear mandate from the people. Other legislatures and governors have accomplished this, and I hope you will concur that the people should be allowed to speak on this fundamental issue.

Turning now to The State of The State, it is obvious that 1973 was a good year for Nebraska by any measurement.

It was another year of unparalleled growth. Were it not for the infamous beef price freeze of last summer, all of our farmers and ranchers would have done well. Nevertheless, it was generally a good year for agriculture. We must never forget that as agriculture goes, so goes Nebraska from an economic standpoint.

1973 was another exceptional industrial expansion year. 55 new industries were established, and new industrial jobs of 4,900 were created. In the last two years, we have shattered all previous records for new industries and new industrial opportunities for our work force. Yes, Nebraska is on the move! This impetus will generate the momentum to carry us through any possible temporary setbacks better than any other state.

The vast majority of our citizens shared, as never before, last year in our proud new theme of "Nebraska . . . the Good Life." National recognition was afforded Nebraska because of our dramatic advancement among the states in the all important category of "quality of life" in recent years.

By executive decision, we are assuring a somewhat better life for our senior citizens by increasing nursing home rates to allow for inflationary costs. I also directed that the state "pass along" to our aged, blind and disabled recipients the federal funds recently made available. It was my determination that such additional benefits should rightfully go to lighten the burden of our less fortunate rather than employed to reduce the general fund support in such categories.

1973 saw us reduce highway fatalities by 53 over the previous year, and we are one of the nation's percentage leaders in reducing highway deaths. A special thanks for this accomplishment is due all and especially to the news media for their usual excellence and cooperation in bringing the message home to Nebraskans regarding highway safety.

With efficient planning and without additional bonded debt, and while not losing a single dollar in federal matching funds, we built and constructed a record \$76.1 million in road improvements and new construction. The previous year, 1972, was also a record at \$66.1 million. At the same time, we reduced by \$6 million the bonded debt and interest that was inherited by this administration. Concurrently we have let contracts that will allow Nebraska to set another record . . . the first state in the nation to complete its major interstate system this year. While we will be criticized by a few for shunning deficit financing, for a pay-as-you-go road construction program, I shall not budge from my determination not to take the all too easy, but in the long-run not so prudent road policy of spend now, pay later. Nevertheless, I again request standby authority to issue up to \$10 million in highway bonds to meet any unforeseen emergencies. With declining revenues, caused by the national energy crisis, we are all concerned about future road construction. However, before we consider launching new taxation to assist road revenues, I suggest that we take a careful look at whether or not, under the energy crisis, materials are going to be available for our further aggressive road construction program. I currently see no need for an increase in fuel taxes for either 1974 or possibly even for 1975 if we can be successful in our attempts to have all of our impounded highway funds released by the Federal Government.

Were it not for the national energy crisis, I am confident Nebraska would be looking to 1974 as our best year ever. However, Nebraska and our nation has some possible economic storm clouds ahead that are not fully predictable.

Time and again, I have warned that inflation is the number one problem that faces America. Only recently, official Federal statistics have shown that we were hit by near record inflation in 1973. But Nebraska and America will not be sold short. We will face up to our problems recognizing always that we have more blessings than shortcomings.

In each of my addresses to your honorable body, I have emphasized the open door policy at the Governor's office. Yes, it's true that we are confronted with many issues, and while we cannot always agree, I believe that open and free discussion is a must. I try to follow the motto that

hangs in my office, "God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference."

With God's help then and our dedication to mutual understanding, we shall strive hard to work together for what is best for Nebraska. Thank you.

The Committee escorted the Governor from the Chamber.

GENERAL FILE

LEGISLATIVE BILL 568. Considered.

Mr. DeCamp renewed his pending motion found in this day's Journal to indefinitely postpone.

The motion prevailed with 26 ayes, 16 nays and 7 not voting.

LEGISLATIVE BILL 293. Bracketed until Tuesday, January 29, 1974 at the request of Mr. Simpson.

LEGISLATIVE BILL 680. Title read. Considered.

Bracketed until Monday, January 28, 1974 at the request of Mr. Carpenter.

LEGISLATIVE BILL 613. Bracketed until Monday, January 28, 1974 at the request of Mr. Carpenter.

LEGISLATIVE BILL 599. Title read. Considered.

Advanced to E & R for Review with 29 ayes, 0 nays and 20 not voting.

LEGISLATIVE BILL 653. Title read. Considered.

Mr. Cavanaugh offered the following amendment:

In line 5, after "shall" strike "not". Amendment pending.

Mr. Goodrich asked unanimous consent to hold the bill over until Tuesday, January 29. Mr. Barnett objected.

Mr. Goodrich moved to hold the bill over until Tuesday, January 29, 1974. The motion lost with 13 ayes, 15 nays and 21 not voting.