

LB 402	Tuesday, March 11, 1975	2:00 p.m.
LB 502	Tuesday, March 11, 1975	2:00 p.m.

(Signed) J. R. Murphy, Chairman

#### Revenue

LB 396	Wednesday, March 5, 1975	2:00 p.m.
LB 530	Wednesday, March 5, 1975	2:00 p.m.

(Signed) Calvin F. Carsten, Chairman

#### EASTER RECESS

Speaker Burbach suggested the following calendar for Easter recess, to adjourn on Wednesday, March 26, 1975 and take off Thursday, March 27, Friday, March 28, and Monday, March 31 and return on Tuesday, April 1, 1975.

#### COMMITTEE TO ESCORT GOVERNOR

The Chair appointed Messrs. Savage, Simpson and Mills to escort Governor J. James Exon to the Chamber to deliver his Budget Message.

#### EASE

The Legislature was at ease from 11:31 a.m. until 11:36 a.m.

The Committee escorted the Governor 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 Executive Budget Recommendations which meet the twin tests of restraint and realism.

I am offering for your consideration a sound and balanced budget, and will outline the perimeters of spending and taxes necessary to finance this program.

This is the fifth consecutive budget proposal where I have recommended a budget based on the State tax rates of 2½% on sales, and 13% on income that were in effect as far back as 1970. I am forced, in order to assure the State's solvency, to ask that you forthwith enact a 13% income tax retroactive to January 1, 1975. If it is the Legislature's desire, I will introduce a bill for this purpose.

I have many times previously cautioned against "Political Tax Tinkering" and a Yo-Yo approach to the State's tax needs and legitimate balances. Had my previous recommendations been followed, it would not be necessary for me to request such legislative action, and we would not find the State in the financial crunch it is experiencing in 1975. Even your tax action that I have requested will allow little leeway and future substantial deterioration of Nebraska's economy or a reoccurrence of drought this summer could produce serious revenue problems.

There are some major economic time bombs that are ticking away in Nebraska that cannot be brushed aside just because we are confident of our future. Information just received in my office indicates that Nebraska unemployment jumped in January by over 1%, up from 4.7% in December to 5.8% in January.

I call once again for the Legislature to assume rate setting authority as your counterparts have done in all other states as well as the legislative body of the Federal government. The Nebraska Legislature, for reasons best known to itself, has maintained that it should appropriate but not tax. Besides not being workable, the system encourages spending because those setting in the budgets, in effect, rely on others to shoulder the responsibility for tax rates. If the Legislature wishes to wait until November 15 each year to set tax rates, you could agree to reserve your last Legislative day each year for that purpose. Another workable solution would be for the Legislature to set tax rates for the current year the first day it meets in January.

My recommendations are for a \$327.4 million General Fund Operations Budget, and a \$4.1 Million General Fund Capital Construction Budget. This is the minimum recommendation that we should consider if we are to act responsibly. In addition, your body must consider, and I support, other pending obligations as follows:

1975-76 previously authorized capital construction appropriations of \$1.9 million as amended by my bill, \$1 million for the Resources Development Fund, an additional \$1.6 million for Aid to Dependent Children, \$1 million in deficit appropriations as I previously presented, and \$1 million for the Veterans' Trust Fund.

I have also recognized deficit funding requirements for the Community Technical Colleges and Homestead Exemptions in my considerations of available General Fund Revenues.

The total All Funds Budget, including General Funds, Cash Funds, and Federal Funds for 1975-76 is \$712.1 million.

This budget proposal was hewn from a massive portfolio of documents and spending requests and is a product of many long hours of work, study, and most difficult decisions. In total, I have reduced by some \$36.6 million the General Fund requests of all agencies. The final determinations were based upon my interpretation of what I believe to be the highest priorities on what we can afford.

You will discover some decisions that may appear to many as harsh. There is little or no room for any of the new and increased spending proposals introduced and being considered by the Legislature. Indeed there are some suggestions to cut back or delay some of the previous Legislature's authorizations. In your deliberations I encourage all to look about and see what drastic reductions are being made in other states as they meet their similar responsibilities.

All agency budgets incorporate our previous recommendations for a 5% pay step increase on the State Pay Plan for our dedicated State employees plus an additional \$468 per year per employee. This provides a significant increase especially for the lower and middle income employees; a fact that is evident, notwithstanding claims to the contrary.

We support a moderate increase for ADC recipients to help meet increased costs for those most in need. For example, for an unemployed mother and one child, we are suggesting an increase from the present \$175 per month to \$210.

To improve the care and provide for marked increases in patient loads for the State's Regional Centers, we must provide an additional \$2.7 million over the current fiscal year.

In Penal Reform and Construction, we are asking for a total of \$1.5 million, which is similar to our suggestions of last year which were not fully funded. This is a high priority item agreed to jointly by the Judiciary Committee, our Department of Corrections, and the Governor. Included in this request is \$300,000 which will generate \$2.5 million in Federal funds and provide the important new and expanded programs at both the community and institutional levels. I urge your appropriation authority accordingly.

The University of Nebraska received a General Fund increase in operational appropriations last year of approximately 25%. This was by far the largest increase in the Big 8. This year, the University had requested a further percentage increase of 34% representing an additional \$22 million for a requested total yearly General Fund Appropriation of \$86 million for 1975-76. I have reduced this by \$14 million while allowing a percentage increase of 11.4%. This amount is necessary basically to meet pay increases and expenses, and to encourage our University to maintain itself as a top-flight institution of higher learning. By comparison with funding for other universities in the Big 8 and elsewhere, this is an entirely fair proposal.

Since the University Operations Budget will be considered "tight" by their officials, I am recommending an aggregate appropriation to the entire system of \$71.6 million and suggest allowing the elected regents and their extensive administrative staffs to set their own spending priorities. With their all-funds budget of \$180 million, I feel all legitimate needs can be met as we all struggle with increased spending demands even in the face of overall static or declining enrollments.

With the constraints of available resources, we have been forced to be extremely conservative on capital construction, including the University.

The high priority State Construction Projects totaling \$25 million for 1975-76 should not be interrupted, because it would be unwise and wasteful. I believe the top priority for new construction should be the new ambulatorium at the Medical School. \$1.2 million is recommended for this purpose to meet the matching Federal funds of \$2.6 million.

The funding of this building will directly increase the number of physicians being trained to practice medicine in Nebraska. This represents an important step in alleviating Nebraska's physician shortage. I believe, however, that in conjunction with funding for the ambulatorium, there should be an increased effort by the Medical Center to select for admission to Medical School those candidates who are most likely to return to practice in our medically deficient areas. Under current policies, 60% of those admitted to the Medical School come from Nebraska urban areas, which represents 40% of the population, while only 40% come from rural and outstate Nebraska, which makes up 60% of the population. In short, we should start to recruit and admit more students for the Medical School who come from our small towns and rural areas, and who are more likely to return to their home communities. If we do not begin to put our house in order, we can expect Federal legislation which may impose physician quotas and possibly even a physician draft.

However, primarily as a result of this decision, I am recommending delay in appropriations previously authorized of \$2.7 million at UNO for construction of another physical education facility. This surely can wait as we struggle with priorities.

I further recommend that you rescind for one year the previous \$960 thousand appropriation for the lease-purchase of the Omaha State Office Building. In lieu of this, I am suggesting a \$40 thousand authorization for preliminary planning money. It is obvious the previous \$960 thousand appropriation cannot be expended in 1975-76, and therefore is not necessary this year.

I realize these are not popular suggestions. This is not designed as a budget to win any popularity contests. If there is any beauty to the budget, I am hopeful that it is trim and one that meets necessities.

For the State colleges, we are requesting an 11.4% increase primarily to meet their inflation costs. I would like to express my appreciation and thanks to the Board of Trustees and their administrators for their budget preparations. They were most reasonable, and we basically funded their on-going budget requests.

As for the Technical Community Colleges, we recommend a return to local control with a moderate increase in State aid for these institutions.

With regard to post-secondary education, we are faced with the necessity for some type of coordination. The Legislature has discussed this matter the last two sessions, but has not acted. As a result, I proceeded under executive authority to establish a 1202 Commission. It is my suggestion that this commission be continued in an advisory capacity and will present you with a bill for this purpose.

As we attempt to build a workable budget that will fit the restraints of revenue, I ask that the Legislature bracket all measures with "A" bills, where possible, and refer them to your Appropriations Committee so all can get a handle on total appropriations.

I also respectfully suggest that members of the Legislature have before them daily a current picture, showing declining balances as each spending appropriation is voted on; otherwise I cannot see how each senator can be fully informed.

When considering the receipts by State Government, it is important to recognize that approximately 50% of the State collections, totaling \$183.4 million go back to governmental subdivisions and citizens in the form of State Aid to Schools, Property Tax Relief, Homestead Exemptions, and Social Services.

The Executive Budget recommends continuation of the \$55 million Aid to Education. It should be pointed out that total State Funds will be paid to school districts in total of at least \$85 million in fiscal 1975-76 when all aid is considered.

I caution against implementation of any further increase in the basic present \$55 million aid this year. This simply cannot be financed because of necessary budget restraints. It is important to note that because of prudent actions by the State Board of Educational Lands and Funds, there will be available to the school districts an additional \$9 million this year over last. That, in itself, is a significant increase in funding.

Before we can proceed to an equitable long-range solution to State Aid, I believe we need passage of a constitutional amendment to allow the Legislature to reclassify real property. We will present you with such an amendment which could be approved by the people next year.

In lieu of a Veterans' Bonus, Nebraska has chosen to provide for financial assistance to needy veterans from proceeds from investments of an \$8 million dollar trust fund established after World War II. Because of increasing demands, the fund must be increased gradually to produce higher returns. We are requesting a \$1 million appropriation to the fund in fiscal 1975-76. With regard to meeting increasing veteran's needs, we are ready to begin occupancy of the new Veterans' Home in Scottsbluff, and further expansion will be made as soon as possible.

We must continue our battle in behalf of our Number 1 industry, agriculture. Last Tuesday, President Ford assured me and other Midwest governors in Topeka that the Administration was still reviewing the possibility of curtailing red meat, poultry and dairy imports. The President agreed he had the authority, but made no promises to act immediately. The President was also made aware of steadily declining prices in grain. He renewed the plea for full production, and could only promise agricultural fuel availability, but was not specific on its cost to the farmer.

It is my hope that some of the suggestions for protection of farmers in selling their products to processors can be enacted. Among other suggestions being made, I direct your attention to the proposed Federally administered one cent checkoff per head by the seller and one cent by the buyer at slaughter to create a fund to guarantee payments.

Looking ahead to the needs of agriculture, our budget provides \$20,000 for planning for a new Plant Science Building at the University. We are also continuing the State's increased role in water resources development with an additional \$1 million contribution to the Natural Resources Development Fund.

Road construction in Nebraska received the expected boost when we were finally successful in prying loose at least part of our impounded highway funds. We can proceed with our orderly planned programs. It would appear we will realize approximately \$42 million in new money for bid lettings this spring.

We will continue to press our successful legal action to recover an additional \$42 million due Nebraska. These funds will be employed primarily for noninterstate construction. Unlike many the other states, we are not hampered by a lack of state matching funds, and due to the excellent planning by Director Doyle and his staff, we have engineered jobs on the shelf and ready for bid.

I remain opposed to any gas tax increase at this time at either the State or Federal level. Again I renew my opposition to deficit financing of roads by bonded debt, but again would welcome standby authority in this area to meet any presently unforeseen emergencies.

The Budget Bill that I have presented this morning will not satisfy the pending demands of most State Agencies or special interest groups. I assume that indeed it will be criticized by some State Senators. The budget was not structured to satisfy everyone or every group, rather, it was built on minimum needs of required State services within a reasonable perimeter of what we should expect from the State's taxpayers. There will undoubtedly be cries of anguish and even despair in some circles. With its presentation, we can now all declare "open season" on the Governor's recommendations. It's fair game, as it should be, but in the end, I presume something very similar to its total will be enacted. The Legislature certainly has the right to make any changes it deems necessary, and it is not offered as an infallible document.

Hopefully, we can all agree that restraint in spending authorizations must be a paramount consideration. We must jointly address ourselves as to how we can balance expenditures with income. There will be disputes as to priorities. That too is as it should be. However, working in consort, and attempting to understand another's point of view, I am sure that we can accomplish our difficult budget task without rancor and agree on tax rates necessary to support the eventual decision. That task will not be easy nor are these easy times.

The Committee escorted the Governor from the Chamber.

#### ADJOURNMENT

At 12:04 p.m., on a motion by Speaker Burbach, the Legislature adjourned until 10:00 a.m., Tuesday, February 18, 1975.

Vincent D. Brown  
Clerk of the Legislature