

SELECT COMMITTEE REPORTS
Enrollment and Review**Correctly Engrossed**

The following bills were correctly engrossed: 37, 76, 275, 440, 495, 534, 535, and 583.

(Signed) Donald N. Dworak, Chairman

MOTION—Escort Governor

Speaker Burbach moved the Chair appoint a committee of 5 to wait upon the Governor and escort him to the Chamber and that we be at ease until the committee shall return.

The motion prevailed.

The Chair appointed Messrs. Anderson, Kime, Kelly, Cavanaugh and Carsten to escort the Governor to the Chamber.

EASE

The Legislature was at ease from 9:55 a.m. to 10:01 a.m.

The committee returned and escorted Governor J. James Exon to the rostrum where he delivered the following budget message:

MESSAGE FROM THE GOVERNOR

Mr. President, Mr. Speaker, Members of the Second Session of the 84th Legislature, Ladies and Gentlemen:

The state of the State in our great land of Nebraska is sound. There are many encouraging signs that we are emerging steadily though not spectacularly from the economic downturn. We can anticipate a further decline in unemployment this year, but unfortunately many of our citizens will continue to find gainful employment difficult to obtain. The key factor for full recovery will be the health of our agriculture. With adequate moisture and fair prices for the products of our farmers and ranchers, we can make further meaningful progress.

A prime concern must be the drought that has clutched this land. It is very real, very serious, and if continued on a widespread basis into the growing season, anticipated state revenues will be dramatically reduced. In that event, let all be forewarned, I would not hesitate to call the Legislature into special session and request your advice and authority to

slash appropriations wherever necessary in the new budget to assure Nebraska's fiscal integrity. With the uncertainties that face us, we must proceed with caution and extreme care.

With these fundamental considerations in mind, the Governor's budget for fiscal 1976-77 presented today is based upon three key factors....prudence, productivity, and a proposed tax reduction.

It is my hope that the Legislature will accept this budget, as required to be submitted each year by the Constitution, under Article IV, Section 7, or amend same only under authority specifically granted your honorable body by the Constitution.

The primary goal of this administration has always been to meet the real needs of a healthy, growing Nebraska while recognizing reasonable fiscal restraint. As never before, this is a time for understanding and cooperation.

We must come together to resist what has become common place in much of government today: ever-increasing tax rates or a further plunge into the financial quicksand of bonded debt and in some cases a combination of the two. Specifically, for the sixth time, I again reject in this budget, any funding of road construction through deficit financing.

With growing expenses as experienced by society in general, caused primarily by continued runaway inflation, all government will spend more in total dollars.

However, this fact should not be used as an escape mechanism for elected officials to avoid our prime responsibilities to intelligently manage and objectively control expenditures.

Few can fault the theory that government spending at all levels, but particularly in Washington, was at least the uncontrolled incubator of inflation and now all the chickens are coming home to roost everywhere and on everyone.

When most of the people in this Chamber were born, few if any individuals paid income or sales taxes at any level of government.

The American Birthright then was truly free since a new citizen did not automatically inherit their share of debt created for them by others. Each American child born in the year of our Lord, One Thousand Nine Hundred and Seventy-Six will be issued a birth certificate and an average debt mortgage of approximately \$3,400.00. Never has there been a more classic case of taxation without representation.

For its first century and a half, this country, starting from scratch, marshalled its God given strength and abilities, and built the strongest, soundest, and most stable nation on earth, all while maintaining the principle that we should not spend beyond our means.

The last fifty years, during our lifetime, we have witnessed a steady reverse of the previous sound fiscal course.

A startling statistic, I suggest, that brings all of this into focus is that in the last six years alone, the federal government has "created" approximately 35% of the total national debt accumulated since 1776.

Unless arrested, such mismanagement of financial resources will surely bankrupt the United States of America and send her skidding to a third rate world power. New York City has shown us it can happen here!

In Nebraska, we do not propose to turn back the clock. However, we must be ever mindful of what is going on about us and steer a clear course.

With all government spending, there should be a checkpoint, a budget measured and planned on a road of restraint. Such a road is never smooth. Road blocks will be erected by special interest groups, many well intentioned, designed to wreck spending limitations in the pursuit of their goals.

Nevertheless, if we are to be realistic and not reckless, let us first set parameters of expenditures beyond which we shall not go. I call this checkpoint prudence. It forces the setting of priorities on spending. It further provides a non-elastic leash that uncomfortably jerks all back to reality when the spending machine runs wild.

The budget recommendations presented today have been given detailed study and consideration. I have reduced by \$53 million the total General Fund spending requests. To insure more productivity, I have struck requests for some 935 new employees.

In developing the Governor's General Fund Budget requirements for fiscal 1976-77, the checkpoint prudence figure of \$364.8 million has been established. This figure includes the traditional General Fund contributions to operations and aid to political subdivisions. Enactment of this amount and acceptance of my other spending limitations will allow a reduction of 2% in the state income tax next year, down to 13% of federal liability, while holding the line again at 2½% on the state sales tax. Another option the Legislature has would be to eliminate the sales tax on food at the grocery counter in lieu of the reduction on the income tax.

Increases in total state expenditures are required primarily to fund previous and on-going multi-million dollar commitments and to at least partially recognize continued inflationary costs.

If we are to be prudent, the Legislature must reject giant new tax-gobbling measures totalling at least \$145 million scattered throughout the hundreds of bills that you are presently considering.

I congratulate the Legislature for its leadership in suggesting fiscal restraint at the federal level as proposed in Legislative Resolution 106. I urge you to amend and include in that document, the Legislature's spending ceiling for Nebraska, thereby clearly showing the federal government that what we preach is what we practice. You will remember that LR 106, supported by 75% of the members of the Legislature, is your proposed action directing that, "The total of all federal appropriations made by Congress. . . not exceed the total of all estimated federal revenue for that fiscal year." I respectfully suggest that it would be entirely proper and consistent for us to apply to ourselves the same sound fiscal medicine that we prescribe for others.

Those of us in state government must be alert to a new double-barrelled attack now in full swing on state resources.

The federal government is on a calculated course of shifting traditional federal obligations to the states. Likewise, the subdivisions of state government, not satisfied with the ever-increasing 43% of the state's General Fund Budget, now flowing directly back to them, plus their own taxing power, are appealing for more and more. There are presently at least ten bills before you in this category, an intriguing wish list.

The record is replete with undisputable proof that the more so-called "aid" is provided, the higher taxes and spending go at local levels. The Nebraska Tax Research Council has recently released a study which shows that since 1966, when Nebraska broadened its tax base with the first sales and income taxes, real estate taxation has generally doubled, and in some cases, tripled. So-called "tax relief" is mostly a myth.

For these reasons, I urge your rejection of all such proposals unless you can devise a way to finance them by rearranging priorities within the restraints of my present total budget. Since 43% of the State's General Fund Budget is now being returned to local government, possibly some of these funds presently committed otherwise, totalling \$179 million, could be redirected to the new funding requests. We should not knowingly provide escape mechanisms on spending restraints otherwise provided by law.

I will not encroach on your time this morning to comment on most of the important agencies and programs that will require your attention. The detailed budget and accompanying documents are generally self-explanatory. However, there are some matters that should be expanded upon, including legislation in bill form that I am requesting be introduced today.

It has been evident that legislative salaries of \$4,800 per year are probably not going to be raised by the voters. With the usual high percentage of State Senators who always seek re-election despite comparative low pay, it is understandable why the citizens cannot be convinced that salaries are a deterrent to those seeking the important position. However, many realize that most of you make personal financial sacrifices to serve. Is it not time to consider lightening your required time to be here in your official capacity?

You are provided with a bill today to allow the people to vote in November on a Constitutional Amendment to return to biennial sessions.

In addition to lightening your work load and improving productivity, such a move could save millions of dollars and hopefully cut down the unbelievable crunch of bills that somehow overburden you each year.

Since annual sessions began in 1971, the cost of the Legislature has skyrocketed from over \$1 million per year to your current request of approximately \$4 million for next year.

Should interim sessions be necessary, you can easily call yourselves into session, or the Governor may do so.

I am again requesting introduction of my bill to limit campaign spending and disclosure of income sources for State Constitutional Officers, State Senators, and those seeking such offices. This has been done with the full knowledge that a committee of your body has just killed my previous identical effort in this area.

Similar measures have been passed and currently affect those involved in federal elections. It seems to me that Nebraskans want and are entitled to such action here. I hope that the Legislature will approve this request promptly.

You have before you LB 579 to establish a commission to begin the task of coordination of post secondary education in Nebraska with the goal to eliminate duplication, improve the schools, and save tax dollars. Such a measure is badly needed since Nebraska is far behind in this area. We are one of only three states which have no such coordination.

With post secondary education taking approximately \$111 million of the State's annual General Fund Budget, it is certainly an expensive but very necessary function that needs more direction and accumulation of reliable information upon which we can make intelligent decisions.

The record will clearly show that Governor Jim Exon and the members of the Legislature during the last five years are pro-education and are concerned with providing the best education possible for Nebraska youth at all levels. Notwithstanding our accomplishments, there are those with no concern whatsoever for accountability or ability to pay and tax, who mistakenly equate quality of education only with total dollar appropriations.

With \$179 million of the State's General Fund Budget pre-empted by the local units of government, \$84 million for the university, \$13 million for the state colleges, and \$38 million in aid to individuals, there remains \$103 million, or only 24% for other important functions of state government.

For the community technical colleges, there is provided an increase of \$1.8 million over last year. However, I support appropriation of such an amount only if the Legislature will accept a measure that I am introducing today which provides for a reduction of the maximum mill levy on local real and personal property from the present 2.5 to 2 mills. This would reduce such taxes a total of at least \$3 million across the State.

The University of Nebraska is by far the largest agency in state government from the standpoint of both employees and consumers of tax dollars. The University of Nebraska is a most valuable asset. We need to assure, as best we can at the legislative and executive levels, its continuing good health, including fair salaries for its needed faculty and other employees. The welfare of our young Nebraskans studying there has been and must continue to be a prime consideration.

The University, like any other agency, must justify its expenditures. I am not convinced that they have adequately done that. Like most others, they should get the message that we expect trimming, better planning, and conservation of tax funds.

A look at the record shows that despite near static full-time equivalent (F.T.E.) enrollment since the 1969-70 budget year, we have more than doubled General Fund expenditures, up 105%. In the 1969-70 year, the General Fund Budget was \$37.5 million, compared with this current year of \$77 million.

During that period of time, there apparently has been a decrease in productivity, as evidenced by an increase of 29% in the F.T.E. teaching faculty, 120% in administration, and 44% in total employment.

The faculty seems to blame the Governor and the Legislature for not providing enough money. I submit that this is not the case. A recent study has shown that the University of Nebraska is well-financed from state tax funds compared to most of the universities in the Big 8. Some segments of the University, not only compare well, but are in fact number 1 in state tax support.

In the budget, I have recommended an increase for the University of 9.3% from the General Fund, and authority to employ unobligated cash funds in addition. The University requested a 30% increase in one year from \$77 million to \$100 million. I am recommending an increase of \$7.2 million only.

We have allowed great flexibility to the Regents by basically providing lump sum appropriations divided into the four basic areas; Central Administration, Campus Operations, the Agricultural Institute, and Cash, Revolving, and Certain Federal Funds. As provided in the University budget, the Regents are allowed total flexibility, at their discretion, on faculty salaries.

Provided for in the budget is a reasonable raise for state employees, also hit by inflation, of 3% on July 1, 1976 and 3% effective on their service date. We have included a discretionary fund for merit use by agency heads. This equates to an increase in cost to the General Fund of approximately 5.5%.

There was a dramatic increase in the hospitalization costs for the state insurance plan which should, in my opinion, be accepted by the State immediately. Otherwise, most state employees will continue to experience a permanent decrease in their take-home pay.

The Capital Construction Budget is stringent. We have continued funding as agreed upon previously for the Veterinary Science and Plant Science Buildings on the Agriculture Campus.

The only major capital construction we face is in penal facilities. As per agreements with the Legislature, we are continuing on a phased approach.

In the last year, there has been a dramatic and totally unpredicted rise in the penal population. We must move as quickly as possible on construction.

In the first session, over my strong objections and veto, it was the Legislature's directive that two medium/minimum facilities should be constructed; one in Omaha with 175 beds, and one in Lincoln with 200 beds.

I am advised that we have an increased and current and projected need of a total of at least 464 beds in this category. Bowing to legislative mandate, you will find in the Capital Construction Budget, a 256 bed facility in Lincoln, with final construction cost estimates of \$7.6 million, in addition to a like facility in Omaha at \$7.4 million with 208 beds.

I direct your attention to the fact that these costs will be approximately \$32,000 per bed which is supposedly under national averages, as shockingly high as that figure is.

If you will, as I recommend, correct your present course and build one unit in Lincoln, we will have completion of all beds at least a year earlier, save the taxpayers a total of \$2.2 million in construction costs, and due to economy of scale in the larger institution, save at least \$1 million per year, each and every year in operational costs. Please consider the multi-millions in savings over the life expectancy of the facilities. Give us your decision, whatever it is, and we shall proceed.

Thank you for your courteous attention and your valuable time. Although we shall not always agree, we must communicate. Senators are always welcome in my office, and we are anxious to see any of you anytime. I urge you to let me know whenever you think I might be helpful, and I will do likewise.

May God bless us all in our endeavors as we attempt, each in our own way, to do individually and collectively, what we believe to be best for the people we are proud to serve in our wonderful Nebraska.

Thank you.

The Committee escorted the Governor from the Chamber.

SELECT FILE

LEGISLATIVE BILL 432. Mr. Chambers renewed his pending amendment found in this day's Journal. The amendment was adopted with 27 ayes, 3 nays and 19 not voting.

Advanced to E & R for Engrossment.

LEGISLATIVE BILL 248. Mr. Barnett renewed his pending amendment found in the Journal on page 246 for the Eighth Day.

Mr. Kennedy asked unanimous consent to have the bill laid over until Speaker Burbach returns. No objections. So ordered.

LEGISLATIVE BILL 622. Mr. Luedtke offered the following amendments:

- 1 1. On page 2 insert the following new section:
- 2 "Section 1. That section 64-101, Reissue
- 3 Revised Statutes of Nebraska, 1943, be amended to read