

NOTICE OF COMMITTEE HEARINGS
Agriculture and Environment

LB 120	Thursday, February 8, 1979	1:30 p.m.
LB 327	Thursday, February 8, 1979	1:30 p.m.
LB 473	Thursday, February 8, 1979	1:30 p.m.
LB 512	Thursday, February 8, 1979	1:30 p.m.
LB 62	Friday, February 9, 1979	1:30 p.m.
LB 74	Friday, February 9, 1979	1:30 p.m.
LB 397	Friday, February 9, 1979	1:30 p.m.
LB 515	Friday, February 9, 1979	1:30 p.m.

(Signed) Loran Schmit, Chairman

Government, Military and Veterans Affairs

LB 88	Thursday, February 8, 1979(cancelled)	10:30 a.m.
LB 271	Thursday, February 8, 1979	10:30 a.m.
LB 500	Thursday, February 8, 1979	1:30 p.m.
LB 466	Friday, February 9, 1979	1:30 p.m.

(Signed) Orval A. Keyes, Chairman

The Chair declared the Call raised.

MOTION - Escort Governor

Speaker Marvel moved a committee of 5 be appointed to escort the Governor to the Chamber.

The motion prevailed with 31 ayes, 0 nays, and 18 not voting.

The Chair appointed the following members to serve on said committee: Speaker Marvel, Mrs. Labedz, and Messrs. Beutler, Carsten, and Warner.

The committee returned and escorted Governor Charles Thone to the rostrum where he delivered the following Budget Address:

GOVERNOR CHARLES THONE
BUDGET ADDRESS TO THE 86th LEGISLATURE
FIRST SESSION

Mr. President, Mr. Speaker, distinguished members of the Legislature and friends:

Less than a month ago I was privileged to stand here to take the oath of office as your Governor--an oath in which I swore to faithfully discharge the duties of that office according to the best of my ability.

One of those duties, under our constitution, is to "take care that the laws be faithfully executed and the affairs of the State efficiently and economically administered."

I come here today in fulfillment of that duty and to present to you, the Legislature, my budget recommendations for fiscal year 1979/1980, and to report to you on the State of the State.

And I come to fulfill a compact I made with the people of Nebraska last year that I would present a budget which requires no increase in taxes.

This is an austere budget in that it is a budget of self-restraint and discipline. It was fashioned after long hours of study, thoughtful consideration and reconsideration. No single effort has absorbed more of my time and thought, both before and after my inauguration, than the preparation of the document before you.

There will be those who will label this a "caretaker budget," a description I willingly accept, if by that phrase is meant the literal taking care of the resources of our state, in the same sense that the constitution adjures me to take care that the laws be faithfully executed.

Ladies and gentlemen, there are those who only lately have come to realize that the resources of state government are limited, and there are those who have only recently come to recognize that there are limits not alone on our resources but on what government can effectively do. We are relearning that government is not all powerful and ought not be. Just as there are good and legitimate functions of government, so there are many things government cannot do and ought not try to do.

Some of you will recall that more than a year ago when I announced my candidacy for Governor, I said:

"There is a political tide that is just beginning to flow in America. We are on the verge of a powerful political movement. That movement will take away some of the excessive power from the inefficient and non-responsive federal government. Americans are realizing that overgrown, centralized government doesn't work very well. Therefore, we're going to see some power restored to state and local governments."

This is an exciting time to be involved in state government. The programs we fund and administer are people programs. They deal with the needs and situations which people face in their day-to-day lives, ranging from education to transportation, from clean air to safe water, from physical to mental health.

The challenge before us is to perform those services in what has been called "an age of limits."

We have learned, or are in the process of learning, that spending more money is not the best solution to many of our problems, we have learned that there are strict limits on the funds and resources at our disposal.

But merely because there are limits on our resources does not mean we must be limited in our resourcefulness. Having discovered that spending and spending, and taxing and taxing is not the answer, we must use our ingenuity and our management skills to find new and better ways of delivering services efficiently and economically, as our constitution requires.

Bertram Goodhue would recognize the design of this magnificent capitol he created more than half a century ago, but he would be staggered by the changes wrought under its golden dome.

Let us consider what has happened in just the past decade. The General Fund expenditures for the operations of state government and state aid to local government, excluding capital construction, has risen from \$163 million in fiscal year 1969/70 to \$520 million this year, an increase of 219 percent.

It is well known that America's No. 1 domestic threat is inflation, the primary cause of which is skyrocketing federal spending, with its annual budget of half a trillion dollars, representing 21.2 percent of our gross national product.

The Omaha World-Herald, in its recent survey of business in the midlands, quoted the operator of a string of McDonald's Restaurants in Omaha as saying, "there is a limit to how much the customer will pay. The hamburgers we used to sell for 15 cents are now 40 cents. There's no way it can go on forever."

Nor is this attitude which some have termed a taxpayers' revolt limited to Nebraska.

In his annual message to the New Jersey Legislature, Governor Brendan Byrne said:

"I do not come before you today with a long laundry list of bills to be passed. Rather, I shall submit to you a list of laws to be repealed. It is time New Jersey went on a Legislative and regulatory diet. My challenge to you is to repeal a law for every one you pass."

Governor Willim G. Milliken of Michigan told his Legislature that the message the people are sending is "that they want a better

government--that they want their money's worth from government--and that they want government to know what it is doing before it acts."

Governor Bruce Babbitt of Arizona said in his budget message:

"The budget that I have submitted today reflects my response as Chief Executive to the public demand for fiscal restraint. It says to you and the people of Arizona: We cannot afford to do everything, we must live within our means, and we must have tax relief now. We must scrutinize existing programs and expenditures to determine what should be continued and what should not."

And President Carter has proposed to the Congress a budget which clearly recognizes the urgent need to meet and conquer the inflation which threatens to destroy us.

The budget I propose is not a perfect one. In the weeks and months ahead you will have ample opportunity to review it thoroughly through the normal legislative process. I welcome that review and the constructive criticism and improvement it will produce. I will from time to time deliver to you additional messages on the budget, as well as offer my suggestions for addressing the difficult problems of property tax equalization. Statewide property tax equalization in and among political subdivisions is an absolute necessity and being given the highest priority by my office.

It is also my hope that each of you will take advantage of the open door to the Governor's Office. Through this and other means a truly cooperative spirit between the Legislative and Executive Branches will facilitate the fulfillment of our joint responsibilities.

My budget message to you and to the citizens of Nebraska is simple - and straightforward. We must live within our means. We must decide what is necessary, and what we can live without. We must make difficult decisions.

We must set limits, and one sure limit is the current sales and income tax rates. State Government as well as local subdivisions of government must accept limits on expenditure growth.

The budget I present you today is within our means and is within the limits. It is a budget which requires no tax increase.

Yet it is a budget which is forward-looking, which meets our needs, and which sustains and advances Nebraska in the forefront of state and our good life.

The State of Nebraska economy is good and growing. Unemployment this past year has averaged 3.2 percent while total employment is up an average of 20,306 jobs over the previous year. Nebraska's first place composite ranking among the states in a recent study of business climate and quality of life is a source of pride to all of us - and a stimulus to further action. It will be my policy and my

goal as Governor to build on these great strengths of ours - our people and our resources - to secure for future generations those blessings we now enjoy.

Agricultural conditions are somewhat improved over what they were a year ago in Nebraska. The livestock industry is presently enjoying a period of profitability. For the ranchers, it is the first real profit they have experienced in five years. Regrettably, some ranchers in our state are facing very difficult days because of the snow and ice and we are offering them all possible assistance.

While the current situation is improved there are danger signals we must not ignore.

The rising costs of machinery, chemicals, electricity, and other sources of energy are keeping farmers in the all too familiar cost/price squeeze.

The parade of tractors now on its way to Washington offers continuing evidence that not all segments of agriculture are receiving fair or adequate prices.

The best available evidence suggests that no less than 60 and perhaps as much as 70 percent of the state's grain storage capacity in commercial elevators and in farm storage will still be filled with unsold and unshipped grain when the combines enter the fields for the 1979 harvest.

Grain shipment is a continuing problem, and is compounded by the fact that perhaps hundreds of bridges on rural roads and some on rural rail lines are unable to stand fully loaded trucks and hopper cars. This, of course, increases transportation costs with the end result of lower profits for farmers.

Pursuant to a bill I was privileged to support while still in the Congress - an estimated \$60 million will be available over the next four years to replace bridges on state and local highways and roads. Up to 35 percent of this amount is available for local subdivisions of government.

The expanded marketing program I am recommending to you today is a start in the right direction. But it is not enough, and we expect to make further progress in succeeding years.

Turning to the budget and fiscal condition of the state, the General Fund balance as of December 31, 1978 was \$55.2 million, while receipts to the General Fund were 1.1 percent below projections for that date.

The science of revenue forecasting is an uncertain one at best, and perhaps more so in the next and coming years than in others. For fiscal year 1979/80, I have been presented three alternative forecasts by the Department of Revenue: no recession, mild recession, and deep recession.

I am not by nature a pessimist. Nevertheless, amidst national predictions of economic downturn - the congressional budget office among them - the recent opec increases, continuing high levels of inflation, the undetermined success of the President's wage and price policy, and our own Department of Revenue projections, I am constrained to counsel and urge fiscal caution.

My budget recommendations are based on net receipts in FY 1979/80 of \$590 million. This is coupled with a 6 percent reserve I am recommending to you and which I believe is prudent at this time.

Further, I sincerely urge you to consider the cost of proposals now lying before you - not just in the light of next year's cost but of future years, as well. Too often in the past, proposals with low initial cost have ballooned upward beyond anyone's expectation. I propose to you that the full future yearly cost of all such proposals play a prominent part in your debate, as it will in my actions as Governor.

The budget of \$570.1 million I am presenting you is 6.3 percent above the current fiscal year budget of \$536.4 million including those necessary deficiencies which were presented to me upon entering office and which I have delivered to you for your consideration as is provided by law. Included in this total is the added cost of \$10.7 million for the expanded Homestead Exemption Program passed by the Legislature just last year, and the next phase of Personal Property Tax Exemption Program which adds a cost of \$3.6 million as provided in LB 518. Without these two items alone, my total budget recommendation today would be only 3.6 percent above last year.

In developing this budget, I have reduced state agency requests for operations and aid by 24.2 million and for capital construction by \$58.5 million.

Total General Fund expenditures for state operations and state aid are recommended at \$563.1 million including \$15 million from the Revenue Sharing Trust Fund. Of this amount, 53.3 percent is allocated to state aid to local subdivisions of government and to individuals, 23.8 percent to post-secondary education; and 22.9 percent to operations of state government.

The total General Fund capital construction recommendation of \$22.1 million includes \$7.0 million for deferred building maintenance as provided by LB 309 including improvements to meet handicapped access standards, \$7.0 million for second and third year capital items currently underway, and \$8.1 million for other necessary capital projects.

My capital construction recommendation to you is \$7.7 million under that approved for the current fiscal year. It is based on finishing previously approved projects, providing for continuation of the important deferred maintenance program, and providing for

necessary improvements and renovation of existing structures as priority items given available funds. With the sole exceptions of a new maximum security cottage and visitors center in the York women's facility and initial development funding for a Omaha information center, I am recommending no major new state structures not already authorized. Included within this recommendation is \$350,000 in each of the next two fiscal years for the Omaha Central Park Mall and Marina project.

Additionally, I have directed the LB 309 commission to conduct an energy audit of state buildings and campuses to insure the proper utilization and maintenance of boilers, cooling equipment and other energy related items. I was shocked to hear estimates of nearly \$9 million potentially needed to replace such mechanical systems in state structures.

Nebraska is truly indebted to its loyal and hardworking public employees. Their dedication to their responsibilities and duties did much to ease the recent transitional period between administrations. In recognition of that dedication and of prevailing economic conditions, I am recommending for your approval a 6.5 percent increase in salaries effective July 1, 1979. This is a figure within the President's wage guidelines and allows a margin for salary grade revisions, merit increases, and other actions which also must count against the guidelines.

At the same time, I intend to take a long, careful look at staffing in state agencies. Increases in productivity and efficiency in all state agencies will ultimately mean better services at lower costs for the taxpayers of Nebraska. President Roskens and his administration have taken a first, hard step in this direction at the University of Nebraska. In this regard, I have directed the State Budget Administrator to delete from the state authorized staffing report all positions which have been vacant in excess of thirty days. He estimates there are approximately 2,000 such positions. Each state agency will be required to submit for review a detailed organizational chart enumerating positions and numbers of individuals necessary to conduct agency business efficiently. Re-establishment of such positions on the authorized staffing report will be contingent on this review. I request all state agencies - including those not under the state personnel system - to cooperate to the fullest in this action.

Our institutions of higher education - the University of Nebraska, the four state colleges and the community technical colleges represent our commitment to the future for our children and ourselves. It is vital that scarce state tax dollars invested in higher education bear the highest possible return.

I am recommending a 6.8 percent increase for the University of Nebraska from \$108.1 million to \$115.5 million. I am also recommending the concept of a system-wide approach to university management and propose that the appropriation be provided in lump-sum. I have also provided for the agricultural engineering building on Lincoln's east campus, planning funds to begin renovation of the Eppley Library at the University of Nebraska at Omaha, and full funding for the necessary animal holding facility at Curtis.

In addition, I am recommending a 7.7 percent increase in state General Fund for Chadron, Peru, Kearney and Wayne State Colleges for a total of \$18.5 million. For community technical colleges I am recommending a state General Fund increase of 6.8 percent.

My recommendations for agriculture and natural resources reflect an increase emphasis in this vital area:

- For the Department of Agriculture, my budget will double the effort in agricultural marketing.

- For the Department of Water Resources, my budget provides for increased stream gauging activities.

- In the area of gasohol, I am recommending \$1 million for project grants.

- I have already provided you with my recommendation for a \$2.4 million federal-state-local grasshopper spraying program with the state's share at \$800,000. I urge that this money be made available prior to July 1, 1979, so that it can be used for maximum benefit.

- For the Natural Resources Commission I am providing \$2 million which, if the commission chooses, may be used solely for development projects, and would double the budget in this area.

- For the Governor's emergency fund I am recommending \$300,000 plus a deficit appropriation of \$700,000. It seems prudent that this fund be maintained at a minimum of \$500,000 to meet any natural disaster that may occur.

- Available revenues will accomodate \$250,000 as the First-year cost of an updated state water plan which I fully support. Your Public Works Committee is to be commended for its foresight and diligent efforts in this important area.

Human services is a large and growing function of state government. My budget recommendation for the Department of Public Welfare includes an 8.6 percent General Fund increase over the current year including deficits to \$71.5 million from the General Fund. The fastest growing sector in public welfare is Medicaid which now amounts to over 55 percent of the total Welfare Aid Budget. Health care costs in general and nursing home costs in particular are rising alarmingly, nationally, as well as in Nebraska.

I share the concern which has been expressed over the effect of these rapidly rising costs and their impact on county budgets, and I support efforts to ameliorate this burden. I do not endorse the total removal of this responsibility from county government.

Further, action must be taken now to stem the cost growth in health care services. Reasonable certificate of need legislation is one answer, but is not in itself sufficient. In the coming months, I will be asking those state agencies with responsibility and expertise in this area to submit to me recommendations on possible state action to bring this program under control.

In the Department of Public Welfare, I have provided for the pass-through of federal benefit increases for state supplemental security income recipients. I am recommending doubling to \$280,000 the program for victims of domestic abuse.

In the area of mental retardation, my recommendation includes \$1 million from the State General Fund to provide for appropriate evaluations for community placement and continued movement of Beatrice State Developmental Center residents to community programs. Our best estimate is that this will double the amount which will be allocated for this purpose during the current fiscal year. My budget will also ensure the proper level of staffing and care for those residents whose evaluations show they are best served at our fine Beatrice facility.

In the area of education, I would like to call your attention to the fiscal impact of last year's LB 889 which calls for state funding of 90 percent of the cost of preschool handicapped children. The Commissioner of Education has recently put me on notice that the \$2.5 million included in their budget request for this program may be as much as \$1 million short of currently estimated costs. I will report to you when final costs for this program have been provided.

In the area of correctional services, both the new Diagnostic and Evaluation Facility and the Lincoln Medium/Minimum Security Facility will be operational this spring. These two fine facilities will do much to improve correctional services and the penal environment. I am recommending funds to test an innovative prison staffing strategy called the "unit manager concept". Future funding for this concept would be dependent upon objective evaluations of its impact on inmates.

I have included funds for the new Maximum Security Unit in Lincoln for which construction must start without delay. We are all aware of the critical need for this facility.

Additionally, I have provided funds for the new work-release facility in Omaha and provided for reappropriation of funds for the Omaha medium/minimum facility. Both these projects are essential to

our correctional program. Continuing delay in land acquisition is adding thousands of dollars each month to the cost of these facilities - which is now several million dollars higher than when originally planned. If another site must be found to expedite these facilities, then that decision must be made. I have requested the Department of Correctional Services to review possible alternative sites in the Omaha vicinity and will report to you on their conclusions at a later date.

Mr. President and Mr. Speaker, the preparation of a budget by an incoming Governor is never an easy task. I cannot conclude these remarks without acknowledging the expert assistance that I have received from the talented and dedicated members of the budget office under Donald Leuenberger and Brent Stevenson. I have found no group of state employees more capable or more willing. We had a large number of early morning and late night sessions. I want publicly to salute Mr. Leuenberger and his staff of Steve Ferris, Dave Wagaman, Pat McCormally, John Rochford, Jean Larson, Steve Schafer, Arlon Zabel, Gwen Waybright, and Sonia Hart for their skilled professional assistance in the preparation of this budget.

The budget for the coming Fiscal Year is now in your hands. I know it will receive your careful and competent consideration. I renew the invitation I extended earlier, that I am available at any time to counsel with you in any area in which you feel I can be of assistance.

The people of this state have reposed in us their trust and their confidence. It will require the best efforts of all of us to merit their reliance upon us to work together and act together for the public interest for all Nebraskans.

The Committee escorted Governor Thone from the Chamber.

BILLS ON FIRST READING

The following bills were read for the first time by title:

LEGISLATIVE BILL 554. By Speaker Marvel, 33rd District, at request of the Governor.

A BILL FOR AN ACT relating to appropriations; to acknowledge and reaffirm appropriations previously made; to appropriate and reappropriate funds; to amend Laws 1978, LB 956, sections 4, 5, and 35, and Laws 1978, LB 956, sections 33 and 42, with items reduced or disapproved by line-item veto; to provide severability; to repeal the original sections, and also Laws 1978, LB 956, section 6; and to declare an emergency.