

This bill introduced on behalf of: committee.

A BILL FOR AN ACT to amend section 48-1304, Reissue Revised Statutes of Nebraska, 1943, relating to the Nebraska Equal Opportunity for Displaced Homemakers Act; to remove a restriction on the number of service centers; to continue the act; and to repeal the original section, and also section 48-1308, Reissue Revised Statutes of Nebraska, 1943.

LEGISLATIVE BILL 664. By Marsh, 29th District.

This bill introduced on behalf of: Children of Nebraska.

A BILL FOR AN ACT relating to motor vehicles; to require the use of a passenger restraint system as prescribed; and to provide a penalty.

MOTION - Escort Governor

Speaker Marvel moved that a Committee of five be appointed to escort the Governor to the Chamber to deliver his State of the State and Budget Message.

The Chair appointed Messrs. Cullan, Hefner, Schmit, Sieck, and Mrs. Marsh to serve on said Committee.

EASE

The Legislature was at ease from 9:51 a.m. until 9:55 a.m.

The committee returned and escorted Governor Charles Thone to the Rostrum where he delivered the following State of the State, and Budget address.

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

My message this morning is both a report on the State of the State and my recommendations on the budget for the 1980-81 Fiscal Year. I believe the two are virtually inseparable, because the destiny of our state is in so many ways influenced by fiscal considerations and economic factors.

As your legislative session begins, the new decade is but a few days old. It is already filled with turmoil. American citizens are held hostage in an American Embassy overseas. The United States government has taken steps to punish the Soviet Union for its aggressive actions in the same part of the world. Included in those steps is a controversial embargo on grain trade which is likely to result in more damage to our own economy than to that of the Soviet Union.

Inflation runs rampant as the dollar shrinks in value each day on world money markets. Interest rates soar, seriously hampering business expansion and critically crippling housing markets. The availability of energy to power the machinery that runs this country and enables its citizens to move about freely is as uncertain as our own winter weather.

With these facts clearly in mind, we must look forward to the 1980s as a decade of perhaps unprecedented challenge. We face serious problems. But, Americans--and especially Nebraskans--have never shrunk from challenge. We are at our best in the face of adversity. Our forefathers overcame almost impossible odds to settle this country, to see it grow and to help it prosper. They--and you--have worked hard to make America the great country it is--the greatest in the world.

The challenges we face in Nebraska are reflective of those that confront our nation. In some ways they are compounded. In many ways, they are different. Fortunately, given able, honest and compassionate leadership, we are not without means to control our own destiny. As your Governor for a little over one year, I have sought to provide the leadership necessary to insure that our state continues to grow and prosper.

On Statehood Day, March 1, 1979, I outlined 10 major goals of my administration. . . a plan for progress in 10 critical areas for our state. This list was not meant to be all-inclusive. We have many critical areas that need attention, but I believe my 10 goals are ones upon which we at the state level can focus and upon which we can show marked progress by their implementation. No priority was assigned to the 10 because they are all of critical importance. As a reminder, those goals were to record significant progress in: Agriculture, Citizen Participation in Government, Criminal Justice, Education, Nebraska 2000, Health Care, Jobs, Roads, Taxes and Water.

My remarks this morning are generally organized along the lines of the 10 goals with a report on the progress we have made toward their accomplishment and what we see for the future. There are some budget items and legislative concerns that don't fall neatly within the 10 goals, and they will be addressed as well.

I know the Legislature shares my pride in our joint achievement during 1979 of holding the increase in state spending to 7 percent. In the previous 10 years, state spending had skyrocketed, by over 200 percent--an average of at least 20 percent each year. It is my goal again this year to keep state spending under 7 percent for the 1980-81 Fiscal Year. I pledge to work with each and every Senator on this issue. We know well the pressures that can be applied by some special interests who advocate big spending policies that have dominated for so many

years at the federal level. We know, too, that these pressures can be, and must be, resisted in Nebraska. If local governments are required to live under a state-imposed 7 percent lid, state government can do no less.

The budget I am recommending to you today is the product of weeks of hard work--and even harder decisions. It is an austere budget. But it is a budget built upon the commitment to improve the quality of services and programs which constitute our state government. Moreover, it is a budget which demonstrates state leadership in fiscal prudence and restraint.

Such leadership is required and the challenge for the 1980s is clear. The era of unchecked government fiscal expansion is over. Government is not, never was and cannot be, all things to all people. Our budgetary task--difficult as it is--is to allocate the limited resources available to us with wisdom and self-restraint.

In my first budget message to you last year, I counseled and urged fiscal caution in light of the then uncertain economic situation. The outlook for 1980 is no less uncertain. It demands special caution on fiscal matters from us all.

The Department of Revenue has prepared--and your Appropriations Committee has accepted--a FY 1980-81 Revenue forecast based on current tax rates which reflects--necessarily--the uncertainties of which I spoke. The Revenue Department projects the range of net receipts to the General Fund for next Fiscal Year to be from \$632.0 million to \$644.2 million.

My budget recommendations are based on net receipts of \$638.1 million, which is the midpoint of that range. Together with the June 30, 1980 estimated General Fund balance of \$38.8 million, a total of \$676.9 million will be available in General Fund Revenue.

This total will be reduced by the total of Fiscal Year 1980 deficits approved by the Legislature, and by increased tax credits and transfers from the General Fund, which I will recommend. New economic information as well as national and international events also will undoubtedly effect these projections over the next several months. I will communicate to you such new information as it becomes available.

I am recommending to you a 6.5 percent General Fund Reserve which I believe is prudent at this time.

During your budget deliberations I earnestly urge you to consider the full future annual costs of those proposed new programs which will be placed before you. As harsh experience has taught all of us, the future costs of current decisions often come very high.

In addition, it should be noted that the states' portion of the General Revenue Sharing Program may not be the only federal

program faced with a significant reduction. It is true that the Carter Administration has recommended continuation of State Revenue Sharing, but the program must be funded by the Congress, where its most vocal opponents have been heard.

There are, though, other federal reductions, should they be fully implemented, that may in the long run place more fiscal pressure on the states than the loss of Revenue Sharing money. Throughout my budget deliberations, I was constantly faced with requests for additional state monies for lower federal match rates, federal reductions under current year allocation, or estimated federal allocations insufficient to offset inflationary costs for increased program demands. Such added fiscal pressure at a time of stringent limits on state resources tremendously complicates the budgetary task before us. As I suggested last year, our resources may be limited, but this does not mean we must limit our resourcefulness. I am presenting to you today a budget of \$608.3 million, which is 5.5 percent above the current Fiscal Year Budget of \$576.6 million. It is my intent to recommend to you at a later date revisions and significant increases in the Homestead Exemption Program which will provide needed property tax relief and which will bring my total budget recommendation close to an overall 7 percent increase.

Included in the \$608.3 million total is the added cost of \$7.8 million for the Personal Property Exemption Program which brings this program to the \$70 million level mandated by your body in LB 518.

We are well aware of the lawsuit that is pending in the courts challenging that state distribution of this money back to local subdivisions of government for the purposes of reimbursement for revenue lost because of the exemptions. We will be watching closely the outcome of this suit and any legislation which may be proposed to change the distribution formula. However, the current budget recommendation is based upon the law as it currently stands.

Further, I have delivered to your Speaker, Senator Marvel, a bill which will provide a much needed 30 percent increase in the current Food Sales Tax Credit Program. This is a \$9 million total increase for the Tax Credit Program; raising it by \$6 from the current \$20 to \$26.

TAXES

As Chairman of the State Board of Equalization--which sets your sales and income tax rates--it was my recommendation at the November 15, 1979 meeting that the income tax rate for 1980 be lowered from 18 percent of federal liability to the current 17 percent. This recommendation was approved and the sales tax rate was allowed to remain at 3 cents on the dollar. In addition, I gave my approval to a plan to suspend withholding taxes during the month of December. This was not a tax reduction, but an early refund. This was necessary,

in my opinion, because federal tax policies have resulted in over-withholding by both state and federal government. I saw no need to collect those taxes in December and then turn around and refund them in April or May.

Let me stress that there will be no tax increase required if the budget I am recommending to you today is adopted. Let me repeat--there will be no tax increase needed with this budget.

In another area of taxes, real progress was made during 1979 in property tax equalization. This was politically tough, but absolutely necessary under the law and in the interest of fairness. Changes in the assessment rate by the State Board of Equalization did not raise property taxes. Tax levels are set by local units of Government--the cities and villages, counties, school districts and special districts.

In 1978 the Legislature passed--LB 285--providing that local governments cannot increase their receipts by more than 7 percent a year. The law provides for some exceptions but, in general, 7 percent is the limit. Most reports during the past year indicate that, by and large, the law has been effective.

Another point should be made: about 53 percent of all tax money collected by state government is returned to localities and individuals in Nebraska.

It also should be clear that no property taxes--let me repeat: no property taxes--are levied to support state government. Income for state-level operations comes mainly from sales and income taxes, excises and fees.

With the current high rate of inflation, many families are finding it necessary for both parents to work in order to support a family. They, and working, single parents are finding it harder and harder to support their families after paying day-care costs for children. I believe the parents who wish to work to keep their families off public assistance deserve all of the help they can get. I therefore plan to offer a bill consistent with federal tax law providing a state income tax credit for a portion of the day-care costs incurred by working parents. The amount would vary depending upon actual expenses for child care, but could mean a state income tax break of up to \$136 for a parent with two small children.

The State Board of Equalization and Assessment is required to set sales tax rates in increments of 1/2 percent and individual income tax rates in increments of 1 percent. I would urge the Revenue Committee to re-examine a proposal which would set the rates in smaller increments. I would propose that 1/4 percent increments for sales tax and 1/2 percent increments for individual income tax would allow the needed flexibility to limit taxes and still maintain the balance between these two major tax sources.

BUDGET OVERVIEW

In developing my Fiscal Year 1980-81 Budget, I have reduced state agency requests for operations and aid by \$37.3 million and for capital construction by \$44.6 million.

My total General Fund recommendation for state operations and state aid is \$601.5 million including \$15 million from the Federal Revenue Sharing Trust Fund. Even though the state portion of revenue sharing--in whole or part--still remains in some jeopardy in the Congress, its inclusion in the budget gives tangible evidence of our continued support of and need for this vital program.

Of the total \$601.5 million recommendation, 52.8 percent, or \$317.5 million, is allocated to state aid to local subdivisions of government and individuals: 24.2 percent or \$145.9 million to post-secondary education; and 23 percent, or \$138.1 million to all other operations of state government.

In light of the stringent budget I am proposing to you, I am also recommending that, with very few exceptions, all Fiscal Year 1980 ending balances be reappropriated to their respective state agencies in addition to the amounts I am recommending to you today. By instituting further procedures now to reduce current expenditures, state agencies will have added flexibility to meet pressing needs in Fiscal Year 1981. I ask your early concurrence with this concept so as to allow state agencies to proceed with what is, in effect, a biennial approach to budget planning.

Additionally, you will notice that in many instances my recommendations consolidate programs at a sub-agency and agency level for additional administrative flexibility. Expenditure reporting and control would still be accomplished in the current program categories.

CAPITAL CONSTRUCTION

My total capital construction recommendation of \$31 million includes \$21.7 million in General Fund monies, \$7.4 million from Cigarette Tax Funds and \$1.9 million from Revenue Sharing Trust Funds. I am recommending \$7 million for deferred building maintenance as provided by LB 309, including improvements to meet handicapped access requirements and energy-related projects. The LB 309 concept has been a great success, and I enthusiastically recommend that the life of the commission be extended an additional two years. In addition, I am recommending \$17.3 million for second and third year capital items currently underway and \$6.7 million for other necessary capital projects.

My capital construction recommendation carries forward the policy I established last year of finishing previously approved projects, continuing the important LB 309 program and providing for

renovation and improvements in existing structures as priority items, given available funds.

STATE EMPLOYEE SALARIES

Nebraskans are fortunate indeed in the dedication and ability of their hardworking public employees. This past year has reaffirmed their contribution.

Any real wage gains made by state employees last July have been largely, if not wholly, offset by continued high inflation. Even so, improvement in competitive salary levels has been achieved and will continue to be made through pay grade and classification revisions and pay grade adjustments.

I am recommending for your approval a 7 percent increase in state employees' salaries effective July 1, 1980. State agencies are provided the flexibility to make other pay adjustments necessary to maintain hiring competitiveness and reward meritorious service. Funds made available through reappropriated current savings, vacancy savings, reorganization and operational changes may be used for these purposes.

In my message to you last year, I called upon all state agencies to cooperate in a full review of their staffing needs directed toward an overall reduction in state staffing. In pursuing this goal, positions vacant on the authorized state staffing report for over thirty days were eliminated and procedures for re-justification were instituted. Subsequent vacancies of over 90 days duration are now automatically eliminated, and many state agencies have completed thorough reviews of their current staffing levels.

GOVERNMENT IMPROVEMENT

I am very proud that we have greatly reduced the overall percentage of increase in the number of state employees even though we substantially increased staff for new correctional facilities. During recent years the number of state employees has increased dramatically. During the current Fiscal Year, that increase has been cut to 4-tenths of one percent. However, that is not good enough.

One of the pledges I made upon taking office as your Governor was to reduce the number of state employees. I also pledged that your state government would run with economy and efficiency as our hallmarks.

After a year of working with state government, it is obvious that more must be done to accomplish those goals. We must get a better handle on state government. We must stop unwarranted growth and we must make some adjustments to make government more efficient and more responsive.

This is what I shall do. First, I will conduct my own detailed study of the executive branch to identify which facets of it can be made more responsive and more accountable to the taxpayers. We will look for

ways to improve delivery of needed services at less cost. Second, I will appoint a blue ribbon task force on government improvement to examine the results of my study and to apply the perspective of the private sector in determining how best to overhaul the machinery of the executive branch. My hope is that the confluence of this inside and outside look at state government will produce a set of practical and attainable recommendations for legislative and executive action.

To achieve this, I have already taken two major steps. First, I have asked Mr. Earl T. Luff of Lincoln, Chairman of the Board of Lincoln Steel, to serve as Chairman of the Governor's Task Force for Government Improvement. This most distinguished Nebraskan has accepted this challenge.

Next, I have asked Dr. William A. Hamilton, who is already on my staff, to become my Special Consultant on Government Improvement. Dr. Hamilton has accepted this challenge and has already begun work on a comprehensive study of the executive branch.

Hand-in-hand with this examination of the executive branch will be an on-going effort to persuade people to become more involved in their state government. Another of my 10 goals is citizen participation in government. During the past year I believe we have brought state government closer to the people by holding "Meet Your Governor" sessions in Gering, South Sioux City, Kearney and Tecumseh. We'll have more of these one-on-one sessions in 1980.

As I travel throughout the state and talk with many Nebraskans, I pick up one underlying theme--people want less government, not more; fewer laws, not more; and less regulation, not more.

Our philosophy has been and will continue to be a restrained approach to state government and governing. We believe in a marked lowering of the profile of state government and a concerted effort to get government off the peoples' backs and let them go about their business.

My pledge is to remove as much governmental influence from Nebraskans' lives as I can.

In this regard, I urge the Legislature to apply very stringently the provisions of sections 50-430 through 50-436 of our statutes which provide for fiscal impact statements to be made on bills which increase or change the powers of state agencies in their dealings with business and consumers. This would go a long way in helping to eliminate those provisions which will be costing our citizens more and more tax dollars for more and more regulation. We have taken a step in this direction in the Governor's Office.

In November, I directed that all requests for approval of regulations sent to my office by state agencies, boards and commissions, be

accompanied by a statement, signed by the department head or governing board, stating in dollars and cents:

(1) The fiscal impact of proposed regulations on state government; and

(2) The fiscal impact on those being regulated. For example, if a regulation will require a business to fill out a new form, I want to know what the total cost to Nebraska businesses will be to fill out that form. If there are 10,000 affected businesses and the form requires 10 hours to complete, at \$5 per hour, that would be \$500,000--quite an impact.

NEBRASKA 2000

As we enter a new decade, it is important that we begin to prepare for entry into a new century--only 20 years away. One of my 10 goals is to plan for a series of grassroots meetings in each of the 49 legislative districts followed by regional meetings and winding up with a statewide conference in Lincoln. The purpose of the meetings would be to have every citizen participate in planning for Nebraska's future in the 21st century.

A good deal of preliminary planning and consultation has already been accomplished under the direction of Lieutenant Governor Luedtke. To follow up on this, we will be announcing soon a planning committee for this volunteer effort and a list of meeting sites. I hope and expect that significant progress can be made in this challenging effort during the coming year.

EDUCATION

As Nebraskans, we can take great pride in our higher education institutions. Their contributions to the present and--perhaps more importantly--the future of Nebraska must be appreciated by all as they are by your Governor.

Nevertheless, administrators of our post-secondary education must take note: public resources are not unlimited. As I stated in my message to you last year: "It is vital that scarce tax dollars invested in higher education bear the highest possible return." It is incumbent upon our institutions of higher education to carefully and prudently manage all resources available to them to maintain the high level of quality they have achieved.

Post-secondary education includes the University of Nebraska, the State Colleges and the Community Vocational Technical College System. Approximately 24% of the State General Fund Budget is committed to post-secondary education.

Over the past ten years, state tax support for operations has increased by 212% for post-secondary education in Nebraska. This places Nebraska second among the "Big 8" States in state tax support growth.

After hours of review and careful study, I am recommending an 8.57 percent increase for the University of Nebraska from \$116.0 million to \$125.9 million, an increase of \$9.9 million. Further, included in this recommendation is \$1.2 million to be made available to the regents to assist in coping with extraordinary utility costs and other pressing problems.

In developing this recommendation, no changes were made to the basic cash and federal fund estimates of the Regents and identified University cash balances were not utilized. However, my recommendation does not include state assumption of all reduced federal grants and awards. It is incumbent upon University administrators--through increased efficiency, alternative revenue sources, or, where indicated, program reallocation--to manage the projected federal loss. There should be no easy assumption of unquestioned state support once federal funds are gone.

In addition to this flexibility, I am again recommending that the appropriation be made available to the Regents in lump-sum in accordance with a systems-wide approach to management.

In the area of University capital construction, my budget includes necessary renovation and improvements to the Agricultural Engineering Building on Lincoln's East Campus. In addition, I am recommending a fund of \$1 million for miscellaneous capital items system-wide. It is proposed that this fund be appropriated in such a manner that the Regents have some flexibility in its use.

There has been some suggestion of eliminating the Central Administration offices of the University of Nebraska. I think this would be most unwise. The coordination and effective administration of University functions by this office far outweigh any criticisms I have heard.

For the state colleges at Chadron, Peru, Wayne and Kearney, I am recommending an 8.4 percent increase for a total of \$20 million with maximum flexibility provided to the trustees to allocate funds. The budget for technical community colleges is recommended at 7.45 percent for a total of \$17.7 million. While this is slightly higher than their request of 7 percent, it is my firm intent that a proportionate reduction be made in their property tax levies.

In addition to the post-secondary coordinating commission's responsibilities for the State Student Incentive Grant Program, Title I and Title VI-A of the Higher Education Act, and the Higher Education General Information Survey, I am recommending that the Commission begin examining areas of potential duplication in post-secondary education. Such studies, properly managed, should be of inestimable value in husbanding educational resources.

The most significant item in the budget recommendation for education is the increased support for special education programs within the State Department of Education. The General Fund recommendation for Fiscal Year 1980-81 is \$28.4 million, an increase in excess of \$5.5 million from the current year's appropriation. The rate of growth in costs has been dramatic for this program and the amount of federal support has increased markedly in recent years. However, this latter factor has become a matter of concern. As the level of federal support has grown, so too has the level of federal intervention in the use of these monies. The federal government has directed that its funds can be used to support only new programs and may not be used to supplement state support of ongoing services. This federal interpretation has the effect of penalizing those states, such as Nebraska, whose innovation in this area precedes the federal government's involvement. More importantly, this interference by federal government challenges Nebraska's role in the setting of service priorities for the future.

I invite the Legislature to address this matter, perhaps in the form of a Resolution to the Congress. I offer the support and assistance of my administration.

HEALTH CARE

The improvement of health care for Nebraskans and better and more efficient delivery of human services to all citizens is another of the major goals of my administration.

Our mental retardation programs are a matter of immediate concern. Of the \$1 million dollars made available this Fiscal Year for movement of Beatrice State Developmental Center residents to appropriate community facilities, it now appears that only \$600,000 will be expended for this purpose. Unless the transfer of Beatrice State Developmental Center residents who can be better served in community programs is accelerated, we can expect major capital expenditures at Beatrice necessary to meet pending Medicaid standards for a larger than expected population.

My budget recommendation provides \$1 million dollars to be made available exclusively for the placement of Beatrice State Developmental Center residents in appropriate community settings, \$500,000 to continue support for residents placed this Fiscal Year, and \$250,000 for further deinstitutionalization or use at Beatrice State Developmental Center at the discretion of the director of the Department of Public Institutions. Let me hasten to add that I'm talking about only those citizens who can be better served in community programs. If community-based facilities are unable to, or will not accept eligible placements, other providers will be encouraged to develop appropriate licensed programs. I am meeting this

afternoon with regional mental retardation governing board members to discuss our problems in this area and to seek their support for a timely solution.

As you know, there was a good deal of controversy in 1979 about activities at the Lincoln Regional Center Comprehensive Care Unit. My concern prompted me to appoint a three member panel--including a member of the Legislature--to study the situation and report to me. This committee of distinguished citizens did an outstanding job. Their report led me to ask that two distinguished professionals with national reputations in the field of mental health and mental retardation analyze the entire operation of our Department of Public Institutions and our community mental health and mental retardation structure and report to my Advisory Committee on Public Welfare, Institutions and Corrections. Since those recommendations have been made public previously, I will not go into them at this time. Shortly, we will have recommendations for legislation to improve the delivery of those vital services. In addition, you can soon expect some significant management changes to be accomplished in areas that do not require legislation.

To better reflect the Department's role in state government, I will be asking that legislation be approved to change the name of the Department of Public Institutions to the Department of Community and Residential Services. Under the leadership of Ralph Michener, a thorough professional in this field, I believe this Department can become a nationally-admired example in the delivery of these vital human services.

To promote greater efficiency and a more effective approach to the problems of chemical dependency, I will recommend to you this session the consolidation of the Drug Commission and the Alcoholism Division of the Department of Public Institutions. This consolidation is intended to achieve a comprehensive approach to the provision of services in this area. Further, I am recommending to you legislation for the over-all equalization of local match rates for state support for community mental retardation and mental health and alcoholism programs.

Continuing in the health field, I would like to express my support for efforts within the Legislature to bring the State Department of Health under the direct control of the Governor. It is my conviction that this executive branch agency, with its tremendous influence on the lives of our citizens, should be directed by an appointee of the Governor and be directly answerable to him. Our citizens rightly expect the Chief Executive Officer of the State to be responsible for the executive branch. Yet, of the 180 executive agencies, boards and commissions only 23 are controlled directly by the Governor. It is my

firm philosophy that if the Governor has responsibility for the executive branch, he must have the means to make it more responsive. In the case of the Department of Health, I believe this to be a necessity. I would welcome discussion with senators on specific proposals to accomplish this transfer during the current session of the Legislature.

PUBLIC WELFARE

For the Department of Public Welfare, I am recommending \$79 million, a 7.8 percent increase in General Fund support. \$2.3 million of this increase is pursuant to LB 138 which I supported and which reduces the county share of Medicaid costs from 20 percent to 16 percent for FY 1981.

Further, I am recommending substantially increased General Fund support--from \$3.2 million to \$4.4 million--for the rapidly growing program for status offenders created by LB 700 of 1978. Implementation of this program has resulted in startling increases in the number of children for whom the Department of Public Welfare is responsible. I have directed John Knight, Director of the Department of Public Welfare, to investigate the sources of this increase and recommend to me measures for coordinating state policy among the several agencies with responsibilities for children. I would support legislation which would give the State the option to place offenders in the facility it determines the most appropriate.

AGING

My budget recommendation for the Commission on Aging recognizes the significant role of the elderly in maintaining Nebraska's heritage and culture. We will provide state matching funds--for the first time--to support community services such as nutrition programs and social services across the state. Also, we will continue to fund the "Grand Generation" program on the NETV network. My budget recommendation for the Commission represents an increase in General Fund support of \$245,000 or 97% over the current year.

CRIMINAL JUSTICE

This past spring, the Department of Corrections opened its two new facilities--the Lincoln Medium/Minimum Correctional Facility and the Diagnostic and Evaluation Center. With these two facilities, long-awaited improvements in the correctional environment have been realized. This important goal of improvement in our entire criminal justice system has come close to being realized. In addition, construction of the new maximum security facility is ahead of schedule. I will recommend to you acceleration of funding currently scheduled for next Fiscal Year to ensure the early completion of this vitally needed new facility.

With regard to the Omaha Medium/Minimum Security Facility, my budget recommendation provides for site work beginning in the fall of 1980 with construction to commence in the spring of 1981.

ROADS

The Department of Roads is responsible for planning, designing, constructing, maintaining and administering a modern, safe and efficient system of highways, roads and streets in Nebraska. The costs of this operation have expanded greatly in recent years, but revenues tied to gasoline taxes at the state and federal level have not kept up.

I am very much interested in legislation that has been proposed to increase the funding to insure our highways, roads and streets do not deteriorate and can be properly maintained. Therefore, action on this matter by the Legislature would be most welcome.

I am recommending fuller reliance on self-generated funds for the Department of Motor Vehicles. This includes increased fees for reinstatement of drivers licenses and transfer of the state portion of the driver license registration fee to a new departmental cash fund.

For our fine state patrol, I am recommending a new pay plan designed to offset the extreme compression found in the current pay grades through the creation of a Trooper II Classification. The cost of this recommendation is \$328,000.

WATER

Protection, preservation and careful management of our natural resources are the guarantee of our continued prosperity. Nowhere is this more important than in the area of water resources. One of my 10 goals is to improve significantly our water management and planning policies at all levels of government. My budget recommendation includes the full second phase of the five-year water planning process at a cost of \$413,000. Further, the completion of the multi-year program in the Department of Water Resources designed to upgrade and expand stream gauging activities is recommended. This program will ensure the availability of critical information for the water resources planning and development process.

For the Natural Resources Commission, I am recommending a major change in the financing of the Natural Resources Development Fund and the Water Conservation Fund. Effective July 1, 1980, one cent of the existing cigarette tax would be placed in the newly created Water Conservation Fund together with all reappropriated General Funds, and an additional \$1 million fund I am recommending for this purpose. All interest accruing to these funds would also be made available to the Commission. The revenues to this fund will allow the Natural Resources Commission to more carefully schedule multi-year resource development projects together with the financial planning necessary to assure them.

In 1979, I formed the Interagency Water Coordinating Committee composed of 10 state agency or university department heads with the Governor as chairman, to better coordinate water resource planning and management in Nebraska. I believe we have made great strides during the year and have stimulated useful discussion which will lead to more effective water planning and management in the years to come. There will be several pieces of legislation considered during the current session to change some of our state water laws. My staff and I will examine each carefully, keeping in mind that there currently is an on-going study being coordinated for the Legislature by the Natural Resources Commission. As I said in my Statehood Day speech, because of the critical importance of water to this state and its many complexities, we must not move too hastily, but we must move.

JOBS

Our Department of Labor reports that Nebraska probably will have the number 1 ranking in the nation for the best record of employment. Our state had the lowest average unemployment in 1973, 1976, and 1978, and was fourth or better throughout the past 10 years. No other state has been as consistently low in unemployment statistics. The decade average unemployment in Nebraska for the 1970s was 2.8 percent.

Not that we do not have unemployment problems in our state, however. In our largest metropolitan area--Omaha--the average for the 70's was 4.2 percent. While this is significantly lower than the national average, it still presents a major problem for those many able-bodied and willing workers who cannot find a job. This is why we are pursuing employment opportunities for the Omaha area. One possibility we are aggressively exploring is convincing a large automobile manufacturer to locate an assembly plant employing as many as 5,000 people in that area.

AGRICULTURE

Agriculture is the cornerstone of Nebraska's economy. The Department of Agriculture is the state agency with prime responsibilities for the furthering of agricultural interests. A number of commodity organizations receive administrative support from the Department of Agriculture. These include: soybeans, wheat, potato, corn, and poultry and egg. My recommendation includes the consolidation of the agricultural organizations formerly funded as a separate agency with the Department of Agriculture. This will provide a central agency to coordinate all agricultural organizations and societies receiving state funding or deriving taxing authority from the state.

You will find in my budget recommendations further expansion of the agricultural marketing activities I recommended last year. This

added emphasis on international marketing will provide new and expanded markets for Nebraska products.

That is why this administration has developed a comprehensive international marketing plan for our state to be led by four of our agencies--agriculture, economic development, banking and finance and the policy research office. Details of this plan were released last week, so I will not dwell on them this morning. I do want to stress, however, that the more planning we can put into our exports, the better off we will be. My marketing trip to Europe last year taught me many things, but the one thing that stood out was that we can do a much better job in selling our products overseas. The markets are there. We must take advantage of them. I pledge to you that our state government will do everything in its power to help increase exports and stabilize our economy. Marketing activities within my administration have received a boost of more than \$500,000 in their budgets for Fiscal 1980-81.

ENERGY

One of the most serious problems facing America is its over-dependence on foreign oil. There is every indication that our national problems associated with this situation will be at least as serious in 1980 as they were in 1979.

Nebraska has been a leader in the area of energy conservation. The people of this state have been doing something about it. During the months of May through November, 1979, they used 10 percent less gasoline than in the same period a year earlier. The state agencies under my direction during this May-November period achieved approximately a 25 percent reduction in gasoline over the same months of 1978. That was not an easy accomplishment. While the citizens of Nebraska and state agencies were reducing their use of gas, the federal government had a shocking increase. In the same 7 months of 1979, the federal government used 32 percent more gasoline in Nebraska than in the same period of 1978. President Carter is receiving a strong letter from me urging that the federal government start becoming a good example of energy conservation, instead of a horrible example.

The Nebraska Unicameral in 1979 made a good investment when it voted matching funds for the federal program to offer energy assistance to schools, hospitals, nursing homes and local governments. Nebraska was the first state in the nation to have its plan for operation of this program approved. Nebraska is the only state offering a free energy audit to each eligible institution that requests one. Already, 546 buildings have been audited. Just by following the suggested changes in operating procedures--with no investment--the average owner of a building audited has been able to reduce energy use by 20 percent.

In 1980, the largest electric and natural gas utilities will be required to offer energy audits to all the residences they serve. The responsibility is upon the utilities. The federal government does not require the State of Nebraska to be involved in this program at all. The Nebraska Energy Office worked with the 8 utilities that are under the law. One unified plan has been developed. Many smaller Nebraska utilities that are not required to participate in this program have indicated that they will offer audits. On January 21st, the Nebraska plan will be taken to Washington for federal approval. I believe that Nebraska will be the first state in the nation to complete a plan for offering this important service.

There has been a need for more information about the end use in Nebraska of various types of energy--particularly petroleum. The Nebraska Energy Office has obtained a grant from the Old West Regional Commission to expand its data collection greatly. All energy suppliers are cooperating fully in providing all available information requested.

This administration will ask that you approve at least four pieces of legislation which will equip the State of Nebraska to better deal with the national problem of energy supply and distribution: The legislation would: establish an independent energy office separate from the Department of Revenue under which it currently resides; clarify the Governor's powers to deal with resource shortages in emergency situations; set thermal and lighting efficiency standards similar to those contained in legislation introduced last year; and provide a solar tax credit for those citizens who seek to utilize this important alternative energy source. I recognize that legislation relating to these issues is already being considered by the Legislature. My proposals are not intended to compete with those proposals, but rather to reflect the Governor's thinking on these issues. As on all matters, we intend to work closely with the members of the Legislature on these proposals, and would welcome constructive suggestions for improvement.

In the area of gasohol--an ever increasing important energy source--we will continue through the Gasohol Commission, the Department of Economic Development, the Department of Agriculture and Energy Office to promote the manufacture of ethanol in our state from farm products and the marketing of gasohol in our state's service stations along our roads and highways. The nation recognizes Nebraska's role as a pioneer in this area and we must continue to lead in this important area.

It is my understanding that the Legislature will be considering a constitutional amendment to allow the State of Nebraska to back bonds for construction of plants to produce alcohol to be used in gasohol. I will support a reasonable approach in this area.

Mr. President, Mr. Speaker, and Members of the Legislature, I am privileged to have presented this budget message and State of the State Address. We share a difficult and challenging task, you and I. You will not agree with my recommendation in every instance, and that is not only your right, but your duty.

I welcome your careful consideration and constructive criticism, and it is my sincere hope and desire that as we begin this 1980 session we can continue the good relationship we established last year. I thank you both officially and personally for the cooperation and kindness every member of the Legislature has shown me. In return, I renew my pledge to continue to be as forthcoming and as responsive to your concerns as I can. Nebraskans expect us to work together for the good of Nebraska. We must not fail them.

The Committee escorted the Governor from the Chamber.

EASE

The Legislature was at ease from 11:04 a.m. until 11:21 a.m.

SPEAKER MARVEL PRESIDING

UNANIMOUS CONSENT - Print in Journal

Mr. Kremer asked unanimous consent to print the following change to LB 636 in the Journal. No objections. So ordered.

“This bill introduced on behalf of: ~~Nebraska Grain and Feed Dealer’s Association~~ Nebraska Cooperative Council”

BILLS ON FIRST READING

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

LEGISLATIVE BILL 665. By Powers, 9th District.

This bill introduced on behalf of: Nebraska Association of Area Agencies on Aging.

A BILL FOR AN ACT to adopt the Nebraska Aging Services Act; to provide for designation as a new program as prescribed; and to declare an emergency.

LEGISLATIVE BILL 666. By Kahle, 37th District.

This bill introduced on behalf of: League of Municipalities.