

UNANIMOUS CONSENT - Members Excused

Mr. Koch asked unanimous consent to be excused on Wednesday afternoon, January 14, 1981, thru Friday, January 16, 1981. No objections. So ordered.

Mrs. Marsh asked unanimous consent to be excused January 15 and 16, 1981. No objections. So ordered.

BILL ON FIRST READING

The following bill was read for the first time by title:

LEGISLATIVE BILL 152. By Hoagland, 6th District.

This bill introduced on behalf of: the people of the State of Nebraska.

A BILL FOR AN ACT to amend sections 46-201 and 46-204, Reissue Revised Statutes of Nebraska, 1943, relating to water; to provide legislative intent; to change provisions relating to appropriations; to define terms; and to repeal the original sections.

UNANIMOUS CONSENT - Member Excused

Mr. Dworak asked unanimous consent to be excused at 1:30 p.m., January 14, 1981 until he returns. No objections. So ordered.

MOTION - Escort Governor

Mr. Kremer moved that a committee of 6 be appointed to escort the Governor to the Chamber to deliver his State of the State and Budget Message. The motion prevailed.

The Chair appointed Mrs. Marsh, Messrs. Kremer, Carsten, Clark, Warner, and Maresh to serve on said committee.

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

Mr. President, Mr. Speaker, distinguished members of the 87th Legislature, and my fellow Nebraskans:

One hundred years ago the Governor of Nebraska was Albinus Nance. He was the 5th of our Governors. In January, 1881, at the end of his first two years in office, he stood before the Legislature. He pronounced the State of the State as sound.

Now, the 34th Governor of Nebraska is Charley Thone. In January, 1981, at the end of his first two years in office, he stands before the Legislature. His message is the same as that delivered 100 years ago: the State of the State is sound!

In 1881, the United States of America had many serious problems. Despite those national obstacles, the youthful Governor Nance believed that the State of Nebraska could grow and prosper.

As settlement advanced across the state with the development of the railroads and the influx of thousands of thrifty, hard working immigrants from Europe, the youthful Governor Nance foresaw that "as an agricultural state, Nebraska will have no superior, with a large amount of land devoted to grazing in the western part." Senator Goll reechoed the importance of our basic industry just last week when he said, "If agriculture prospers, so will main street" . . . and food becomes more and more important internationally day by day.

In 1981, the United States of America has many serious problems. Despite those national obstacles, the not-so-youthful Governor Thone believes that the State of Nebraska can grow and prosper. Without doubt, the best years are yet ahead.

Do you share my optimism?

Our faith in the strength of Nebraska is well justified. In the past year, the nation has been battered by economic storms. Yet our state has made some advances. Let me share with you preliminary figures from the State Department of Economic Development. They show that, in 1980, 22 new industries located in Nebraska—creating almost 1,300 additional jobs. They also show that 63 existing industries expanded last year—to increase their employees by nearly 1,400 people. This is good, but we can do better!

During 2 months in the last 7 for which state-by-state unemployment figures have been reported, Nebraska has had the lowest jobless rate of any state in the nation. And that is good!

One reason that Nebraska is not experiencing the worst of the national recession is the diversity of our state economy.

Another reason for Nebraska's strength is because of our tax policy. Actions of the Legislature and the Governor have left more income in the pockets of the people of this state.

In the past 2 years, we have reduced the state income tax from 18 percent of the federal tax liability to 15 percent. That means that Nebraska citizens and businesses will have more than 100 million dollars to invest and spend that otherwise would have been taken by state government.

We also provided 70 million dollars of state aid in property and other tax relief last year.

These reductions in taxes just mentioned would not have been possible had we not held the state budget to increases of 7 percent. You will recall that the only exception to that self-imposed lid occurred last year with the \$40 million increase to state aid to education; \$20 million of which I approved, and \$20 million which was passed over my veto.

Yes, the Legislature and Governor have not always agreed on precisely where restraints on state spending should be applied. Last year, I exercised my constitutional responsibility and vetoed some 54 million dollars in spending approved by the Legislature.

We have been criticized—you and I—for our actions in holding the line on state spending. We have been accused of lacking "bold new leadership." Too often, I have found, these words, "bold, new leadership," are code words for new spending programs. I submit that it requires more boldness, more courage and more leadership to do the necessary job and to maintain and support a policy of fiscal restraint.

I have every confidence that view is shared by the over-whelming majority of Nebraskans.

And, I believe, it is now shared by some of our neighboring states. Iowa, South Dakota and Minnesota didn't exhibit the fiscal restraint that Nebraska did. While Nebraska is cutting taxes, our neighbors are in deep trouble. Because of lack of revenue they are having to make drastic cuts in funds already appropriated by their Legislatures and approved by their Governors.

The budget I submit to you today is consistent with the philosophy of fiscal prudence I have described. It is within the 7 percent operating increase we have adopted the past two years. Let's remember that 7 percent is the limit the Legislature has imposed on local governments. A lid which I support, if there be any question about it.

Hard work and even harder decisions underlie the budget I recommend to you. It is a pretty austere budget. It is, nevertheless, a budget which carries forward every necessary service. It even provides for improvement in some priority programs.

Those groups and individuals who demand an open door to the state treasury will be disappointed. I repeat what I said last year: "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 with wisdom and self-restraint."

My budget recommendations are based on forecasts recently completed by the Department of Revenue and shared with your Appropriations Committee. These forecasts necessarily reflect economic uncertainties. The unknowns include 1981 congressional action on federal income tax reductions. My budget maintains the current state income tax rate just reduced to 15 percent last

November. My budget maintains the current sales tax rate of three percent. This no tax increase, but very adequate budget, must be one of your top priorities for this session, I strongly urge. I assure you it will be one of mine.

I now renew my request of last year—that the State Board of Equalization be given the authority to set sales and income tax rates in smaller increments. Flexibility is needed to fine-tune our revenue system. And, by the way, thank you for giving the Tax Commissioner and the State Board of Equalization the tools and money to pretty much straighten out the property tax valuation mess our administration inherited.

As I forewarned last year, the federal revenue-sharing program for state governments has been terminated. Its prospects for new life are bleak. This budget necessarily replaces those federal dollars with state General Fund dollars.

It will not be my policy, however, to recommend General Fund dollars to offset all lost federal funds. State government is under severe fiscal pressures. On the one hand, there will be growing demands for the state to take over expiring federal programs. But on the other hand, there will be even faster growing demands for more state assistance to local governments. Economic conditions and our limited state resources require that we respond prudently and with great caution.

The budget I am presenting anticipates net receipts to the General Fund during fiscal 1982 of 721.9 million dollars. Fiscal 1981 ending clear balances, minus anticipated deficits and transfers, including anticipated lapses, are estimated at 37.9 million dollars. Those 2 figures provide a General Fund total of 759.8 million dollars in Fiscal 1982.

To offset any shortfall in projected revenue receipts, I recommend a 5 percent General Fund reserve.

Of the total General Fund budget of 721.2 million dollars, I recommend 706.7 million dollars for state operations and state aid.

Included in the state operating and aid budget are 383.8 million dollars—or 54.3 percent of the total—for state aid to local subdivisions and aid to individuals. Some 167.3 million dollars—or 23.7 percent—is for post-secondary education. That leaves 155.6 million dollars—or just 22 percent of the total—for all other operations of state government.

My General Fund recommendation for capital construction is 14.5 million dollars. I recommend continuing funding for projects for which partial appropriations have previously been provided. I support continuation of the LB 309 program for deferred building maintenance, handicapped access, and energy-related projects.

Moreover, I recommend and have provided funding for the development of six-year comprehensive master plans by the University of Nebraska, the state colleges, and the Department of Administrative Services. Such planning is necessary to insure adequate utilization of existing buildings. It will permit better evaluation of requests for new facilities.

I suggest your cautious appraisal of all proposed new or expanded programs that are set before you. Particularly, I urge you to insist on having the full annual costs of such programs accurately computed and widely disseminated. Future budgets and budgetary planning will depend heavily on decisions made this year.

Last year, I reported to you that the administration would seek improvement in competitive salary levels through pay grade and classification revisions and adjustments. On the basis of its salary survey, the State Department of Personnel adopted as its first priority the revision of state workers in the labor, trades and crafts area. As a result of this review, which encompassed almost 10 percent of the non-postsecondary education work force, the first reclassification and commensurate pay increases of a major occupational category were accomplished.

The Department of Personnel is now preparing a new pay and job classification system which reduces the total number of pay grades. This new pay and classification system will be ready for implementation July 1, 1981. My recommendations include authorizing state agencies to use no more than 2 percent of their personal services budgets for conversion to the new pay and classification plan. This 2 percent will be made available by savings through the hiring freeze and other reductions made by state agencies.

I also recommend for your approval an 8 percent increase in state employees' salaries effective July 1, 1981. Later, I shall recommend that the state undertake the major portion of any additional premiums necessary under the state employees' health plan. For 3 years there has been no increase in premiums. The Director of the Department of Insurance is now requesting bids on the health plan. When this process is complete, I shall inform you and deliver my recommendations.

Our postsecondary education institutions do not participate in this health plan. I therefore included in my budget an increase of 8 percent for salaries and wages for the University of Nebraska and the state colleges, and an additional 1 percent for salary or benefit improvement.

Last year I indicated to you some progress in efforts to limit growth in the number of state employees. On July 1, 1980, I ordered agencies under my direct control to implement a hiring freeze. Other boards, agencies and commissions were requested to comply voluntarily. The

past 6 months have brought a net reduction in permanent full-time positions of more than 700. Those reductions were achieved even while opening and staffing the new veteran's hospital in Omaha. Quality and less quantity must still be the goal on state employment.

A hiring freeze by its very nature is unselective. We have exempted from the freeze most positions involving direct care of patients or supervision of prisoners. Overall, state employees have responded admirably to the burdens of the hiring freeze. Some of the dollars saved have been and should be reallocated to improve salaries and benefits. The new pay and classification plan recommended today will, in large part, accomplish this objective.

In this budget you will find additional staff recommended for the new maximum security prison in Lincoln and the expansion of the Omaha Veteran's Hospital. The completion of the Omaha Correctional Center will place additional employees on the state payroll. We will attempt to meet these new demands without a net increase in the number of state employees.

I strongly endorse legislation tightening the procedure for dealing with persons acquitted of crimes by reason of insanity. Specifically, judges should retain jurisdiction over such persons.

All Nebraskans share my pride in our institutions of higher education: The University of Nebraska, Nebraska's state colleges, and the vocational-technical system. Their contributions to the present and the future are recognized and appreciated by us all. Indeed, support of post-secondary education is one of the largest areas of expenditure made by state government. And contrary to some pretty much localized reports, it is just not true that Nebraska has not adequately supported post-secondary education in this administration. We most certainly have and we continue to do so in this budget.

This year, I recommend a 12.8 percent increase for the University of Nebraska—from 128.2 million dollars to 144.6 million dollars—an increase of 16.4 million dollars. As in the past, I recommend that this appropriation be made in lump sum to afford the regents the opportunity to address the university management and program priorities within a systems-wide approach.

In developing this recommendation, recognized university cash balances were not used to offset General Fund support; and cash and federal fund estimates were left unchanged. In addition to increased funding for clinical and instructional services at the medical center, I recommend 150,000 dollars of State General Fund support for continuation of research activities at the Eppley Institute. Continuation of state funding for such research should be contingent on Eppley Center's demonstration that it can attract and maintain a quality staff and additional sources of funding.

Adequate computer facilities and services at the university are essential for instruction research support and administration. It is my recommendation that the regents make every effort, within funds provided, to place its computer facilities on a proper and solid foundation.

At the Institute for Agriculture and Natural Resources, my recommendations provide for additional instruction and research activities in the areas of agricultural biochemistry and international agricultural marketing.

Consistent with my overall policy on capital construction, my recommendation for the university includes funding for fire and life safety and minor renovations. My budget also includes funding for the incinerator project at the medical center. No new major construction projects are recommended at this time.

For our state college system with campuses at Peru, Wayne, Chadron and Kearney, I recommend an 11.4 percent increase, or a 2.3 million dollar increase. I propose that 2 percent of the personal services budget appropriated to the Board of Trustees be used to address inter-campus salary differences.

Further, at Chadron, planning funds are provided through the design-development phase for the new activities center. At Kearney, funding is recommended at the requested level for the renovation of the A. O. Thomas Building.

The fiscal 1982 recommended appropriation for the technical community colleges is 10.6 percent, or 1.9 million additional dollars.

Nebraska's Educational Television network provides a rich variety of educational and cultural opportunities not otherwise available. My recommendations include a 19.1 percent increase for NETV to provide for needed equipment replacement. In addition, I recommend the requested Microwave Interconnect Project; and, I recommend that any savings from the North Platte transmitter project be used for additional equipment replacement.

Many of you have heard me suggest on other occasions that because we are limited in our resources does not require that we be limited in our resourcefulness. An example of that is contained in this budget in a 7-point program. It would improve the economic climate of our state by developing new markets and expanding opportunities for more jobs. The Nebraska Development Council will be supported by the University of Nebraska, State Department of Agriculture, Department of Economic Development and other state agencies. The council will seek to increase international trade, assist existing industry in the state, "market" the Nebraska economy both at home and abroad, provide training for new and existing industry, offer technical assistance to Nebraska communities for commercial

development, and provide a program of research in new uses for farm crops.

My 1979 agricultural marketing trip to Europe convinced me of the need for us to have our own Nebraska office in western Europe. Perhaps it should be located with the Frankfurt, Germany office of the Old West Regional Commission. Similarly, I believe we should contract for a Nebraska representative in the far east, most likely in Tokyo.

This 715,000 dollar investment in agricultural marketing will pay generous dividends in the future. If we expect others to invest in Nebraska, surely we can do no less.

My recommendation for local sub-divisions of government provides for 70 million dollars for the personal property tax exemption program recently set aside by the Nebraska Supreme Court. On the final day of last year's legislative session, your body passed and sent to me LB 882. LB 882 made positive changes under the then current law and formula embodied in LB 518, passed in 1977 before I took office, for distributing state funds replacing local revenues lost through the exemption of various categories of personal property. LB 518 was at that time under constitutional challenge, and it was hoped that LB 882 would meet those objections. Rejection of LB 882 would, in my opinion at that time, have most certainly led to the successful challenge of LB 518 or to a special session of the Legislature. Hence, I signed LB 882.

I realize that all of you share my concern and sense of urgency in devising a solution to this most difficult problem. But, it is essential, let me repeat, it is essential—that a solution be quickly arrived at that allows for distribution of these badly needed funds not only this year but in future years as well. In directing local governments to operate within narrow fiscal constraints, and pledging the same ourselves, it is unthinkable that uncertainty over the distribution of such a large revenue source will continue long into the future.

There is no doubt that this will not be an easy task. Agreement on a fair and reasonable distribution formula will be most difficult to achieve even among men and women of common sense and good will such as yourselves. But we jointly, the Governor and the Legislature, have the responsibility for acting on this matter responsibly, with good judgment and with all possible speed.

Water continues to be an issue of vital importance to our state. During the coming months I intend to continue to emphasize and look for new ways to bring about water conservation from all our water sources, be it soil moisture, precipitation, streamflow, storage reservoirs or our ground water reservoirs.

In 1979, I formed the Interagency Water Coordinating Committee (IWCC) composed of ten state and university department heads with the Governor as chairman, to better coordinate water policy planning and water management issues in Nebraska. By a brief review of the minutes of the first 13 meetings, it is obvious that communication between department heads and agency employees who can and must work closely together has taken place.

For the first time, we have a management structure to get water agency heads with diverse responsibilities and points of view to sit down together and hash out those differences. It has been a very beneficial experience for all involved, and, as the Natural Resources Commission led policy issue analysis reports directed by this Legislature come through the commission I will have the personal input and views of each agency head to consider and carry out policy decisions on the key water resources issues facing Nebraskans in the decade of the 80's. You will find in my recommendations 446,683 dollars for the third phase of your five-year ordered water planning process.

On December 19, 1980, I made a major water supply and conservation proposal to the Natural Resources Commission, that proposal, which I am recommending to you today, would involve the dedication of 2 cents of the state cigarette tax for natural resources projects and certain project planning purposes. In addition, I will soon announce the appointment of a natural resources coordinator as recommended by the government improvement task force.

"The public interest demands the implementation of management practices to conserve ground water supplies and to prevent the inefficient or improper use thereof ..." I fully endorse and concur with that quote from section 46-656 of our 1975 Nebraska Ground Water Management Act. Our 24 Natural Resources Districts were given the responsibility to prevent irrigation water runoff and waste.

I believe it is time to take another step and assess state policy—to conserve our underground water supplies and manage our uses of underground water—by taking an inventory of how far along our NRD's are in ground water conservation. I am going to ask NRD boards and managers if they would be willing to report to me on their actions and progress through annual reports in 1981 and 1982 to my natural resources coordinator.

I'm not sure how effectively our NRD boards and staff have implemented this ground water conservation policy over the past five years. I am pleased that the responsibility was given to the local level, and I'm now interested enough to take the leadership to find out how well they are administering the 1975 policy. I would also ask that you now give the Natural Resource Districts authority upon vote of the

people to create interim control areas before serious water decline occurs, during which time the district would gather data on the scope of its water problem.

I am pleased that the state water planning process has produced its final report on water quality. Senator Kremer, Chairman of your Public Works Committee, has informed me that legislation will be considered during the current session as a result of that report. A sound water quality bill allowing for creation of a control area to combat water pollution problems will have my support. As each of the remaining reports are completed, we will obtain all of the facts needed for sound decision-making on water issues. That will be the time for definitive legislation on water.

I intend to continue my strong support of our state's Natural Resources District system. It has long been my firm belief that local water problems can best be handled at the local level.

Nebraska irrigates 7,637,190 of 23,000,000 acres of cropland, and 85% of irrigation is from ground water. Serious problems have obviously developed. There are also conflicts between surface and ground water interests and users, and there is obviously physical interrelationship between surface and ground water. The final instream flow study and the ground water reservoir management study from the NRC will be ready October first and November first respectively of this year. A careful review by me indicates that major water law overhaul by you before you get the results of your own near two million dollar ordered studies is just not wise. A hard look now at protecting selected stream flows and adopting a sustained yield concept is most inviting, I concede. Proper water management and conservation are essential to our continued economic prosperity.

Replacement of our current bicentennial issue of state motor vehicle license plates is necessary. I recommend a \$280,000 deficit appropriation in this fiscal year and 2 million dollars next fiscal year. This will permit the start of production so new license plates can be issued beginning January 1, 1982, as currently provided by law.

Necessary provision for state human resource services is a major consideration in my budget. Human resources covers many areas of state services. It is my intention to draw planning and coordination of these diverse services more closely together as recommended by the government improvement task force by naming a coordinator of human services. Significant benefits in service management, delivery, and access should result from this effort.

An increase in the aid to families with dependent children from the current 270 dollars per month for the first dependent child to 280 dollars per month is recommended. Also recommended are corresponding increases in the level of maintenance payments for foster children and the subsidized adoption program.

In the area of community mental retardation, my recommendations include 850,000 dollars to support movement of an additional 80 residents from the Beatrice Developmental Center and 750,000 dollars to continue services to those placed in community programs through proposals approved in the past year. Barring further federal roadblocks, medicaid funds will be available next year to support further deinstitutionalization. In addition, I recommend aid for continuation of community programs in lump-sum to the Department of Public Institutions. I will report to you at a later date my region-by-region recommendation, based upon the recently completed Touche-Ross Report. I hope also to report to you a conclusion to the lengthy Beatrice court suit. These important programs need to move forward under an agreed-upon plan.

My recommendations in mental health include the closure of the Norfolk Regional Center on which your Interim Health and Welfare Committee indicated concurrence. Closure of the Norfolk Regional Center is merited and will result in savings of more than 2 million dollars annually. Such savings would be available to enhance programs in our fine community mental health system.

To comply with a long-standing understanding, I also recommend that the statutory level of the Nebraska Veteran's Aid Fund be increased by 500,000 dollars to 11.5 million dollars, effective July 1, 1981, with a further 500,000 dollars to be added on July 1, 1982. The interest from this fund is used to provide grants to Veterans in need of short-term assistance.

The Department of Correctional Services continues to build upon the foundation of correctional reform laid out by the Legislature in LB 417 six years ago. The new Lincoln maximum security prison should be open by midsummer. Groundbreaking for the new Omaha Correctional Center should take place in early fall, 1981. My budget recommendation for the Department of Correctional Services provides a General Fund increase of 10.8%. In large part, this increase reflects the cost of additional staffing for the new maximum security facility. Also included in this recommendation is 25,000 dollars to expand vocational education opportunities for adult offenders and 60,000 dollars to improve opportunities offered in the Work Release Program.

Last year, on this occasion, I placed special emphasis on improving state government to achieve greater accountability to the public. Greater responsiveness and greater efficiency. On September 26, 1980, Earl Luff and 54 distinguished Nebraskans delivered to me a hard-nosed report. That document set in motion a number of initiatives which will have a profound and beneficial impact on the way we manage state government. It's time to shift back from

Washington some of the programs rightfully belonging to states, but we must modernize and streamline state government to be able to most efficiently administer these programs. State responsibility, rather than just a cry of states rights, is the key here. And, economy and efficiency is a state constitutional mandate and of high priority in this administration.

By executive action I have already implemented some of the task force recommendations. In the months ahead, I will act upon many more. Speaker Marvel, Senator DeCamp and other senators are working on at least a score of legislative bills dealing with task force recommendations. To name only a few: establishment of a biennial appropriations cycle: a thorough forecasting of costs of new programs: consolidation of administrative support for an array of licensing functions: and strengthening of the Governor's accountability to the public by having additional agencies report directly to the chief executive.

I urge the Legislature to give favorable consideration to legislation to provide a new source of credit for hard-pressed farmers and ranchers. The proposed tax-exempt agricultural development revenue bonds could do a great deal to help preserve the family farm.

Faced with unstable farm prices and record inflation, Nebraska's agricultural sector is more heavily dependent than ever on the availability of farm credit at affordable rates. Agricultural development revenue bonds have demonstrated their effectiveness in Louisiana, Oklahoma and Alabama; and the Iowa Legislature recently authorized their use.

The bonds are secured by and payable from a portfolio of farm loans which are used to purchase land, buildings, equipment, machinery and livestock. Issued by the state, as mortgage revenue bonds now are, agricultural development revenue bonds are repaid from program revenues. No funds or revenues of the state are required to repay the bonds or to defray the expenses of issuance or servicing.

The success of the Nebraska mortgage finance fund is now widely accepted. The fund was created as a method of tapping the tax-exempt financial markets to obtain low cost capital to finance the purchase of single family housing by low and moderate income families.

The fund has the potential to provide further assistance to low income persons who have no other hope of buying homes in today's economy. To realize this potential, I recommend that the Legislature increase the authority of the fund in three areas: 1. Expand the Governmental Cooperation Powers to take maximum benefit of both present and future housing dollars. 2. Authorize the fund to use its borrowing authority to finance rental housing for low and moderate

income persons, particularly the elderly. I am advised that today there is virtually no source of long-term capital to finance housing for such persons. Statewide, apartment vacancy rates, which averaged from 5 to 10 percent throughout the 70s are now significantly lower. When vacancy rates drop, rents rise and low income persons and the elderly are forced to vacate. I want to stress that the fund would remain strictly a financing vehicle. It would not own, build or manage housing. 3. Authorize the fund to provide rehabilitation financing for housing which fails to meet fire and safety standards and is energy inefficient. The fund is in a unique position to work with towns and cities to enable them to leverage their community development block grant moneys to increase by tenfold the number of low and moderate income persons who can be assisted.

Turning to the subject of unemployment compensation, Senator Hefner has discussed with me his bill to limit it to those who are unemployed through no fault of their own. I endorse this concept enthusiastically and urge the Legislature to take prompt action.

I also support legislation that would make the Attorney General, rather than the Legislative Counsel, responsible for the preparation of the explanatory language which accompanies proposed constitutional amendments placed on the ballot by the Legislature. As you know, the Attorney General already does this for amendments proposed by initiative petition. This change was unanimously recommended by the state board of canvassers. If it is adopted, the proposal would help avoid repetition of the confusion which last year surrounded the meaning of proposition 4.

Last year, the Jail Standards Board proposed local jail standards. They were approved by me, except for one standard dealing with the design of existing jails. I declined to approve that standard because it entailed a projected cost of 6 million dollars or more. The remodeling costs would have fallen solely and unfairly on local governments. I felt that spending lid would, in many cases, impede local officials from complying. The mandate to create jail standards came from the Legislature. It was, and is, my feeling that the Legislature should also provide a state share of the costs to local governments for bringing existing jails up to state standards.

When I addressed you a year ago, petroleum was in much shorter supply than it is today. The war between Iraq and Iran gives us prospects for shortages and even higher energy prices later in 1981. Therefore, we must continue and increase our efforts to conserve energy and turn to alternative fuels.

The people of Nebraska are doing a good job of conservation. They used about 9 percent less gasoline in 1980 than in 1979.

In the past 2 years, the amount of gasohol sold in Nebraska has increased by more than 6 times--and the number of service stations offering gasohol has grown by more than 7 times.

Early in 1980, I was the first Governor to order that all state automobiles use gasohol exclusively. And, since August, 2 Nebraska State Patrol cars have been driven using only straight alcohol. In 1981, we will convert additional state cars to operate on alcohol only.

Present Nebraska law provides that the Legislature should review its partial state gasoline tax exemption for gasohol whenever the use of the fuel in the state exceeds 20 million gallons annually. In 1980, the gasohol use was about 35 million gallons. I recommend that the law be changed, in order not to discourage alcohol producers from locating in our state.

In Nebraska, there are at least 50 sites where electricity was once provided through water power. It is again becoming economical to produce hydro-power through low-head dams. Therefore, I recommend enactment of legislation to allow Nebraska Municipalities to band together for financing of such power plants.

Under a federal program, the Nebraska Energy Office has for the past 17 months been performing energy audits on buildings such as schools and hospitals.

Results show that by following operation and maintenance recommendations of these audits, 20 percent of the energy costs can be saved, without any investments. Most state buildings are not eligible under this federal program. I am directing agencies under the Governor's control to request these audits and pay for them. Since these audits will pay for themselves through decreased energy use in a few months, no General Fund money need be budgeted for this activity.

Other details of my budget proposals will be found in the executive budget document which has been furnished you. I welcome--indeed, solicit--your careful consideration. I renew the invitation I extended to each member of the Legislature two years ago to call on me to discuss issues of concern. Let's work together. Like Governor Nance, I view "with pleasure the kindly relations which I have sustained toward those who occupy official positions throughout the state."

In the coming months, I hope we can work together very closely and harmoniously.

When Governor Nance addressed the Legislature a century ago, not more than a tenth of Nebraska's 48 million acres were under cultivation. Only a third of the state was populated. One hundred years is not a long time by many standards, but most of Nebraska's development has taken place in that period. When we reflect on the beneficial changes that have taken place since January, 1881, we can

rejoice. We can renew together our commitment of service. We can vow to make the next years ones of even greater growth and development for our state.

It won't be an easy task. It will require wisdom and courage. Let us then, with the author of the old hymn, ask our creator to grant us wisdom, grant us courage, for the living of this hour, for the living of these days.

The committee escorted the Governor and Mrs. Thone from the Chamber.

EASE

The Legislature was at ease from 10:56 a.m. until 11:18 a.m.

NOTICE OF COMMITTEE HEARINGS Banking, Commerce and Insurance

LB 57	Monday, January 19, 1981	1:30 p.m.
LB 60	Monday, January 19, 1981	2:00 p.m.
LB 71	Monday, January 19, 1981	2:00 p.m.
LB 92	Monday, January 19, 1981	2:15 p.m.
LB 113	Monday, January 19, 1981	2:45 p.m.

(Signed) John W. DeCamp, Chairperson

ANNOUNCEMENT

Mr. DeCamp announced the Banking, Commerce and Insurance Committee elected Mr. Haberman as Vice Chairperson.

BILLS ON FIRST READING

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

LEGISLATIVE BILL 153. By Sieck, 24th District.
This bill introduced on behalf of: self.

A BILL FOR AN ACT to amend section 77-27,132, Reissue Revised Statutes of Nebraska, 1943, and sections 77-3422, 77-3423, and 77-3424, Revised Statutes Supplement, 1980, relating to revenue and taxation; to change a budget limitation; to state intent; to create a fund; to provide for distribution; to repeal the Local Option Revenue