

LB 643	Tuesday, January 17, 1984	1:30 p.m.
LB 705	Tuesday, January 17, 1984	1:30 p.m.
LB 754	Tuesday, January 17, 1984	1:30 p.m.
LB 774	Tuesday, January 17, 1984	1:30 p.m.
LB 777	Tuesday, January 17, 1984	1:30 p.m.
LB 810	Tuesday, January 17, 1984	1:30 p.m.

(Signed) John DeCamp, Chairperson

MOTION - Escort Governor

Mr. Lundy 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 Miss Kilgarin, Messrs. L. Johnson, R. Johnson, V. Johnson, and Eret to serve on said committee.

The Committee returned and escorted Governor Robert Kerrey to the Rostrum where he delivered the following State of the State and Budget Address:

“PROMISE OF THE PRAIRIE”
GOVERNOR ROBERT KERREY’S
STATE OF THE STATE MESSAGE
JANUARY 6, 1984

In her finest moments, Willa Cather wrote of what she knew and loved best: the Nebraska frontier and the men and women who settled it. When Cather set out to write *O Pioneers*, she succeeded in creating a character — Alexandra Bergson — who captures the essence of those men and women, past and present, who have seen the infinite possibilities in Nebraska and have been willing to devote their lives to realizing them.

Unable to purchase the land thought best by other farmers and surrounded by those who submitted to back-breaking toil and hardship, Alexandra is, nevertheless, undaunted. With unshakeable faith in the land, in herself, and in the promise of the future, she succeeds. Where others saw certain failure, she saw opportunity. And so, Cather writes, “For the first time, perhaps, since that land emerged from the waters of geologic ages, a human face was set toward it with love and yearning. It seemed beautiful to her, rich and strong and glorious. Her eyes drank in the breadth of it, until her tears blinded her. Then the Genius of the Divide, the great, free spirit which breathes across it, must have bent lower than it ever bent to a human will before. The history of every country begins in the heart of a man or a woman.”

To know Nebraska and to plan prudently for her future is to know those men and women in whose robust hearts our history was born and in whose untiring hands it was carried to the present. It is to recall our victories and our defeats; our advances as well as our retreats. It is to know what we have done, what we are doing for this state. And most of all, it is that this is the state in which opportunity has thrived and continues to thrive.

We have been, in the main, a people aware of the chance to develop and exercise uncommon courage and tenacity — qualities our homesteading ancestors possessed in abundance. Nearly every season of the year has brought us new challenges waiting to be addressed. Through blizzards and scorching heat, through parching winds and drenching rainstorms, through floods and droughts and insect infestations and crises made by people, we have historically summoned up our courage and resources to say that on the other side of apparent catastrophe we will be even better and even stronger. Through our actions, we have said time and time again that a problem is not a barrier, but a question awaiting answer, an idea awaiting development, a challenge awaiting action.

And we have seen the opportunities a young land provides for growing together. Our ancestors joined together to raise the rafters for their barns, to extinguish prairie fires, to hay, thresh, quilt, and preserve. Today, while the activities may have changed, the spirit has not. Nebraskans still understand that we have greater strength through sharing.

We have used our courage and tenacity, our sense of community, and our values of faith, hard work, and dogged determination wisely. We have used them to create and cultivate opportunities for Nebraskans to realize their fullest potential. The land has given us a rich and rewarding resource base from which to grow; we have brought to the land an unflagging vision of its infinite possibilities.

And I tell you now with unshakeable faith that no boundary has been set — no boundary will ever be set — to constrain what the individual Nebraskan can accomplish when they discover opportunity, when given the chance to fashion new opportunities, and when provided the skills to make those opportunities work.

We have seen it in agriculture, as we have brought a fertile oasis out of a desolate wasteland.

We have seen it in education, as we have moved from unremarkable frame schoolhouses to a system of education which will not be deterred in its quest for still higher levels of excellence.

We have seen it in our productive, prosperous, and innovative businesses and industries.

We have seen it in our cultural environment, which has produced institutions, painters, writers, composers, musicians, and actors of the

highest rank.

We have seen it in our efforts to use, but use wisely, the resources we enjoy, and to provide Nebraskans the degree of safety and security required to make use of their opportunities.

We have seen it in many other ways and in many other efforts. And through it all, we must know that state government has been and must continue to hold as its objective: **INDIVIDUAL FREEDOM AND OPPORTUNITY.**

This legislative body enjoys an honorable heritage evoked by the names of Arthur Mullan, John Norton, Sara Muir, Gilbert Hitchcock, and William Hasebrook. It is a heritage reflected in the names of recent legislative leaders: Jensen, Gerdes, Marvel, Burbach, Carpenter, and Mahoney. And there is no shortage of leadership here today. Your names will be remembered as well: for courage, for service, and for sacrifice.

It is also a heritage shared by the Executive and Judicial branches of this state government, and it reaches back to 1864, when Congress provided enabling legislation authorizing Nebraskans to form a state government — a government which has continuously undergone progressive developments. What remains unchanged is that this is a government whose roots are in the law — a government which expresses that we are a society of the law, that we live by the law, and that if we do not, we will pay the penalties. What remains unchanged is that this is a government cognizant of the charge forever inscribed on this building: “Political society exists for the sake of noble living.”

And so this government taxes and invests that revenue to provide the people of this state with freedom and opportunity. We invest in Nebraska's number one industry — agriculture — an industry which is young by historical standards but remarkable in its rapid and successful development. A century and a half ago, the land was scorned as unproductive; today, it is a land which literally helps feed the world by providing millions of bushels of corn and wheat and tons of beef and pork each year. The Nebraska farmer of 150 years ago produced enough food for four people; today the Nebraska farmer produces enough food for 80.

We invest in the education of our people so that they will be prepared to confront challenges and make the most of opportunities presented them. Our belief remains similar to that expressed by the first settlers who hoped to give their children all the education possible so they “would not go forth to fight their world battles handicapped by ignorance.” We have come a substantial distance from the days when pioneering teachers taught in small frame or log houses so open that sun and wind could enter the crevices. From these humble but sincere beginnings has evolved an educational system embracing elementary and secondary schools, colleges, universities, and institutions which

provide special training to meet the needs of our citizens. Although every facet of state endeavor should remain eager for improvement, I can say with confidence that Nebraska's educational system has achieved a clear record of excellence.

We invest in economic development with a view to planning, promoting, and developing the state's economy; working to achieve the full potential of our human, natural, and physical resources; and stimulating commerce, agriculture, industry, and job opportunities.

We regulate to provide Nebraskans with a degree of safety and security. We want to make certain that the diseases like diphtheria and tuberculosis, which robbed families of their children and incapacitated their adult members, never again become a scourge in this land. We want to make certain that the food we eat, the water we drink, and the air we breathe are pure and healthful. We want to make certain that hazards which present danger to our people are responsibly controlled or eliminated.

We innovate so that Nebraskans can successfully avail themselves of new and important developments in areas such as communications, and so that Nebraskans can make the most of what is already possessed through institutions like our Food Processing Center.

We advocate on behalf of Nebraskans in many forums to ensure that the individual and collective voices of this state are heard and heeded across the nation.

We have done and continue to do all of these things because we love this land.

We do it because we are the descendants of men and women of faith and solid values. Men and women known and nameless who were unafraid to give themselves to the future. Men and women who gave us a solid platform on which to construct this society.

We do it because there is not a singular American Dream but a multitude of diverse individual dreams deserving of realization — deserving of the opportunities for realization.

We do it despite the fact that there are functions of this state government we ourselves may never make use of — may never need. We may never directly need services for the mentally ill or mentally retarded. But we provide help for those individuals who do. We may be employed and blessed with wealth, but we still provide job placement assistance and income maintenance for those who are not. We may be young, but we provide for our aged: their health, their housing, their security. Our freedoms may not be in jeopardy, but we provide protection for those who are. We are concerned about the denial of one person's freedom; we know that we could be next. We move to help our neighbor.

This is the spirit in which I give you my budget recommendations today. This government is here by the choice of the people; not by the

chance of fate. In its myriad forms and activities, it is an expression of the wants and needs of the people of this state — wants and needs which, when addressed, open channels of opportunity. Our task is to maintain and improve those channels and chart a course for Nebraska through them.

Cather's Alexandra did not wait for her opportunities. With faith and values to guide her, she worked hard and she persevered. She worked tirelessly toward her goal. The opportunity lay in being able to choose that goal with freedom. Hard work and sacrifice turned the dream into reality.

It will take a good deal of hard work to accomplish all of our dreams as well; it will require more than the appropriation of dollars. We must push ahead with dedication, self-discipline, and a commitment to working long and hard. We must know that it is not enough to be content with what we have today; we must compete for the future. We must apply ourselves inside and outside state government. And if we are willing to do all this, we will succeed.

If there is any doubt, consider the response we have received from the members of our task forces. We had only to ask, and their service was committed to the betterment of Nebraska. I regret that all of the members could not join us today, but I want to introduce the task force chairs who are here: John Woods, Communications and Informations Systems Technology; Tom Potter, Small Business Equity; Jim Campbell and Lynn Roper, Pension Fund Investment; Brenda Warren, Excellence in Education; John Cavanaugh and Bob Daugherty, Water Independence Congress; Barry Kuhl, State Employee Insurance; Bob Spire, Christian School Advisory Panel; Tom Olson, Agricultural Finance and Rural Development; Jerry Hargitt and Harry Seward, Governor's Advisory Committee for the Gifted and Talented; Maxine Moul, Small Business Equity Subcommittee Chair; and Dale TeKolste, Special Advisor to the Governor. Thank you again for your outstanding efforts.

OVERVIEW OF BUDGET

Now, I would like to provide you with an overview of my budget and enhancements.

Article IV, Section 7 of the Nebraska Constitution says that the Governor "shall present, by message, a complete itemized budget of the financial requirements of all departments, institutions and agencies of the state and a budget bill to be introduced by the Speaker."

This is the presentation of that budget. It calls for \$803,155,723 in state spending, including capital construction. This is an increase over the current budget of 7.6%.

As I detail the components of this budget, we must remember that every dollar should be analyzed. It is always possible to achieve more while spending less. That is why, during the budget process, I frequently

sent word back to my department heads that new programs they suggested should be funded by existing dollars; that they must, through reallocations and greater efficiency, find the resources to support these new directions.

The process used to arrive at these budget proposals was a thorough one. Last year, at the end of your legislative session, I established two goals for my next budget; I feel I have achieved them both.

First, I believed it essential that I should present this budget to you as soon as possible. Given that this is the short legislative session and that your agenda is filled with weighty issues, delays in budget action could jeopardize your success. Therefore, I was determined to present you with this budget during the first week of this session.

Second, I wanted these budget requests to be thoroughly scrutinized. We began with the issuance of the budget instructions in July. Larry Bare met individually with each code agency director to discuss budget goals and objectives. Agencies were asked to respond in writing to over 100 questions on particular policy issues. A special budget planning group was formed and briefed thoroughly on agency requests. This group then met with each code agency director and staff to discuss their individual requests in-depth.

By late November, the materials had been developed to begin presentations to me. I spent a great deal of time in November and December meeting with the planning group, agency directors, concerned citizens, and members of this body. Issues were thoroughly discussed, numbers continually revised, and priorities established. Out of this thorough dialogue comes the 1984-85 budget.

I want to begin by discussing issues affecting state employees. They are the backbone of our system, representing the single most important element in our government. Buildings, equipment, and the best laid plans mean nothing without a skilled, dedicated workforce which is both well-managed and well-trained.

Therefore, in light of the state's salary survey findings, I am recommending to the Legislature an eight percent increase in state agency salary budgets. My salary distribution proposal has been designed to reward good performers. It is a basic pay for performance system. Employees may receive up to a ten percent pay increase. Employees with less than satisfactory performance will receive lesser amounts, possibly nothing, and performance improvement standards will be established which will lead them to be better employees or potentially face termination. Hiring rates will generally be increased six percent. I am also recommending a revised health insurance plan for which an additional \$2,827,510 will be necessary.

As you are also aware, I have recently approved new Personnel rules. With implementation of the new rules and regulations, we will, among other things, finally achieve merger of the State Personnel and Merit

Systems.

In addition to the 1984-85 budget, I am presenting to you a deficiency bill for 1983-84 of \$7,081,492 of General Funds. The 23 agency requests that I approved are, I believe, legitimate needs and should be funded.

Analyzing the \$803,155,723 contained in this budget, we see that it requires:

\$372,745,360 for state operations;

\$415,510,334 for aid; and

\$ 14,900,029 for capital construction. These numbers do not include funds for the new health insurance package.

Detailing the portions of this budget, we see that education requires \$408,023,868 in General Funds. This includes:

\$159,484,133 for the University;

\$ 194,796 for the State College Board;

\$ 25,488,637 for the State Colleges;

\$ 23,088,850 for our Technical-Community Colleges.

\$190,866,262 for the Department of Education;

\$ 4,870,723 for Educational Television; and

\$ 611,223 for the Nebraska Arts Council.

Turning to transportation, this budget necessitates \$4,928,406 in General Funds and \$294,467,068 in total funds.

Looking at economic development, this budget requires \$6,615,956 in General Fund support, including:

\$3,533,463 for the Department of Agriculture;

\$ 565,875 for the Department of Labor; and

\$2,504,147 for the Department of Economic Development.

In the natural resources area, my main line bill calls for \$15,480,315 in General Fund appropriations. This includes:

\$1,521,915 required for the Department of Water Resources;

\$6,222,747 required for the Game and Parks Commission;

\$4,689,768 required for the Natural Resources Commission; and

\$3,011,934 required for the Department of Environmental Control.

The human services area need \$190,215,685 in General Funds and another \$260 million from other fund sources.

This area includes, in General Fund requirements:

\$ 4,273,255 needed by the Department of Health;

\$ 63,070,776 needed by our Department of Public Institutions;

\$118,445,718 needed by our Department of Social Services; and

\$ 2,212,447 needed by our Department of Aging.

Support of our general government operations requires \$87,767,109 in General Funds, including:

\$ 657,163 for the Governor's Office;

\$ 5,548,857 for this Legislature;

\$ 4,534,838 for the Department of Administrative Services;

\$ 996,731 for the Department of Personnel; and

\$36,383,362 for the Department of Revenue, and \$34,683,773 for the State Treasurer.

In our public safety and regulatory functions, this budget calls for \$68,638,457 in General Fund support. This provides funds for:

the Supreme Court at \$10,216,290;

the District Courts at \$6,252,135;

the State Fire Marshal at \$159,298; and

the Department of Correctional Services at \$35,600,057.

In terms of new capital construction commitments for fiscal year 1984-85, my recommendation includes over \$12.9 million of state General Funds and \$6.0 million of cigarette tax funds. A continued effort is being made to maintain our existing buildings and to upgrade our older facilities, with a particular view toward energy conservation. I am therefore recommending that \$5 million be allocated to the LB 309 Task Force. Among other recommendations, \$1,000,000 is targeted for life safety improvements at the Department of Public Institutions, along with \$500,000 for life safety improvements at the University, \$250,000 at the Department of Correctional Services, and \$200,000 at the state colleges.

EDUCATION

Last summer I commissioned a task force to study the status of primary and secondary public education in Nebraska and make recommendations for improvements. The Task Force on Excellence in Education found that our schools are sound, but not without room for improvement. This body will debate the merits of such recommendations as state established graduation requirements, the organization of school districts, and many others.

I am convinced that education is central to our continued growth and well-being as a state. That is why I am offering a bill to enhance education in Nebraska. The quality of that education depends to a great extent on the men and women who teach our children. We cannot afford to lose our best teachers to the private sector or to school districts in other states. In order to assure that Nebraska's educational system is second to none, we must pay competitively, and we must recruit competitively.

I am today challenging Nebraskans to set a goal of recruiting and paying a teaching force in the upper 10% in the nation. This is, I believe, a reasonable, aggressive goal given our own high individual aspirations. To achieve this goal will require commitment: financial and political.

By the end of the decade, Nebraska's teachers will be in the upper 10% nationally in terms of both quality and pay. We must be willing to set this goal and to work together with local school districts to achieve it.

But if we are to pay our teachers in the top 10%, we should expect

that we have the top 10% of the teaching talent. In return for truly competitive salaries, teachers must be willing to sacrifice some of the protection they have traditionally enjoyed.

In examining our laws, I find that we do not have true "tenure" for teachers in Nebraska. Instead, we have a fair dismissal procedure that guarantees teachers due process. Nevertheless, there is a public concern that there are some teachers who are not doing an adequate job, and that they cannot be fired. In order to deal with that concern, we will revise personnel rules in statute to clarify that incompetence includes deficiencies or shortcomings in subject matter knowledge or in teaching skill. The State Board of Education should be required to expand on this definition and establish standards of competence which apply to all teachers in Nebraska, no matter how long they have taught.

Another problem in guaranteeing continuing competence, of course, is in the evaluation of teachers. We will increase our emphasis on ongoing, thorough, and reliable evaluation. In addition, administrators must be provided with the training and resources necessary to evaluate teachers and reward the most able, help those who can improve, and remove those who are not competent from the profession.

We will also remove artificial barriers which may impede potentially outstanding teachers from entering the profession. I will propose legislation which will enable uniquely qualified individuals to gain "lateral entry" to the teaching profession without necessarily returning to college to complete formal teacher training.

I am proposing a \$25 million initiative for total education improvement, the lion's share of which will be used to enhance teacher salaries. By providing stipends from the state to teachers in school districts that maintain a minimum qualifying level of salaries, and by having that state stipend match local effort, I believe we can reach our top 10% goal.

The remainder of the \$25 million will be used for several innovations, such as: a consortium to provide for technology in the schools; a "scientist-in-residence" program; and a program designed to identify and distribute especially effective and innovative curricula.

In addition, my bill will contain many items that are also included in the bill developed by Senator Vickers and your Education Committee.

We also need to concern ourselves this Session with the question of the appropriate balance between religious freedom and the legitimate interest this state has in the education of Nebraska's children. I have appointed an outstanding panel headed by Bob Spire of Omaha to analyze this entire issue and provide us with an objective, balanced, and independent judgment on the public policy questions involved. I expect a report from this panel in the near future so that you will have every opportunity to thoroughly analyze and review this difficult, complex

area.

ECONOMIC DEVELOPMENT

Looking at economic development, my legislative program will once again have a major emphasis. Let me share with you some of the significant concepts I used in developing my package.

First, the economy is not an abstract mathematical model. It is people; people making choices. It is individuals investing; families buying a home; a farmer plowing his or her field; a worker assembling a machine; an entrepreneur opening a business; a researcher developing new ideas and technologies.

Second, the more we invest in that individual's capacity to be economically productive, the more we as a society gain in return.

Third, although national and international forces shape our economic destiny, we cannot concede to them. We must make our own economic choices to build our own economy.

And fourth, economic development is the responsibility of all of state government. That is why I've directed all agencies from Energy to Social Services, from Agriculture to Labor, from Revenue to Water Resources to look at how they can help build upon the basic wealth of this state.

The following represent significant economic development investments and activities.

Number one, transportation.

Accessibility to resources, markets, and services is critical to the health and well-being of Nebraskans. The quality of our transportation systems determines in large measure the number and quality of economic choices available to us. Gone are the days when we hitched the horse to the buggy and rode into town to buy and sell our wares; today, we are a worldwide trader dependent on strong systems of transportation. For example, Japan now purchases \$6 billion of grains and other food products from America each year.

We must continue to emphasize development and maintenance of our road, rail, and airport systems.

We have come a long way since 1927 when the state completed its first 100 miles of hard surface paving. Today we have a state road system of 10,000 miles, 413 railroad crossings, and 3,248 bridges. We commit 17.5% of the total state budget to the Department of Roads so that farms and businesses have access to markets.

Further, the use of aircraft has been a vital part of Nebraska's and our nation's growth. The allocation of \$16 million to air programs demonstrates our resolve to keep Nebraskans linked to the outside world. In light of the importance of air service to economic activity, we must also be prepared to deal with the impact of airline deregulation.

Number two, telecommunications.

It is not just transportation that links our people to the world. More

and more, telecommunications is the conduit for our transactions. I firmly believe Nebraska has the potential to be a world class center in telecommunications.

In line with that belief, my budget calls for a major increase in support to ETV. Much of this increase is targeted toward maintaining the high quality of the facility in which we have already so wisely invested.

Additionally, my capital construction budget continues our program of transmitter replacement.

Finally, my detailed economic development message, which I will deliver later this month, will contain additional recommendations in this area.

Number three, education.

In reviewing our investment in people, our greatest investment in individuals is through education. As I've said on other occasions: "Education is the conservative commitment of those of us who believe that it is people who solve our problems."

The education plan I've just given you is that kind of conservative commitment that we have maintained since our days as a rugged frontier. That commitment grew over time to include higher education. Today, we know that higher education is one of the surest means of providing both individual freedom and opportunity, and bettering society. It affords individual men and women chances to pursue their chosen fields and equip themselves for lives of learning. Those individual opportunities ripple out to the lives of others in myriad forms: new ideas, new technologies, new achievements and advances.

This budget bill provides over \$208 million in General Funds for our three state higher education systems. Of the operations portion of state government, the University and state college system will absorb 49.1% of the General Fund budget.

I am also proposing that funds be allocated to begin construction of the University's Animal Science complex. Completion of this complex is another step toward building the food processing industry in our state. We know that solid research builds strong industry. We know that basic agricultural research pays off in greater productivity.

Additionally, I believe that the University should proceed with the Laboratory Science Building in Omaha as another sign of our belief that education is a component of economic development.

Finally, because new technologies offer us new opportunities, one million dollars is also provided for university computer development.

Number four, technical colleges and job training.

Our investment in individuals is also reflected in our technical-community colleges. Many times this last fall on the Industry Recognition Tour, business leaders spoke of the drawing power of these institutions for new industries as well as the contributions of our state

colleges and University.

Job training is also a growing part of our state's investment in individuals. For the next fiscal year, I'm calling for an additional quarter of a million dollars to the Departments of Labor and Economic Development for these valuable services. This is to supplement the \$10,450,387 federal dollars being spent for the Jobs Partnership Training Program.

Number five, NIFA.

Last year, you created the Nebraska Investment Finance Authority — NIFA. With a strong board in place, this agency is aggressively bringing dollars to Nebraskans to buy homes, build businesses and acquire farms. More can and will be done by NIFA in the coming years.

Number six, additional economic tools.

I will also be asking this Legislature to look favorably on creation of two new Nebraska economic tools. The first will be to aid small businesses needing to get started. The second is to assist beginning farmers. New farms and businesses are vital to a healthy economy. Their creativity and productivity inspire additional economic activity in our communities.

Number seven, pension funds.

Nebraska can further control its economic destiny by controlling the flow of capital. More effective targeting of state pension funds is another tool that we can use to gain investment dollars for our citizens. I will soon be urging our Retirement board and Investment Council to take further action in this regard.

Number eight, infrastructure.

Building our communities and their infrastructure is another means of asserting local economic control. Creative use of community development block grants, aggressive pursuit of Urban Development Action Grants, merging of public and private investments, and careful planning are all tools we will use to build economic independence.

Finally, if we look at how all our state agencies contribute to our economy, our potential economic development strategies become endless. Our public safety structure protects our farms and businesses. Our social service system builds our quality of life. Our regulatory system balances rights and responsibilities. Whether it is our dedication to an outstanding park system, our faith in the arts to inspire us, or our dedication to equal justice, all of our actions will build our economy because they build us as individuals.

WATER

Nebraska has also established a national leadership role in the development and conservation of water resources. This heritage is admirably reflected by the creation of local Natural Resources Districts, by the eight million acres of Nebraska farmland that have been brought under irrigation, by the commitment we have made to the

conservation and proper management of our water resources, and by the investments that we have made to undertake studies in an effort to improve our system of water resources management.

We have had our share of disagreements about the best way to approach water policy in this state; nonetheless, Nebraska has remained a leader. We have fared well compared to other states, and we now stand at the brink of a tremendous opportunity to capitalize on this important resource.

The Water Independence Congress has been an exercise in this tradition. Forty Nebraska citizens from across the state with a variety of interests in Nebraska water resources came together for a common purpose: to work toward a consensus water policy that is predicated on the best interests of the entire state. Disagreements occurred; that was to be expected, since that is the nature of a democratic system. But in the end, the members of the Water Congress submitted a report that represented their consensus on what the direction of Nebraska water policy should be.

I would like to share a number of their recommendations, which I wholeheartedly support, and at the same time, commend Senator Schmit for his support of the Water Congress. I intend to support the following:

First, the Congress made several proposals relating to the structure of state government which are designed to clearly define administrative responsibilities and lines of accountability.

I strongly support the Water Congress consensus that the executive director of the Natural Resources Commission be appointed by the Governor with Commission approval. I also support the concept of a Water Management Board as a mechanism for resolving disputes and setting priorities for water projects. The board would work in conjunction with existing water agencies to provide a complete administrative system.

Second, the Water Congress made several outstanding recommendations concerning water conservation and management, which are key elements of sound water policy. The Congress recognized that the efficient use of water and the protection of its quality are essential to all Nebraska citizens, both urban and rural.

A very important component of Nebraska's water management policy must be the legal recognition of instream flows as a beneficial use of Nebraska water. Future development of our water resources must take into consideration the value of protecting habitat for fish and wildlife in our state.

Groundwater management plans which address existing and potential problems with regard to groundwater supplies and quality should be developed and implemented at the local Natural Resources District level. Emphasis should be placed on conservation practices and

integrated management of surface and groundwater. Development is only part of the answer. To succeed, we have to manage this resource wisely.

Diminished water quality must be considered a serious threat to our abundant water resources. The underground storage of petroleum and chemical waste as well as the surface application of fertilizer and pesticides must be carefully managed in order to prevent groundwater contamination, which can be a serious threat to our health.

Third, the Water Congress has offered several water development recommendations. I agree with the consensus that additional development, if properly planned and managed, is both possible and desirable. To quote the Water Congress report, "Additional development can provide for environmental protection, economic development, and a large portion of the additional needs of agriculture."

A significant concern is the means by which this development will be financed. I concur with the Water Congress recommendation that the Nebraska Constitution be amended to authorize, with legislative approval, the use of general obligation bonds for water projects. This paves the way for a comprehensive water financing structure, which must include user fees as well as tax revenues.

I am including in my enhancement proposal an additional \$4 million for water development, which would be administered by the Water Management Board.

Fourth, to ensure that water development in this state proceeds in an orderly fashion, sound planning is a must. The Water Congress has recommended that the state play a lead role in planning for water resources projects, and encourages local project sponsors to be involved as well. A continuing assessment of our efforts must be undertaken, and new development projects should proceed in stages to promote that assessment.

On a broader scope, the consensus of the Water Congress indicates that the Missouri Basin States Association should be used as the forum for resolving Missouri River water disputes. This informal group will provide a better environment for this task than would a formal interstate compact.

Two things are abundantly clear to me from the Water Congress report. First, we must maintain the tradition of local control in the management of our water resources. Second, the state's Chief Executive should be accountable to the people of Nebraska for the successes and failures in Nebraska water policy. The recommendations of the Water Congress provide the framework we need to move forward and continue our heritage as national leaders.

Right now, in 1984, we have an opportunity which has not existed in many years. We must act now, building on the courage of the Water

Congress membership and the leadership of Senator Schmit and the Public Works Committee. History will judge us to be people of courage as well if we seize this opportunity to move decisively ahead.

SOCIAL SERVICES

Since our days as a Territory, Nebraska has maintained a commitment to social services. The name and structure of the administering agency have changed over the years, but Nebraskans have remained willing to assist each other in times of need. Provision of human services is one means of assuring that individual opportunity extends to all Nebraskans and not merely to the advantaged.

Some Nebraskans are only in need temporarily; some will always be in need. In either case, we provide social services because that's the kind of people we are. Our goal is to help; our number one priority is to try to assist the recipients — to try to provide them individual opportunities. And we should be proud that we care so much. We should be proud that we help without expecting a payback. We should be proud to help one another.

One important task for our Department of Social Services over the next year will be to complete the creation of a state social service system. The task is first and foremost a management issue. It demands total support from all who work within the Department, all who draw upon its services, and all other agencies which work with this Department. This Legislature has declared there will be one uniform system of delivery of social services in Nebraska, and this administration will act decisively on that mandate. Before we ask the Department to undertake new missions, we must make sure this one is well in hand.

Yet there are other tasks which the Department must continue to perform.

After all ... to the elderly, the disadvantaged, and the refugee; to the retarded, the single parent, and the disabled; to those struck by catastrophic illness; to the orphaned, abandoned, and abused, the Department of Social Services is a hot and nutritious meal, appropriate clothing, a warm, decent place to live, the security of knowing that nursing home care, and hospitalization are available, a trip to the doctor, proper pharmaceuticals, and care for children.

And so ... One hundred and sixty million dollars are provided for Medicaid; Fifty-four million for aid to dependent children; Seventeen million for energy assistance; Fourteen million for Title 20 Social Services; Eight million for child welfare foster care payments; Five million for Supplemental Security Income payments to the aged, blind and disabled; Twelve million for a variety of other programs and services.

Additionally, our state administers such federal programs as the food stamp program. In fiscal year 1984-85, \$40 million worth of food stamps will be provided to needy individuals and households. Some \$10

million will be used for food commodities distribution to 182,000 individuals.

One of the values that makes our society so good is that we take care of our aged. Included in this budget bill is an increase for aid to community services for the elderly. Our state government has a long-standing history of support for its senior citizens, as evidenced by the former Aid to Aged, Blind and Disabled Program; the creation of a state Commission of Aging in 1965; our leadership in community programs in the early 1970's; and the passage of LB 404, the Community Aging Services Act, in 1980. We support the programs in this area because we are a caring, compassionate people.

We also demonstrate how deeply we care in mental health and mental retardation services. Among the most critical issues we now face is the question of the chronically mentally ill. We cannot allow these individuals to be ignored, cast aside, or lost between service cracks. In an effort to raise the quality and efficacy of mental health and mental retardation services, Ron Jensen, our Director of the Department of Public Institutions, has embarked on two actions:

The first is completion of a state mental health plan providing consistent priorities for the use of mental health dollars across the state.

The second is a rewrite of our state mental retardation program statutes. As the first statutes developed for community-based services in Nebraska, these statutes can be updated based upon more than a decade of experience with these types of programs.

I urge your support of both of these initiatives.

PUBLIC SAFETY

Even as we seek to provide Nebraskans with opportunities in education, economic development, agriculture, and other areas, we must also recommit ourselves to the public safety. The goals, and actions of state government — the opportunities we provide for people — mean little if Nebraskans are not sufficiently healthy or safe to partake of and participate in them.

Our State Patrol stands in the mainstream of our public safety efforts. Today, the Patrol continues to perform its function of making the highways "a safer place for life, limb and property."

This budget calls for the funding of the State Patrol road operations from the Highway Allocation Fund. This is consistent with the Nebraska philosophy of users paying for the services they receive. It brings Nebraska into line with the majority of states in the nation that also pay for part or all of their Patrol operations from user fees. The point of contact for most of us with the Patrol is being stopped on our highways. However, the measure of safety provided by the Patrol is integral to our citizens' ability to explore their opportunities.

Likewise, the support we give our courts helps determine whether we will be a society of law or lawlessness. We raised our judges' salaries last

year when we held the line on most other items, demonstrating our commitment to the Judiciary, so ably represented by our outstanding, progressive Supreme Court.

The Fire Marshal's Office also represents a state commitment to citizen protection. As early as 1909, our state established fire safety as a state responsibility with creation of a State Fire Commission. A policy of inspection, enforcement, and prevention has spared Nebraska disasters like those which have occurred in other states. The Fire Marshal's Office requires our support to meet new challenges in public protection.

The heritage of our Military Department extends back to our Territorial Government. Over the years, the Department has added several new functions of public protection and civil defense. I am proposing a budget of nearly \$5 million for this Department and am giving General Carmona full support in his efforts to restructure and strengthen this division of state government. The Guard must stand ready to serve Nebraskans in the future as it has so well in the past.

In the areas of Corrections, we attempt to strike a difficult but necessary balance between protecting the public and supporting opportunities for individual rehabilitation.

This budget calls for completion of the Department of Corrections' construction program, envisioned by this Legislature over ten years ago.

My recommendation includes over \$1.2 million for the next two budget years for the Omaha Post Care Center. The present facilities have been sold and will be demolished to make room for planned commercial development in the area. Due to the difficulty associated with leasing acceptable long-term space and the continued merit of this program, the construction of a Post Care Center housing a total of 90 male and female offenders in Omaha is vital. This new facility will also provide work or education release programs for women.

Further, a delay in the opening of the Omaha Center has provided one-time vacancy savings of budgeted dollars. I have directed that these funds be applied to expanding the correctional industries program at this location. Solving the question of inmate idleness is a high priority for me and this Legislature. These funds will be used to establish meaningful inmate work programs, such as wood furniture manufacture, book repair and bindery, and production of vinyl products.

In addition, I intend to recruit and hire an administrator in the tradition of outstanding Nebraska Corrections officials. The commitment we have made in the past to invest in capital expenditures, coupled with being one of two states with a stable or declining prison population, presents us with an opportunity to continue our work and achieve our dual goal of protecting the public and supporting

individuals' opportunities for rehabilitation.

REGULATION

Regulation represents one of the principle functions of state government. We have a critical need to regulate and maintain a balance between competing interests. If an individual wants to earn a living manufacturing chemicals, we want that opportunity to exist. But at the same time, we want pure air and water and soil for ourselves and our children. As we regulate, we also recognize the pitfalls of the activity. We can regulate too much — too strenuously — too rigidly — and destroy individual freedom and opportunity.

But individuals can and do hurt other individuals. As extensions of people, corporations may do likewise. During the past year, we have witnessed another striking example illustrating the tremendous need for and difficulty of regulating people: that is the Commonwealth Loan and Investment insolvency.

I know that I speak for a great many Nebraskans when I express my deep gratitude to John Miller and Dave Domina for their willingness to step in and assist the state, and for the outstanding work they have done in a very short period of time.

Their report to me and to this body contains a series of recommendations for statutory changes designed to improve the state's method of supervising our financial institutions. I assure you that I will cooperate with Senator DeCamp and the Banking Committee as we analyze these recommendations in our joint effort to avert another tragedy.

We regulate under the auspices of many agencies: the Departments of Motor Vehicles, Revenue, Health, Agriculture, Banking, and Insurance, as well as the Professional Licensing Boards.

For the Department of Motor Vehicles, I am proposing in this year's budget that the fee charged for driver records be increased. The amount Nebraska charges for its service is considerably below most of the Midwest states. A further increase to help support Department costs is justified.

After discussion with Donna Karnes, our Tax Commissioner, I have decided to add funds for eight additional auditors for the Audit Division of the Department of Revenue. For our tax system to work, citizens must be confident that people are paying their fair share. Auditing of tax obligations is an essential part of this system.

Finally, the maintenance of public health is a key function of our government; a healthy citizenry is better equipped to take advantage of new challenges. As we limit dollars for health care, we must intensify our efforts at health promotion and disease prevention. Dr. Gregg Wright, the Director of the Department of Health, has determined that the first step will be the creation of a Governor's Committee on Health Promotion.

We expect that by March 1, a broad-based committee will be formed and already acting on its charge to develop a state health promotion plan. The recommendations of this committee will go to the Statewide Health Coordinating Council first. By encouraging a more healthy environment and increasing citizen awareness, we will not only reduce health care costs, but also lengthen healthy, productive lifespans.

REDUCTIONS

This budget also contains reductions and, in some cases, elimination of programs. These cuts are, as always, painful. They are not taken lightly, but rather have been thoroughly discussed and evaluated.

First, I believe that changes in certain aspects of our special education reimbursement system are warranted. This budget contains \$43,789,887 for state assistance to special education. This year's increase is over \$3,000,000. It is worth noting that when LB 403 passed in 1973, the total state appropriation for special education was less than \$11 million.

My proposed changes would combine transportation costs with instructional costs and would reimburse all levels of special education programs equally, with an estimated savings of \$2,706,582.

Second, I still believe that the state should not provide special aid to school driver's education programs. Elimination of this would reduce expenditures by \$1,236,000.

Third, I remain convinced that we should not continue earmarking one cent of the cigarette tax for cancer research. After allowing for an adequate General Fund appropriation for the Eppley Institute of \$500,000, this proposal reduces expenditures by \$1,100,000.

Fourth, I am convinced that the State Fair and Fairgrounds Horse Racing cash revenues should absorb the \$105,380 that the General Fund currently provides the State Board of Agriculture.

Fifth, it is periodically necessary to adjust upwards the fees charged for state services. It is clear to me that the time has come to adjust the fees charged counties for patients placed in state institutions. Those fees have not been increased since 1969. At that time, the average daily cost per patient at our three regional centers was \$16.22. The average daily cost last year was \$125.41, an increase of 670%. We have reached a point at which it costs counties less to have an individual institutionalized in a state facility than placed in a local community program. An increase of the county share to \$15 per each day of care will raise almost \$4 million to assist in the funding of institutional expenses.

Sixth, I believe that our State Historical Society should begin to charge admission to its facilities and thereby gain the state an additional \$146,000.

Seventh, I feel that the witness assistance centers have demonstrated their worth, and should be a local funding responsibility. Elimination

of this program saves the state \$48,545.

Eighth, I feel it is time that the Kearney Safety Center became self-sufficient and that the \$60,000-plus in General Funds which it uses should be applied elsewhere in the state budget.

Ninth, I am supportive of the changes in the Medicaid program that have saved \$705,000 and expect more cost-saving proposals to be forthcoming in this program.

Tenth, I feel that the students at the state colleges should pay higher tuition next year, as will University students, providing an additional \$649,000 in cash funds.

Finally, I ask you once again to consider closing the state-run gift shop in the Capitol Building.

I am also asking you to take three legislative actions that will save General Fund dollars in the future. The first is to amend the statute on payments for the Fairgrounds grandstand to guarantee that existing balances from past appropriations and investment income are available to be used to make bond payments. This change could save the General Fund as much as \$3.5 million over future years.

Additionally, I am asking you to place a cap on the state's share of the wastewater facilities grant program. Changes in the federal contribution will almost double the state cost of this program unless we change our state law. Environmental policy is dictating that more of these costs should be borne by the polluter. Enactment of this change will save the state \$2.5 million a year.

Finally, I am asking that you limit the scope of review for the Foster Care Review Board to private placements. The state should not have to establish an agency to watch another state agency. Concentrating the work of this board on placements outside of existing government programs will target these resources to the areas in which we have the least influence and the greatest need for oversight.

These three proposals, if adopted, will slow future growth of government costs and more efficiently use Nebraska taxpayer dollars.

TAX RELIEF

Turning to questions of property tax relief, this total package, the budget bill plus my additional proposals, provides another \$50 million in aid to local government functions.

Included in this \$50 million are: \$ 850,000 for additional reimbursement to schools for wards of the court; \$ 1,032,000 in higher homestead exemption payments; \$ 3,166,000 in higher special education aid; \$ 1,500,000 for increased aid to community colleges; \$18,500,000 for the assumption of all county Medicaid costs; \$25,000,000 in additional assistance to our schools for teacher salaries and other educational improvements.

As you noted, I am proposing acceleration of the state takeover of county Medicaid costs. Last year, I suggested we defer that takeover

one year until order could be restored to our fiscal house. After consideration of that proposal by a special committee and extensive negotiation with members of this body and affected interest groups, it was decided to phase in that takeover over a period of three years. Now that state finances are in renewed health, I reaffirm my earlier suggestion to take over all three of these costs in the 1984-85 budget year. This ensures completion of a long-sought goal, provides local property tax relief and removes a major future state obligation from the fiscal horizon.

Finally, this financial package allows for a reduction of the 1984 income tax rate from 20 percent of federal liability to 18 percent and assumes removal of the special cash fund sales tax to decrease the sales tax rate to 3 1/2%. This will allow for revenues of \$874,382,508, including an overlevy of 3% of appropriation. Although this overlevy is not as high as some legislators have suggested, I believe that coupled with our cash reserve, it will give us enough security in these still uncertain economic times. This proposal will give Nebraska taxpayers \$56,356,000 in income tax relief.

I would urge this body in determining tax rates to watch closely the economic omens and to also maintain an adequate overlevy and cash reserve so that budget planning can continue on a stable basis. We have learned, sometimes painfully, that our sales and income tax are highly responsive to our economic cycles.

Further, I would urge that when you make your decisions, you provide the Nebraska homeowner and taxpayer income tax relief as well as property tax relief.

Those who feel that the watershed moments in our history have passed are wrong. New opportunities have afforded us new choices and decisions. We stand on the threshold. We can act decisively and be remembered as the modern day Alexandras — as men and women of uncommon courage and vision.

Those who believe so much to be impossible are wrong. They cannot have reflected on our past. They must not be aware that out of a so-called desert has risen a vital, thriving state in which the possibilities are as limitless as our panoramic blue sky. The impossible is only so for the moment.

In the time of Cather's Alexandra Bergson, the land presented our ancestors with their abundant opportunities, and they came to the land with the requisite courage, faith, and appetite for hard work. The results of this combination are all around us.

Today, the land is but one bearer of opportunity. It exists in education, in economic development, in water, and a host of other areas. Let us meet these opportunities in the manner of Alexandra. Let us meet them with the courage, faith, and commitment to hard work which comprise our ancestors' legacy, and pass them down as an

inheritance to our children. Then, we will feel as Alexandra did:

“As they drove through the rolling ... country toward the westering sun and the stalwart church, she was thinking of that time long ago when she ... drove back from the river valley to the still unconquered Divide. Yes, she told herself, it had been worthwhile... The country had become what she had hoped.”

The Committee escorted the Governor from the Chamber.

BILLS ON FIRST READING

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

LEGISLATIVE BILL 867. By Morehead, 30th District; Vickers, 38th District; Warner, 25th District; Kilgarin, 7th District; Pappas, 42nd District; R. Johnson, 34th District.

A BILL FOR AN ACT relating to the University of Nebraska; to appropriate funds to aid in constructing certain projects.

LEGISLATIVE BILL 868. By Banking, Commerce and Insurance Committee: DeCamp, 40th District, Chairperson; Beyer, 3rd District; Clark, 47th District; Haberman, 44th District; Labedz, 5th District; Remmers, 1st District; Schmit, 23rd District.

A BILL FOR AN ACT relating to insurance; to amend section 44-140, Reissue Revised Statutes of Nebraska, 1943, and section 44-114, Revised Statutes Supplement, 1982; to adopt the Insurance Producers Licensing Act; to harmonize provisions; to provide penalties; to provide an operative date; to provide for severability; and to repeal the original sections, and also sections 44-327 to 44-335, 44-339 to 44-340, 44-342 to 44-342.02, 44-342.04 to 44-344, and 44-345 to 44-347, Reissue Revised Statutes of Nebraska, 1943, section 44-344.01, Revised Statutes Supplement, 1982, and sections 44-341 and 44-342.03, Revised Statutes Supplement, 1983.

LEGISLATIVE BILL 869. By Speaker Nichol, 48th District, at the request of the Governor.

A BILL FOR AN ACT relating to revenue and taxation; to amend section 77-2715.01, Revised Statutes Supplement, 1983; to set income and sales tax rates; to change provisions relating to the setting of tax rates; to provide an operative date; to repeal the original section; and to declare an emergency.

LEGISLATIVE BILL 870. By Speaker Nichol, 48th District, at the