

The Committee returned and escorted Governor Ben Nelson to the rostrum where he delivered the following State of the State Address.

STATE OF THE STATE ADDRESS

Five years ago, I stood before this chamber to deliver my first State of the State address. As I prepared for my address today and reflected on that first speech, I had two observations.

I was struck by the tremendous amount of positive change that has occurred in Nebraska. Working together, we have met challenges by turning them into opportunities. We have delivered on promises. We have made a difference.

I also realized that our nation is in many ways facing the same kinds of challenges it was in 1991.

In my first State of the State, we sent our prayers to those serving in the Persian Gulf. Today, our prayers are with those trying to keep peace in war-torn Bosnia.

Back then, I warned that the federal government had to face up to its financial difficulties. While Nebraska has learned to live within its means, the same cannot be said for our federal government in Washington, and all of us are suffering the consequences.

As I faced my first legislative session, I asked for the help of every Nebraskan to meet our challenges. I told you then that, "We can do what must be done." Working together, we've answered that call. We've seen fundamental change and a great deal of progress in Nebraska and have set an example those in our nation's capital would be wise to follow.

We've worked hard to make sure our education system is the best it can be. We recognize that money alone will not solve the problems in our schools. That's why we have used our resources wisely and targeted our funding to give students the tools they need to succeed.

We've boosted state aid to education by more than \$79 million during my administration - that's an increase of more than 22 percent. Since 1993, nearly \$20 million in state lottery proceeds have gone into a fund for innovative education projects - many of those involving computer technology. We've given students the knowledge they need to keep drugs and gang activity out of their lives.

Our students and teachers have responded - our performance on national tests continues to place Nebraska among the highest-scoring states in the country. But in this competitive environment, being good

isn't good enough. Establishing measurable standards will help us bring out the best in every student.

Nebraska's six ethanol plants now produce 275 million gallons every year. The ethanol industry has increased corn prices and jobs. More than 4,000 Nebraska jobs are tied to ethanol production.

Our "Employment First" welfare reform program will help welfare recipients get back to work. We are returning our welfare system to the temporary safety net it was meant to be.

We've passed a juvenile crime bill and armed our carrier enforcement officers. The "Safe Streets Act of 1995" is putting and keeping more dangerous offenders behind bars. We've given our law enforcement officers more tools in their battle - improved DNA testing and a new high-tech fingerprint identification system.

Now, we can build on our achievements. The new challenges we face present even more opportunities for positive change.

What's essential to remember is that all of our successes have their foundation in the fiscal integrity of the state. I consider my role as steward of the budget to be my number one challenge.

Over the past five years, we've emphasized fiscal responsibility and spending restraint. We've consistently focused on efficiency, effectiveness and curbing the growth of spending. We've limited the hiring of employees. We've instituted a strategic budget plan. We've seen dramatic results.

Before I took office, state government spending was growing at an average annual rate of 12.6 percent. During the past five years, we've reduced the growth rate by two-thirds, to an average of less than four percent a year.

Nebraska continues to benefit from a strong economy. We consistently have one of the lowest unemployment rates in the country. During the last five years, we've increased non-agricultural employment in Nebraska by more than 10 percent - that's an increase of 82,000 jobs.

We expect continued economic growth. But at the same time, there are good reasons to be cautious. Net tax receipts for fiscal year 1994-1995 were below projections. This has depleted the cash reserve fund. Our first priority must be to rebuild our cash reserve.

I am presenting a budget bill which transfers \$21.5 million to the cash reserve fund in this fiscal year and another \$17.3 million in the next.

Action to strengthen our cash reserve is necessary and critical. Inaction is irresponsible and unacceptable. We must maintain a sound financial position, and we must establish that our priority is on saving, rather than spending, our general fund dollars.

Budgeting for state government is a balancing act - avoiding uncontrolled growth while still meeting the important needs of Nebraskans. As federal support declines and communities find themselves with responsibilities they cannot afford, the state gets hit from both sides.

In addition, this is a time of considerable uncertainty. With nearly a third of the federal fiscal year behind them, Congress and the President still have not reached an agreement on the federal budget. This leaves us more than halfway through the state fiscal year with only temporary federal funding decisions on many state-delivered services.

Any losses in federal funds can only be made up in three ways - greater efficiencies, reductions in services or re-allocating state resources. We pledge to work closely with you as decisions are made on the federal level, to do what is in the best interests of Nebraskans.

State agencies, boards and commissions have submitted mid-biennium general fund budget requests of \$28.4 million, and I have carefully reviewed them. But I am recommending budget adjustments that total only about one-third of the amount requested.

I recommend that most agency requests for new or increased funding not be considered at this midpoint in the biennium. Several agencies have asked for funding to negate the effect of my vetoes last session, vetoes you sustained for fiscal year 1996-1997. I urge you to reject those funding requests, to use caution and restraint in spending, and to make every effort to improve our cash reserve.

The need for the state to continue to exercise fiscal restraint is obvious. And the need for local governments to exercise the same kind of restraint is just as clear - local spending increases are driving property taxes above our ability to pay. The challenge is how best to achieve property tax relief.

The Local Control Taxpayer Relief Act I have proposed is a common-sense solution to our property tax problems. Others want to spell relief S-H-I-F-T. I spell it C-U-T. It is only with spending cuts that we can achieve true property tax relief.

Local control is the key to this plan. If a subdivision wants to change its spending limits, it can do so with the approval of the governing board and the voters.

This plan is both fair and realistic. It is not a constitutional change, which should be used only after all other options are first exhausted.

It's not enough to ask how a property tax relief proposal will affect us individually. We must also ask how it will affect our families, our neighbors, our communities and our state.

I'll listen to those with concerns or suggestions on this issue. We must all keep an open mind and focus on finding a true property tax solution - a solution that will ensure that all taxpayers will see relief, not just some.

Capping local spending raises the question, "What about a cap on state spending as well?" Property taxes go to local governments. Income taxes go to state government, and that is the most appropriate area for the state to cut.

I am again proposing a personal income tax cut of \$35 million a year, beginning with the 1997 tax year. This tax cut is made possible by our continued spending restraint at the state level and the growing economy of our state.

Net tax receipts may be below projections, but tax revenues continue to increase. Nebraska's economy is sound, and taxpayers deserve to share directly in our economic prosperity.

This income tax cut will result in an average reduction of nearly four percent for every Nebraska taxpayer. It will enhance our position in the highly competitive area of economic development. And it sends the right signal - we can return dollars to taxpayers rather than spend them.

Some have declared the income tax cut dead on arrival. Others may try to kill it before it's had a fair hearing. Listen to the call of Nebraskans. They want a more efficient and less costly government. The income tax cut is a step in the right direction. It's realistic. And it can be done.

We must continue to challenge government at all levels to be more efficient and effective, creating an opportunity for us to do a better job with the resources we have.

A year ago, we embarked on an ambitious project to review the health and human services activities of our state agencies. The need for change was clear - our current system is outdated, rigid and lacking in coordination. This results in confusion and duplication.

I asked Lt. Governor Kim Robak to look for more efficient and effective ways to deliver services to Nebraskans. The outcome is the

Nebraska Partnership Project, a plan to create a unified health and human services system.

What began as a streamlining effort has become a blueprint for the most sweeping changes in the structure of state government in recent history.

We have introduced legislation this session to create the new system. That legislation calls for transferring the functions of five existing state agencies - Social Services, Health, Aging, Public Institutions and Juvenile Services - to three functionally-based agencies.

Our goal is to create a system that emphasizes local control, accountability and quality service. To further design a common-sense Nebraska system, we will seek participation over the next year from all sectors - state employees, communities, providers, clients, advocacy groups, business interests and you, the lawmakers.

We also created a public and private partnership to look at changing the way we do business in truck licensing and regulation. The result is our proposal for a One Stop Shop, to consolidate the trucking activities of three agencies into the Department of Motor Vehicles.

We all recognize the great opportunities that information technology presents for improving government efficiency and worker productivity. We propose the creation of an info tech fund to help us take better advantage of those opportunities.

When it comes to unfunded and underfunded mandates, Nebraskans have successfully challenged the status quo. I'm pleased such mandates are becoming a past form of conducting government business.

Nebraska's leadership in the fight against unfunded and underfunded mandates has paid off on the national level - Congress passed and the President signed unfunded mandates legislation. Just recently, the Senate unanimously approved reforms to the Safe Drinking Water Act - reforms that remove many costly and unnecessary testing requirements placed on Nebraska communities.

At the state level, an executive order I signed requires state agencies to stop imposing mandates on local governments. My Local Control Taxpayer Relief Act goes even further, making additional state unfunded mandates illegal.

The Nebraska Mandate Initiative, which I began in 1994, continues to help communities more effectively manage existing federal and state mandates. Through this partnership, state government helps local governments prioritize environmental issues based on risk so they can spend their resources wisely.

We continue to face challenges in dealing with low-level nuclear waste disposal. While the search for a solution continues, we must do all we can to protect Nebraska from potential unfair liability in that area.

We face one of our greatest challenges in the area of crime. This past summer, every Nebraskan was touched by the tragic death of Omaha Police Officer Jimmy Wilson Jr. As we mourned the loss of this young Nebraskan, we also continued to be outraged by the increasing level of violence in our state.

We have discovered a shortcoming in our state's definition of the aggravating circumstances considered for imposition of the death penalty. I am proposing legislation that will make it clear that the murder of a law enforcement officer while in the performance of his or her duties is an aggravating circumstance under which the death penalty may be imposed.

Our aggressive strategies to strengthen laws and lengthen stays are putting more dangerous criminals behind bars and keeping them there for longer periods of time. But that has led to another challenge - overcrowding in the state correctional system has reached the crisis point.

If we fail to deal with this overcrowding problem today, the courts will intervene and tell us what we have to do. The result will be a solution that may not fit Nebraska's needs, a solution that will almost certainly cost taxpayers more. For the good of the state, we must control our own destiny in this area.

Three initiatives will help reduce the overcrowding problem. First, we recommend the construction of modular housing at the State Penitentiary to provide an additional 300 beds. This approach is appropriate for our needs. It is much less costly than building a new prison, and it addresses the problem quickly.

Second, we will seek additional funding to proceed with the development of the secure youth confinement facility in Omaha.

The third initiative is the development of a prison work camp. This is more than a military-style boot camp that simply whips offenders into physical shape and returns them to society. This is a tightly-structured prison work camp.

I will also support legislation to amend the statutory definition of second-degree murder to include malice as an element.

The Nebraska Supreme Court is expected to rule soon on key issues in the important area of drunk driving enforcement. I am prepared to

have emergency legislation introduced, if necessary, to preserve our existing DWI enforcement tools.

I will continue my efforts to provide greater accountability for decisions made by the Parole Board.

And I will support legislation to expand the state's authority in cases of individuals committed to public mental health facilities who walk away without authorization.

New crime statistics have given us some positive news - adult crime and arrests are stable or declining in Nebraska. But figures for youth violence, gang activity and drug involvement continue to climb.

Some would have us believe that the only way to fight crime is to lock up offenders and throw away the key. But this issue does not need demagogues - it needs leaders.

There are no quick fixes. Legislation alone cannot curb this increase. It will require personal involvement and community action.

We will continue our efforts to strengthen families and communities through Good Beginnings, the Family Preservation Project, Partners in Planning and PACT - Pulling America's Communities Together.

We will support training in youth violence prevention, the expansion of early intervention programs and the creation of a Juvenile Service Center to better screen and place young offenders.

We will develop a state directory of services for families and an information system that will allow agencies to SHARE information to better meet the needs of families.

Another important measure to strengthen and support families is "Kids First," pending legislation to revoke the professional and drivers' licenses of those who fail to pay child support. We want to emphasize the responsibility that parents have to their children, by bringing this proposal full circle to include the enforcement of visitation rights.

As we look at the future of our children, we must wonder what kind of world we will leave them. We recognized long ago that our natural resources are limited. The environmental challenges we face give us the opportunity to find responsible solutions to our problems, solutions that will outlive us, solutions that assure those resources will be available for future generations.

Water is Nebraska's gold. We must do all we can to protect it. And we must not surrender our water rights to other states. At the same time, we must continue to work with our neighboring states to avoid

the possibility of unnecessary and costly litigation and unworkable court decisions that defy common sense.

With regard to water legislation, we must continue to search for a balance among urban, agricultural, recreational and environmental interests, to focus on what is best for all Nebraskans. And it is essential that we emphasize local control instead of relying on the state to dictate what must be done.

The challenges we have faced in economic development have yielded some of the most tangible opportunities for Nebraska. We've established the Rural Development Commission and Enterprise Zones. Our overseas trade missions are paying big dividends for Nebraska businesses and agriculture.

Nebraska continues to have a low unemployment rate, but this can be a mixed blessing for employers needing to recruit workers. A 1995 survey of non-metropolitan communities revealed that 75 percent were experiencing worker shortages. It is essential that the state help local communities address this important issue. It's time to replace Nebraska's brain drain with a brain gain.

Our solution is "Work Nebraska," a coordinated employee recruitment effort in the Department of Economic Development. It has four components: a system to link the unemployed and underemployed to job opportunities; a program to help communities recruit employees; an employment conditions survey to help determine employment changes and jobs that need to be filled; and a system to direct workers to jobs requiring their skills or to appropriate training programs.

Since its passage last year, the Nebraska Partnerships for Economic Development Act has generated a great deal of interest. The Act made \$500,000 available over two years for economic development projects that serve more than a single community. Because of the tremendous response from applicants and the volume of worthy projects, we are seeking an additional \$250,000 for the next fiscal year to expand the effort. We also plan to add a new component - the Nebraska Cooperative Initiative. The additional money will allow us to target value-added agricultural cooperative projects throughout Nebraska.

An important and growing component of our economic development effort is tourism, the third largest industry in our state. I am calling for an increase in spending authority from existing state lodging tax funds to begin implementing our strategic plan for tourism. I am also calling for an appropriation to continue the Nebraska Film Office, to allow us to build on the \$17 million film production companies have spent in Nebraska since 1991.

It's clear that we face many challenges and many uncertainties. We must rebuild the cash reserve fund and continue to exercise fiscal restraint. We must find a way to provide Nebraskans with true property tax relief and a personal income tax cut. We can do both, and we need to do both.

We must continue our streamlining and efficiency efforts. We must find new tools in our fight against crime and youth violence. We must continue our progress in the fields of education, economic development and the environment.

We have proven that challenges can be positive and bring out the best in each of us. Working together, we can continue to defy the status quo and turn these challenges into opportunities for positive change for all Nebraskans.

I challenge you to take advantage of these opportunities. We cannot afford to lose them to political games, partisanship or pessimism.

We recognize and appreciate the great diversity of Nebraska. It's what makes us strong. And we must not allow it to divide us. We are still One Nebraska, and we must strive to do what is in the best interests of all.

There are those who think that elected officials can't do what needs to be done, can't set aside partisan differences for the common good and can't come together to do what's right for the people. I tell them to look at Nebraska. We've done it before. Working together, we'll do it again. We'll seize opportunity from challenge.

The Committee escorted Governor Ben Nelson from the Chamber.

UNANIMOUS CONSENT - Member Excused

Mr. Warner asked unanimous consent to be excused until he returns. No objections. So ordered.

MOTION - Adopt Rules

The Rules Committee pending proposed rules change, found in the Journal on pages 266, 267, and 268 and considered on pages 348, 362, 365, and in this day's Journal, to Rule 1, C. new section 17, Rule 3, Section 12(b), Rule 5, Section 5(h), Rule 6, Section 3(b), and Rule 7, Section 3(a), was renewed.

Mr. Maurstad asked unanimous consent to replace his pending amendment, found in the Journal on page 356, with a substitute amendment. No objections. So ordered.