

Wiitala, Steve - Omaha; Omaha Public Schools
 Williams, David M. - Lincoln; Ameritas Life Insurance Corporation
 Wininger, Dwight R. - Lincoln; Nebraska Rural Telecommunications
 Coalition; American Communications Group, Inc.
 Withem, Ron - Lincoln; University of Nebraska
 Wright, Norman H. - Omaha; Children's Healthcare Services
 Wurtz, Thomas A. - Omaha; Metropolitan Utilities District
 Wylie, William M. - Elgin; Nebraska Insurance Information Service
 Yearly, Erdice - Lincoln; American Association of Retired Persons
 Yost, Kurt T. - Lincoln; Midwest Check Cashing Inc.; Nebraska Independent
 Bankers Association; The Central Nebraska Public Power & Irrigation
 District
 Young, Harry D. - Waverly; Norris Public Power District
 Young, Loyd L. - Seward; Nebraska Association of County Extension
 Boards

MOTION - Adopt Permanent Rules

Mr. Chambers offered the following amendment to the first proposed rules change to RULE #2:

2. In line 1, strike "three" and insert "nineteen".

Pending.

MOTION - Escort Governor

Mrs. Kiel moved that a committee of five be appointed to escort the Governor of the State of Nebraska to the Legislative Chamber to deliver his State of the State and Budget Address.

The motion prevailed.

The Chair appointed Messrs. Coordsen, Wesely, Hilgert, Preister, and Mrs. Bohlke to serve on said committee.

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

SUCCESS 2000 - A BRIGHTER FUTURE FOR ALL

I have lived in this state my whole life, yet I never cease to be amazed by its beauty and its people. Nebraska is still the great, open land of new horizons that the Native Americans knew, and its people are still as open as those horizons. We're still as free and hard-working and willing to share as we were when our pioneer ancestors arrived here.

Despite the skeptics and the critics and those predicting bad times ahead, Nebraska is thriving. As I travel across this vast state, I don't see the "Buffalo Commons" developing. I see new opportunity, new jobs and new technology.

Nor do I see the county lines and the other artificial boundaries. I see Nebraska - ONE Nebraska. I see the continuation of the great plains adventure.

- We have the lowest unemployment rate in the country at 1.9 percent.
- Our population increased nearly 5 percent from 1990 to 1996.
- At the same time, the number of jobs grew 13 percent.
- Nebraska workers are making more money. New full-time jobs in the state are paying about \$3 more per hour than existing jobs. Thirty percent of the full-time jobs available in the state are paying at least \$12 an hour.
- Our per capita income is up 7.4 percent, the fourth best growth rate in the nation.
- We've tripled our international exports, creating even more jobs here at home.
- Our economy is outperforming regional and national economies.

People are staying here and moving here, not just because of job opportunities, but also for our high quality of life.

- Our students rank in the top five in nearly every national assessment.
- By giving our struggling families the help they need to be self-sufficient, we have reduced the number of Nebraskans on public assistance by nearly 19 percent over just four years.
- We have become a leader in the promotion of ethanol, and I will soon sign an executive order on the use of more renewable energy by state agencies.
- We have a clean environment, a low crime rate and the best neighbors you'll find anywhere.

Our challenge is to continue a prosperous course into the future, and I believe Success 2000 is the right course that will lead Nebraska to a new century of progress and prosperity.

In many ways, Nebraska still is what America once was. We saw that demonstrated again in October when a dangerous snowstorm left many stranded and others in cold, dark homes. Nebraskans pulled together to survive, neighbor helping neighbor.

That community spirit can also be seen every year at the Nebraska State Fair, a real slice of genuine America. It's a tradition that showcases the diversity, the heritage and the hospitality of our One Nebraska. Even today, the sights,

sounds and smiles bring back fond childhood memories of going to the fair with my parents.

At last year's fair, we thought it would be fun to ask some of our younger fair-goers to tell us what they would do if they were Governor. Their responses give us a positive picture of the kind of children we're raising.

The number one topic was education. Many of them wanted more money for their schools for books and computers. Of course, some kids thought it would be great to attend school for just half an hour or to have no school on Mondays. But there were also those eager students who wanted to go to school year-round to learn even more.

Indeed, our school system is producing some brilliant children like Lincoln sixth grader Tyler Cantrell. He thinks I should be President! Tyler, you're the newest Admiral in the Great Navy of the State of Nebraska!

It should come as no surprise that our kids think big. If young Sarah were Governor, she would give everyone a million dollars a week. Alex would make baseball the "bestest" game in the world. And Jesse, I'd love to give your Dad a raise - if it fits in our budget!

We are also raising a very caring group of children. They are concerned about the hungry, the homeless and those with special needs. They worry about their peers using tobacco, alcohol and drugs. And they are thinking about the future - about keeping our streets safe, our environment clean and our taxes low.

There is one item on their wish list I can take care of today. It comes from Justin Lamberson, another Lincoln sixth grader. He said if he were Governor, he would make sure adults listen to kids.

An ancient proverb tells us:

"If we want to learn something, we must listen to the children."

Our young people do see things from a very different perspective, and the value of their opinions and ideas should never be underestimated.

Children are 100 percent of our future. They are Nebraska's 21st Century. And they are the driving force behind Success 2000 - our plan to create a brighter future for all.

When I think about our children's future, I naturally think of my own children. When I gave my first State of the State Address seven years ago, they were still in school. Today, they are "20-somethings" - part of the generation I refuse to label with an "x."

Over the past seven years, Diane and I have become in-laws and grandparents. We are very fortunate that all our children have chosen to build their lives in their home state of Nebraska.

The 1990s have been good to the Nelson family. I believe many Nebraska families will look back at this decade as one of progress and prosperity. I also want to make sure our families can look ahead with optimism to the next decade, the beginning of a new century. That is why the heart of my legislative package for this session is children and families.

The starting point is to make sure our children are growing up healthy. We have nearly 30,000 children living in low-income households without health insurance. Too often, the emergency room is the only place to which the parents can turn when their children are ill.

Our "Kids Connection" program will provide them with basic health coverage by using existing state funds to match new federal funding. It's an investment in healthy children, an investment that will pay off by reducing health care expenses for all of us now and into the future.

The state funding for Kids Connection is part of a new health trust fund, another Success 2000 initiative. This fund is designed to slow the rapid rise in health care costs by making sure appropriate care is available across the state.

The sale of tobacco to minors is another health challenge facing our young people. Tobacco use is the largest preventable cause of death and disease in Nebraska. If our kids can't get their hands on tobacco products, they can't get hooked. Establishing a Tobacco Registry will improve compliance checks, increase enforcement of our laws and allow for educational programs.

At the same time, we must continue our commitment to keep our children drug and alcohol-free. We will continue our efforts to take dangerous substances like methamphetamine off our streets. And we will continue spreading the word that drugs are a dead end.

The DARE program has already touched the lives of 160,000 young people in our state. Students, teachers and parents all tell me it's working. Continued funding for the DARE program is an investment in a drug-free future.

Another major investment we make in the lives of our children is education. One of our strongest advocates of educational excellence is New York attorney Ted Sorensen. He was raised and educated in Nebraska and went on to a distinguished career as a presidential advisor and best-selling author.

Sorensen was back in Lincoln in 1996 to deliver the very first Governor's Lecture in the Humanities. He said that in order for our students to be ready

for the 21st century, they "must not only be *stuffed* with information, but *stretched* to open their minds."

Providing that kind of quality education is essential if we want our students to compete with their peers in other states and other countries. That's why we must finish work on the establishment of voluntary statewide academic standards. My Cabinet on Quality Education, established as part of the Success 2000 agenda, has made standards job one.

With our tight labor market, keeping our children in Nebraska to continue their education and their careers has never been more important. Nebraska businesses tell us their top priority is workforce attraction and retention.

We know it's natural for young people to get restless and want to see what life is like elsewhere. But, as my own children discovered when they moved out of the state, there is no place like Nebraska.

We've known for a long time that we have something special here. In one of his State of the State Addresses, Governor Silas Holcomb said:

"People who have left the state with a view of finding more favorable locations are fast returning, convinced that Nebraska offers advantages equal to those of any other portion of the Union."

He gave that speech 99 years ago. The words are even more true today.

The "brain gain" scholarship program is a positive step toward stopping the "brain drain." We can keep our most promising students in Nebraska by giving them an incentive to study here and stay here.

Our workforce initiatives also include the promotion of internships and an international campaign to market the good education, good jobs and good life of Nebraska. My upcoming summit on workforce development is another positive step toward providing the quality workforce that will keep our economy growing.

Job growth in Nebraska has been shared equally by metropolitan and rural areas, and we need to build on the success of our statewide economic development efforts. By giving our Rural Development Commission more stability and flexibility, we strengthen our partnerships across the state.

Agriculture continues to be the backbone of Nebraska. We will continue to be aggressive in promoting Nebraska quality around the globe. We will also continue to bring people together to tackle the tough issues facing the industry.

- As the nation's largest exporter of red meat, we have set the standard for beef quality. Our efforts to unite all segments of the beef industry to solve the E. coli problem will also help us maintain our role as a leader in beef safety.

- I am also confident that by working with the agriculture industry, environmental interests and sound science, we can make sure that future livestock developments are good for our economy while protecting our environment.
- We will continue our efforts to work with the State of Kansas to resolve the Republican River issue. Despite the focus of Kansas officials on litigation, we seek negotiation.

In this vast state, our highway system keeps our economy moving. To shift our highway program into high gear, I am proposing a one-time boost of \$50 million from the reserve fund. This will allow us to accelerate much needed projects that otherwise would have to wait until after the turn of the century.

At the same time, we cannot allow inaction by Congress to create roadblocks in Nebraska's highway improvement plans. To replace the dollars we were promised, we need to use our reserve fund on a temporary basis to keep our highway plans on track without forcing an increase in the gas tax.

The information superhighway is providing us with tremendous opportunities. But we must make sure we are managing the technology, not the other way around. Our information technology initiative will provide planning and coordination to make sure we are getting the biggest bang for our technology buck. Our goal is to provide government services better, faster and cheaper.

Nebraska is already a recognized leader in technology. We rank fifth in the country in the ratio of computers to students and third in the percentage of schools with access to the web.

By continuing to work with schools and communities across the state, we can stay on top. Being a leader provides the most opportunities for the experts of the future - those kids we now rely on to program our VCRs!

Our children and our families cannot face the future with optimism if they don't feel safe. Nebraska remains one of the safest states in the country, and we intend to stay that way by putting more of our troopers on the roads. Those who do fall victim to crime will benefit from a new victim notification system - a system that has the potential to save lives.

These initiatives on health, education, the economy, technology and safety are necessary to support the high quality of life we now enjoy and the quality of life we want our children to enjoy in the future.

But one issue continues to cloud the horizon. We must take care of the unfinished business of tax reform. Nebraskans have made it very clear that they want tax relief to be a priority again this session.

We've cut the growth in spending. We've merged state agencies. We've proven that we can provide for the needs of the state, keep an adequate amount in reserve and cut taxes at the same time. We're ready to continue that course.

1997 was a very significant year for the citizens of Nebraska.

- We finished the fiscal year with the highest budget balance and the largest cash reserve in Nebraska history.
- At the same time, we passed a 5-percent income tax cut.
- The self-employed can now deduct 100 percent of their health insurance costs.
- We made 3,600 more Nebraskans eligible for homestead exemption benefits.

1997 was a good year, and 1998 will be even better. Our growing economy has given us the opportunity to make our tax cuts permanent and larger. To achieve true tax reform, we must also take steps to control local spending and property valuations.

I was curious to see if tax cuts were an issue in Nebraska a century ago. But I couldn't find a State of the State Address from 1898. As it turns out, there was no legislative session that year.

But if you check the next year - Governor Holcomb's address to the 26th State Legislature - you'll see that there has long been opposition to the idea of taking more taxes from the people than are needed.

When that happens, as Governor Holcomb said:

"... a wrong is committed against the people, the burdens of taxation become oppressive, and the people have a just right to complain."

Reducing the personal income tax is the best way to allow Nebraska families to benefit from our growing economy - an economy their hard work has built.

Financial projections clearly show that the temporary 5-percent income tax cut enacted last year cannot only be permanently sustained, but also increased an additional 2 percent across the board.

The right course for the State of Nebraska is to resist the urge to increase spending and allow more dollars to stay with Nebraska families.

It is also time to take action to resolve the property tax dilemma - a problem that goes back decades. The state has tried to ease the property tax burden numerous times by increasing state aid. Aid to individuals, schools and local

governments is now 60 percent of our state budget. But those increases have failed to produce property tax relief. Instead, they've resulted in more local spending and even higher local property taxes.

State aid to schools will increase by more than \$110 million starting this year. We must take steps now to ensure that this increased state aid is used for property tax relief, not new spending.

I'd like to share with you a section from the Uniform Instructions to County and Precinct Assessors. This particular passage explains why a reduction in property valuations did not achieve the intended results of tax relief.

"... there is obviously only one way to accomplish this result and that is LOWER THE EXPENDITURES OF THE STATE AND ITS TAXING SUBDIVISIONS."

The last few words are capitalized for emphasis. Now, guess what year this was written. The Tax Commissioner was W.H. Osborne Jr., and he published this in 1922 - 76 years ago.

Nebraskans knew then, and we know now, that the only way to achieve true, long-term property tax relief is to lower spending. It's time we got the job done.

That's why I am proposing to limit increases in the amounts local governments can spend in any one year to 2.5 percent. This spending cap guarantees that the levy limits established last session meet their goal - property tax relief.

Under the proposal, local governments could only use increased state aid, local sales tax dollars, keno proceeds or any other ongoing revenues to decrease the reliance on property taxes, not for more spending.

The cap encourages consensus building. Because voters have the option of overriding the spending cap and the levy limit, communities will decide for themselves if they want increased spending or property tax relief. The ultimate result is more local control.

While limiting local spending, we must continue our efforts to control spending at the state level - efforts that have held the average annual growth in state operations to less than 3.5 percent during this administration.

While spending is an important part of the property tax equation, property valuations also have a major impact on the final result. For many Nebraskans, the real property tax shock comes when their property is reassessed, and they find out their new valuations. Your starter home suddenly seems like a starter mansion, and your dream house turns into a property tax nightmare!

I've developed a two-part approach that will prevent the huge spikes in property valuations and property tax bills that have frustrated too many Nebraskans.

- First, we need to limit to 15 percent the amount that assessed valuations can increase in any one year.
- Second, we need to require the use of five years of sales data to set the level of assessment. This will slow the growth of assessed valuations and put the brakes on the valuation roller coaster.

This adds common sense to a system that threatens to tax people out of their homes.

We also see property tax relief when communities work together to provide services more efficiently. That's why I am also proposing a Constitutional Amendment that will make it easier for cities and counties to share services to save money.

This is not a top-down approach. As President Eisenhower said:

"You do not lead by hitting people over the head - that's assault, not leadership." The key again is local control. Any mergers or consolidations would require local voter approval.

In short, property tax relief requires three elements, and by the end of this session, we need to have all three in place.

- Number one is the levy limits enacted last session.
- Number two is the spending cap I am proposing.
- Number three is the leveling of valuations I just outlined.

We must have all three to create true, stable, long-lasting property tax relief.

Our goal must always be tax fairness for all. Nebraskans will simply not accept a "business as usual" attitude on taxes this session. They are looking to us to find new and better ways to get the job done now. We can't afford to stand still on taxes or any other quality of life issue.

President Kennedy advised us to:

"Hold fast to the best of the past, and move fast to the best of the future."

That is what Success 2000 is all about - the best of the future.

When I think of the best of the future, I think of young people like Rasheen Coleman of Omaha, whom I was visiting with just before this speech. Rasheen has had to face some pretty steep obstacles in his young life.

His mother was a drug addict who abused him physically and emotionally. She died of AIDS in 1988. Two years later, Rasheen says, he walked into the South Omaha Boys and Girls Club with low self-esteem and no hope.

That's when everything changed for him. At the Club, he found a safe haven, a place that taught him the importance of community service, a place where he learned that he, too, was a good person who had much to give.

The guidance he found took him all the way to the White House, where he was honored as the 1997 National Youth of the Year for the Boys and Girls Clubs of America. Rasheen, on behalf of all Nebraskans, we congratulate you.

Today, Rasheen started the second semester of his sophomore year at the University of Nebraska at Omaha, where he's majoring in political science. It sounds like he already has the speech-making part of politics down pretty well. President Clinton told him his speech on community service was the best one he heard at the President's Summit for America's Future - even better than Colin Powell's!

In that speech, Rasheen talked about the difference one person can make in the lives of others. And he talked about the importance of standing up for the young people of this country. Because someone else cared and believed in Rasheen, he has become a genuine American success story, and the best news is his story is only beginning. He has the potential to touch many more lives as a 21st century leader.

Today, there are many young Rasheens in our state. The promise in our young people is unlimited, and we must do all we can to make sure they reach their full potential.

This good life we enjoy in Nebraska is not just a legacy we received from our ancestors - it is also a loan from our children. We owe it to future generations to leave them with a sound fiscal policy, a growing economy, quality education, safe streets and a healthy environment.

We also need to keep Nebraska as a place where nice guys like Dr. Tom Osborne can finish first! We all know that he is a genuine American coaching legend, but his players will tell you he is much more than a coach. Coach Osborne's job was to win games, but he never lost sight of what is really important - helping each young person reach his full potential as an athlete and as a person.

Coach Osborne's commitment to our young people - our future - serves as a great example for all of us as we look to the future of this great state.

Like Coach Osborne and his staff, my administration has been working to build a "game plan" for the continued prosperity of Nebraska, a program of success that will continue into the next century. I am proud of what we have

been able to accomplish, and I thank the members of the Legislature for your cooperation and support.

Just like Coach Osborne approaching his final bowl game, I'm not ready to rest on any laurels. There's far too much that needs to be accomplished, and my team is playing until it's time for a new team to take the field.

I look forward to continuing to work with you to set the right course for our great state. I hope we will be able to look back on this session and this year not as an end, but as a beginning. By working together we can achieve Success 2000 - a brighter future for all Nebraskans.

The committee escorted Governor Ben Nelson from the Chamber.

BILLS ON FIRST READING

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

LEGISLATIVE BILL 1104. Introduced by Raikes, 25; Engel, 17; Hudkins, 21; Maurstad, 30; D. Pederson, 42; Robinson, 16; Schrock, 38.

A BILL FOR AN ACT relating to revenue and taxation; to amend section 77-1344, Revised Statutes Supplement, 1997; to change greenbelt provisions relating to special valuation of agricultural or horticultural land; and to repeal the original section.

LEGISLATIVE BILL 1105. Introduced by Speaker Kristensen, 37; at the request of the Governor.

A BILL FOR AN ACT relating to revenue and taxation; to amend section 77-4208, Revised Statutes Supplement, 1997; to provide for transfers of funds related to property tax relief; to repeal the original section; and to declare an emergency.

LEGISLATIVE BILL 1106. Introduced by Speaker Kristensen, 37; at the request of the Governor.

A BILL FOR AN ACT relating to the Cash Reserve Fund; to amend section 84-612, Revised Statutes Supplement, 1997; to provide for a transfer of funds; and to repeal the original section.

LEGISLATIVE BILL 1107. Introduced by Speaker Kristensen, 37; at the request of the Governor.

A BILL FOR AN ACT relating to the Secure Youth Confinement Facility Fund; to amend section 77-2602, Reissue Revised Statutes of Nebraska; to change provisions relating to the fund; to eliminate obsolete language; to harmonize provisions; to repeal the original section; and to declare an emergency.