

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Floor Debate  
January 11, 2007

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PRESIDENT SHEEHY PRESIDING

PRESIDENT SHEEHY: Good morning. Welcome to the George W. Norris Legislative Chamber for the seventh day of the One Hundredth Legislature, First Session. Our chaplain for today is Pastor David Evenson of Bethany Lutheran Church in Axtell, Nebraska, Senator Johnson's district. Would you all please rise.

PASTOR EVENSON: (Prayer offered.)

PRESIDENT SHEEHY: Thank you, Pastor. I call to order the seventh day of the One Hundredth Legislature, First Session. Senators, please record your presence by roll call.

CLERK: I have a quorum present, Mr. President.

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Any corrections for the Journal?

CLERK: Mr. President, I have no corrections at this time.

PRESIDENT SHEEHY: Messages, reports, or announcements on the desk.

CLERK: Mr. President, I have a Reference report referring LB177-LB235. I have a Rules Committee report regarding the proposed rules changes for consideration by the full body. A report from the Executive Board regarding appointments to the Building Maintenance Committee, the Education Commission of the States, the Midwestern Higher Education Compact, the Legislative Performance Audit Committee, and the Midwest Interstate Passenger Rail Compact. (Legislative Journal pages 179-181.)

Mr. President, I have received a series of reports pursuant...interim study reports from the various standing committees; that's required to be filed per rule. (Legislative Journal pages 181-194.)

And an announcement from Senator Hudkins: Senator Erdman has been selected as Vice Chair of the Rules Committee. And that's all that I have at this time, Mr. President. (Legislative Journal page 194.)

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Senator Chambers, for what do you rise?

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SENATOR CHAMBERS: Mr. President and members of the Legislature, with all due respect I want to correct something that was said this morning during the presentation of the invocation or whatever you all call this ceremony. If the King James version was being quoted, it should not say, an ever-present help in trouble; it should say, an ever-present help in "time" of trouble. Thank you.

PRESIDENT SHEEHY: Thank you, Senator Chambers. We'll now move to the next item: introduction of new bills. Mr. Clerk. At this time we'll stand at ease.

PRESIDENT SHEEHY: We'll move to the next item: a motion to withdraw LB224. Senator Kopplin, do you have a motion? You're recognized. [LB224]

SENATOR KOPPLIN: Thank you. I would move to withdraw LB224 for correction and clarification. Thank you. [LB224]

PRESIDENT SHEEHY: The motion before you is the withdrawal of LB224. The floor is open for discussion. Seeing none, all those in favor vote...Senator Kopplin, do you wish to close? Senator Kopplin waives closing. All those in favor vote yea; all those opposed vote nay. Have all voted who wish? Please record, Mr. Clerk. [LB224]

CLERK: 34 ayes, 0 nays, Mr. President, on the withdrawal of LB224. [LB224]

PRESIDENT SHEEHY: LB224 is withdrawn. (Visitors and doctor of the day introduced.) Mr. Clerk, do you have new bills for introduction on your desk? [LB224]

CLERK: I do, Mr. President. (Read LB298-LB307 by title for the first time.) That is all that I have at this time, Mr. President. (Legislative Journal pages 194-196.) [LB298 LB299 LB300 LB301 LB302 LB303 LB304 LB305 LB306 LB307]

PRESIDENT SHEEHY: Senator Nelson, you are recognized for a motion.

SENATOR NELSON: Mr. President, I move 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 Address.

PRESIDENT SHEEHY: Thank you, Senator Nelson. You've heard the motion to create an Escort Committee to escort the Governor to the Legislative Chambers for the State of the State Address. All those in favor say aye. Opposed say nay. The motion is adopted. I would appoint the following committee made up of Senator Lathrop, Nantkes, Pankonin, Wightman, and Langemeier to retire to the rear of the Chamber to escort the Governor. The Chair recognizes the Sergeant at Arms.

SERGEANT AT ARMS: Mr. President, your committee now escorting the Governor of

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the great state of Nebraska, Dave Heineman, and First Lady Sally Ganem.

PRESIDENT SHEEHY: Would the committee please escort the Governor and First Lady into the Chambers. (Gavel) (Applause) Senators, ladies and gentlemen, the thirty-ninth Governor of the Great State of Nebraska, Governor Dave Heineman. (Applause)

GOVERNOR HEINEMAN: Thank you. Thank you very much. Mr. President, Mr. Speaker, members of the One Hundredth Legislature, Tribal Chairmen, distinguished guests, friends and fellow Nebraskans: This is a year of new beginnings. In the days and weeks ahead, we will work side-by-side in an effort to determine what sort of state the next generation of Nebraskans will inherit. Today, we embark on a journey that will reshape the future of Nebraska. I submit to you that we must act boldly with a vision of the future firmly in mind if we are to change our state for the better. Our vision for the years ahead must be about preparing Nebraska to compete in the twenty-first century, in an age of technological marvels, new educational challenges, international competition and entrepreneurial opportunity. That is the new reality facing the people of this state. I want to first address the senators of the One Hundredth Legislature. To the returning senators, I appreciate the cooperation we have fostered, and I want to express the value I place on that relationship. The members of this distinguished institution have had an important impact on our state, and while there is no way to recognize all of you individually, let me say that I am pleased to be able to continue working with you. To those Senators who are new to this body, I want to share with you that my door is always open. I look forward to hearing ideas from you and your colleagues on ways to continue improving our state. One reason that I am so enthusiastic about this legislative session is because of the opportunity it presents to combine both the institutional knowledge of returning Senators and the fresh perspectives of our newest colleagues. We should capitalize on the opportunities that this combination presents, because our state is truly at a crossroads. We have the opportunity to make Nebraska an even better place for our sons and our daughters, and their families. To accomplish this, we must act decisively and face the challenges that lie ahead. Creating dynamic twenty-first century jobs must be a priority. We can no longer afford to ignore the fact that many talented young people are leaving our state to begin their careers in other states and other countries. That is why I believe so strongly that education and Nebraska's continued economic vitality go hand-in-hand. We must act now to address the high tax burden on middle-class Nebraskans, small business owners, and would-be entrepreneurs. We must act now to address the need for a more reasonable and sustainable growth rate of government spending. We must act now to address the challenges of education, education funding, and student achievement. We must act now to address the statewide challenges of water, and we must act now to create a more logical and accountable organization for Health and Human Services. Despite the scope of these challenges, I am optimistic about the ability to overcome each and every one of them, that it is well within our reach. Together, we can and will address our state's

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greatest challenge, which is creating jobs for young people here in Nebraska. We're already on the path to success thanks to the Nebraska Advantage, which in one year has encouraged 89 companies to consider Nebraska for locating or expanding their business. Over the next several years, these companies are planning to invest \$3.5 billion in Nebraska's economy and create nearly 9,000 new jobs. The new chapter we've begun in ethanol and biofuels development has also helped put our state on the right path. Nebraska currently has more ethanol plants under construction than any other state, and communities of every size are poised to benefit from this latest wave of ethanol expansion. In the next two years, new ethanol plants will come online in communities such as: Adams, Albion, Cambridge, Fairmont, Jackson, Madrid, Mead, Ord, and Ravenna. These communities will be the home of some of the most innovative and technologically advanced ethanol plants anywhere. Rural Nebraska has not seen an era of such sustained job growth in decades, and we can be very proud of the role our state has in helping provide cleaner, better fuels for our nation. These are just two areas where the hard work of lawmakers has paid dividends for the people of this great state. So I approach this session with optimism that we can find solutions to the challenges before us. But we must first address the disproportionate tax burden that has been placed on our citizens. By any standard, Nebraska is a high-tax state, and while the results vary, studies show Nebraska with a tax burden as high as sixth in the nation. Our rankings have steadily declined over the past two decades, and look even worse when compared to neighboring states. I believe this is a situation we can change. I believe we can compete, but in order to do so we must be committed to easing the tax burden on Nebraskans and their families. Stopping and reversing a decades-old trend toward a greater tax burden is essential to ensuring good job growth in the future. Ensuring that businesses can create good jobs requires a determined and sustained commitment to lowering taxes and controlling state spending. Lower spending requires that we begin to make strategic investments in a new and vibrant future, rather than providing funding for every project with merit. Making a fundamental change in the way we structure our income tax system is the first step in ensuring that Nebraska continues on our journey toward becoming a more vibrant place for every Nebraskan. The tax relief package I'm proposing would provide more than \$475 million in reductions over the next two years aimed at hardworking, middle-class families. My interest in lowering taxes has two objectives; continuing to create the jobs our sons and daughters want, and in helping to protect the dreams and ambitions of Nebraska's middle-class families. I want to thank Senator Ray Janssen for agreeing to introduce my proposal, which would: eliminate the marriage penalty, lower tax rates across-the-board, reduce the number of income tax brackets from four to three, widen the bracket that impacts the largest number of middle-class taxpayers, index the new brackets, repeal the remainder of the sales tax on construction labor, and eliminate the estate tax for family farmers and small business owners. Under my plan, a family of four earning \$50,000 a year would receive a tax cut of \$227, a 20 percent reduction in their income taxes. A family of four earning \$75,000 would receive a tax cut of \$504, a reduction of nearly 19 percent. I encourage anyone with an interest in reducing taxes to also be committed to the need

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to rein in state spending. Our residents are willing to make difficult spending decisions, and we should be equally committed to that idea. The two-year budget being introduced today is a conservative and responsible plan that restricts state spending growth to an average of 3.8 percent over the next two years. This is a far more reasonable and sustainable growth rate than the 5.4 percent average seen over the past decade. My budget proposal provides significant tax relief, and yet it maintains the cash reserve at a robust level of nearly \$400 million. We accomplished that by casting a critical eye on every budget request. A recent newspaper editorial said it plainly: "It takes persistent frugality and priority-setting by taxpayers, as well as by elected officials in their spending, to hold down tax bills." I could not agree more. We analyzed the baseline budget of every single agency in state government, from those in the Nebraska Health and Human Services System to cash-funded agencies such as the Nebraska Racing Commission, and in many cases we reset the budgets of state agencies that have had a history of spending less than their cash appropriation authority. Our goal was to develop a budget that more closely resembles, reflects the needs of our state while achieving legitimate savings without impacting the quality of services. This budget is also a realistic reflection of the competing interests for state funding. It very clearly shows the impact some of our largest expenditures have on funding for other programs. Our obligations to fund Medicaid and the state aid to education formula represent more than 60 percent of the new money spent in this budget. However, the good news is that Nebraska's Medicaid Reform efforts are having some success in slowing the growth of that program. For this two-year budget Medicaid growth is less than 2.5 percent, yet more efforts to contain costs are needed for our state to thrive in the years to come. My budget makes the education of our children a priority by providing an additional \$171 million to fully fund the state aid to education formula. However, that commitment means that state aid to education will grow by more than 5 percent in the first year and by more than 12 percent in the second year of the biennium. That single investment represents 49 percent of the increased funding in this two-year budget. This budget makes a significant investment in property tax assistance, providing more than \$2 billion in relief to schools, cities, counties, and local units of government. We must ensure that our citizens understand that any new state spending on state aid to schools and aid to local governments has the effect of increasing state spending. Those efforts are a tax shift, not a tax cut. Real property tax relief comes from controlling spending at the local level. If we are serious about achieving real property tax relief in this state, we need to engage our citizens in a discussion about local spending. This budget is a concerted effort to control state spending, and I am going to share its message of restraint with local leaders and encourage them to follow our example. If we increase state spending for property tax assistance, we should do so with the honest understanding that the end result is a tax shift. We need to be straightforward with the citizens we serve, and controlling spending is the only way to lower the amount of taxes we pay. The conversation we need to have as a state is whether we are willing to accept the status quo or whether we want to do something bold in order to prepare our state for the future. Nebraskans deserve better than the status quo. Governing in the future will

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require state and local governments to work more closely together to restrain spending. I hope that here at the state level, we can lead by example and pass a budget that restricts spending to the amount that I have proposed. While we may differ in the details of what this budget should include, I hope that we can agree on this number as our overall spending target. Let us not forget that the voters who rejected the spending lid in November did so not out of hopes for unrestrained state spending, but out of reverence for the Nebraska Constitution and respect for the institutions we have been elected to lead. The voters of this state have given us the opportunity to show them that we can deliver on our promise to hold the line on spending, and I am confident we can rise to the occasion. A restrained budget has its priorities, and mine highlights education and the economic vitality of Nebraska. Approximately 17 percent of the state budget or more than \$580 million will go to higher education, for the University of Nebraska, our community colleges, and our state colleges. The University in particular will receive an additional \$20 million in state spending over the next biennium. We also need to do a better job of planning ahead for the challenges that await us. Despite our ethanol success story, Nebraska has a funding gap we need to address. In order to meet the expected shortfall in the Ethanol Production Incentive Cash Fund, I am proposing that we invest another \$15.5 million in general funds, and extend the current corn checkoff through 2012. We must also address our water challenges. We cannot wait for a federal judge to decide our fate in the Republican River Basin, and we need to act now to plan for the challenges of implementing the Platte River Cooperative Agreement and LB962. My budget proposes the establishment of a new Water Resources Cash Fund to begin saving money for an issue that may well last longer than a decade. I am proposing that we set aside \$2.7 million in general funds each year over the next 12 years, as well as seeking \$300,000 each year from the Nebraska Environmental Trust and \$1 million per year in federal funds for conservation programs. This proposal would require natural resource districts to work with the state in providing regulation needed to meet our obligations. I am also proposing that farmers be part of the solution by extending a half-cent of the current corn checkoff, beginning in 2013 and channeling those funds into the Water Resources Cash Fund. We are also continuing our work to make government more efficient and more effective. My priority is the restructuring of the Health and Human Services System, and I appreciate the leadership of Senator Joel Johnson for being willing to carry this proposal forward. I am seeking expedited approval from the Legislature so that we can begin implementing the changes by July 1. A key goal of that proposal is the creation of a separate Department of Children and Family Services and the prioritization of improvements to the Foster Care and Child Welfare Systems by creating a more transparent, more accountable and more accessible Health and Human Services System with a single CEO, six department directors and six departments that each performs a function that mirrors its name. The second agency that needs restructuring is the Nebraska Department of Revenue. We need to bring the Property Assessment and Taxation division back into the fold, and we need the new structure to enable our leadership team the flexibility for additional change. I would like to thank Senator Cap Dierks for agreeing to lead this initiative.

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Another set of challenges we must confront involves both rural and urban education. I have confidence that we will confront these challenges with fairness and equality, as well as a respect and recognition that in education, one size does not fit all. We need to respect the will of the voters and create the opportunity for Class I school districts to exist, where Nebraskans want the option. We must also work together on improvements to LB1024, with a focus on student achievement. We need to ensure that our best teachers are placed in the most challenging schools, and we need to provide them with the training to help prepare them for the challenges of teaching in an environment that is increasingly diverse, both economically and ethnically. I want to applaud the efforts of the Omaha metropolitan area superintendents and the continuing work of Senator Ron Raikes and Senator Ernie Chambers on this very important issue. We need to resolve this issue during this legislative session. In Omaha and across Nebraska, we also need K-12 schools to work creatively to increase parental involvement and to foster a clearer sense of parental responsibility, neither of which require additional funding. We need parents more involved in their children's education, and we need to dispel the myth that the need for parental involvement decreases as students get older. We need to make sure that parents understand their own personal responsibility to have their children prepared academically to attend and succeed in school at age five and every day thereafter. A major challenge facing higher education centers on improving the college attendance rate, which is essential to a prosperous Nebraska, and I applaud the leadership of the University of Nebraska President J.B. Milliken for his willingness to join with me in attempting to address this issue. A five percentage point increase in that rate would place Nebraska among the top five college attendance rates in the country. To that end, my budget proposes a \$1 million annual increase in need-based aid for Nebraska college students, a general fund increase of more than 17 percent. I am also proposing a dramatic increase in the tax deduction for parents using the Nebraska College Savings Plan to save for their children's college education. I am proposing that we increase the maximum annual tax-deductible savings to \$10,000, and I am very pleased that Senator Tim Gay has agreed to introduce that proposal. Members of the Legislature, I have tried to address the major challenges confronting our state in this budget, and my focus is results. Today, I am asking all Nebraskans to join with me in putting an emphasis on lowering taxes and restraining government spending in order to secure a more prosperous future for the next generation of Nebraskans. I am asking all Nebraskans to sacrifice today for the long-term best interests of our state. To Nebraska's business leaders, I would ask for your help in accomplishing this task. Over the past two years, we've passed a comprehensive tax incentive package that stimulates the economy, and we're proposing real tax relief for the middle class, along with fundamental tax reform, and the repeal of the estate tax. This is not the year for additional business incentives. To Nebraska's teachers, school administrators, and school boards, I am seeking your assistance, too. Education is receiving a record \$1.9 billion in state aid and special education funding in this biennium. This is not the year for new programs that require additional funds. To Nebraska's elected officials at the local level, I need your help as well. Aid programs that offset local spending are receiving

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\$2.4 billion in state funding for property tax relief, the most we've ever provided to local schools and local governments. I would like to ask you to follow my budget's example and restrain spending. If we act now and are successful in moving Nebraska down the road to a more vibrant and dynamic economy, all segments of our state will grow. We will need more teachers. We will have created a better climate for business owners and entrepreneurs, and working families will find better jobs. Ladies and gentlemen, we need to transform our high-tax state into a place where more Nebraskans can afford to raise a family. We need to create new and expanding job opportunities. We need to provide a climate that encourages businesses to grow. We need to create a state government that reflects the innovations of the twenty-first century, and provides real tax relief for middle-class Nebraskans. This session is a new beginning in Nebraska. We have historic opportunities before us, and the time has come to act. I look forward to standing shoulder-to-shoulder with you to accomplish these goals. Thank you.  
(Applause)

PRESIDENT SHEEHY: Thank you, Governor Heineman. Would the committee escort the Governor from the Chamber. Mr. Clerk, do you have new bills for introduction on your desk?

CLERK: I do, Mr. President. (Read LB308-LB327 by title for the first time, Legislative Journal pages 203-206.) [LB308 LB309 LB310 LB311 LB312 LB313 LB314 LB315 LB316 LB317 LB318 LB319 LB320 LB321 LB322 LB323 LB324 LB325 LB326 LB327]

Mr. President, the Performance Audit Committee will meet under the south balcony immediately; Performance Audit, south balcony, immediately.

PRESIDENT SHEEHY: Thank you, Mr. Clerk.

CLERK: Mr. President, the Reference Committee will meet immediately. Reference Committee will meet immediately in Room 2102; Reference Committee, 2102, immediately.

PRESIDENT SHEEHY: Thank you, Mr. Clerk.

SENATOR LANGEMEIER PRESIDING

SENATOR LANGEMEIER: Mr. Clerk, do you have any bills?

CLERK: Mr. President, I do, thank you. (Read LB328-LB339 by title for the first time, Legislative Journal pages 207-209.) [LB328 LB329 LB330 LB331 LB332 LB333 LB334 LB335 LB336 LB337 LB338 LB339]

SENATOR LANGEMEIER: Mr. Clerk, do you have further bills to recognize?

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CLERK: I do, Mr. President. (Read LB340-LB342 by title for the first time, Legislative Journal pages 209-210.) [LB340 LB341 LB342]

Mr. President, I also have, in addition to those items, hearing notices from the Revenue Committee, the Natural Resources Committee, the Judiciary Committee, and Health and Human Services. The Executive Committee will meet...the Education Committee, excuse me, will meet in Exec Session at 1:30 this afternoon. An announcement: Senator Schimek has been selected as Chair of the Performance Audit Committee and Senator McDonald as its Vice Chair. (Legislative Journal pages 212-213.)

A series of name adds: Senator McDonald to LB6; Senator Pankonin to LB62; Senator Dwite Pedersen, LB83; Senator Aguilar withdraws his name from LB86; Senator Pankonin to add to LB144; Senator Cornett, LB190; Senator Fischer to LB232; Senator Harms, LB232; Senator Nelson, LB340. (Legislative Journal page 213.) [LB6 LB62 LB83 LB86 LB144 LB190 LB232 LB340]

SENATOR LANGEMEIER: Thank you, Mr. Clerk.

CLERK: Mr. President, I do have a priority motion. Senator Preister would move to adjourn until Friday morning, January 12, at 9:00 a.m.

SENATOR LANGEMEIER: Thank you, Mr. Clerk. All those in favor say aye. All those opposed say nay. We stand adjourned.