

income. It does not relate to the inflation rate and that is an important distinction to remember. It relates to personal income. It relates to ability to pay. If personal income increases in Nebraska and the people have an increased ability to pay for government services, then in proportion to that increase the government can increase. It has a number of advantages. It is truthful. It tells you exactly what the lid is. We are getting rid of some of the exemptions that exist. Second advantage, it relates to economic realities. If there are good times, if there are high inflation times, if personal income is high, then the lid increases. It is flexible. Secondly, it absolutely ensures that the size of government, vis-a-vis the private sectors does not grow and I think that is very important to us and certainly to people in this state. Most of the lid that we have now stays in place. The basic concept stays in place except that we replace the core concept. The core concept right now is a flat out 7% lid, 7%. That is replaced by a lid which says that the increase shall not exceed the average of the last three year's growth in personal income in the State of Nebraska. Let me reference you now to some of the materials that have been handed out to you. Past the summary sheet and past the amendment you will see a little article that says, "Those Tax Dollars." That is merely to show you how the overall tax burden on the people of the United States is going up. The next one is a little article again on the tax bite from 1950 to 1980. As you see in 1950 twenty-seven cents out of every dollar was spent, was taxed, was taken in taxes and in 1980 it was up to thirty-five cents in every dollar. The point of these two exhibits is to simply show you that historically we do need, I think, a lid, but I also hope you will look at the next exhibit which is entitled, "Total Personal Income, 1970-1978," and down on the bottom part of that, Nebraska. And it shows in there what the increase in personal income has been in this state from 1979 to 1978 and you will see that the average yearly increase has been 10.3%. So if you had in place, this lid, the basic concept would have allowed local government spending to increase on the average 10.3% during that particular time period. The next exhibit is one showing you state expenditures and the one after that illustrates the situation in personal income with regard to the City of Lincoln and you can see that the average there, the increase would have been 10.3% under the lid that we are proposing whereas their actual average in that time period was 16%. If you take the last three years for which we have figures, the average of the last three years was 11.5% so that the lid for this particular fiscal year would have been based on a core concept that would have allowed 11.5%. So this basically is what we are trying to do. The same basic statutory framework is kept. The new core concept of