

March 29, 1982

LB 757

CLERK: Mr. President, Senator Beutler would move to indefinitely postpone LB 757.

SENATOR CLARK: Senator Beutler.

SENATOR BEUTLER: Mr. Speaker, members of the Legislature, obviously I believe that this bill represents poor public policy. As Senator Carsten stated, the purpose of the bill is to allow the state to have a 2% reserve instead of a minimum 3% reserve. The purpose of the rule, of course, has been to protect against deficits and against cash flow problems. It is a prudent fiscal device that has served this state well in its present form I think for a number of years. What is ironic to me about the introduction of this bill at this period of time is that this is a period of time when we should in fact be thinking about a higher reserve rather than a lower reserve. Think about it for a minute. If the purpose of the reserve is to avoid deficits and to avoid cash flow problems, then in a period of times such as the present period of time when you have plummeting revenues where the danger is a severe drop off in revenues, then what you want to do logically is anticipate that drop off by having a high reserve, that is, by having a reserve that is five or six or seven percent. But instead of that we are doing just the opposite. At a time when our revenues are clearly in danger of dropping off, we are about to pass a bill suggesting a lower reserve. What I am saying is that we would be doing just the opposite of what we should be doing. The time when you want to lower the reserve is when you are anticipating if anything tremendous increases in your revenues. If the trend and the economic of the trend of the time tells you that revenues may be in fact more than what you are projecting, then you don't have to be concerned about a high reserve and you can stay to the low side of the reserve requirement at three or two percent but again this is exactly the wrong situation in which to be decreasing the reserve. What has happened right now? Right now our unobligated balance at the end of this year is going to be \$3.9 million according to the latest figures that I saw. That is around one-half of one percent reserve that we ended up with. Now that is operating under present law, and even at that, we are assuming a retroactive income tax increase to 17%. The point is using the old law which required a minimum of 3%, we didn't come close to having the kind of reserve that we needed. So why are we about to change the law? Why would we even be considering changing the law to make the reserve requirement less when we missed it by such a wide mark with the old law? It makes no sense whatsoever. The information that we were given less than two weeks ago indicated that there would be no cash flow problems in the state until October at least and not even