

October 30, 1981

GOVERNOR CHARLES THONE: Mr. President Luedtke, Speaker Dick Marvel, members of the Legislature, and a special welcome to Senator Shari Apking and Walt Duda, your first session work. I am sure you will be intrigued with the art of the possible, that you will as these members here feel that it is noble, sometimes frustrating, occasionally even a bit exhilarating and ultimately most rewarding, and I don't really mean that in the monetary sense. A special welcome again to Senators Duda and Apking. The story is told of the husband looking over the family bills who then says to his wife, well, we are at the bridge we were going to cross when we came to it. The State of Nebraska is now clearly at a fiscal integrity bridge. Let's cross it with the taxpayers in mind. Let's cross it with the State Constitution mandate of economy and efficiency in mind. Let's cut spending, and I know that is always tough to do. In my closing speech to the last Legislative Session on May 22nd, I pledged to call this Special Session if our income projections through June 30 next year were insufficient to support the approved appropriations and reserve requirement. The Department of Revenue now forecasts that the current tax rates of 3 percent sales and an income tax rate of 15 percent of federal liability will not cover all liabilities plus at least the 3 percent reserve mandated by law. It is to be emphasized that under our Nebraska procedure that tax rates are mandatorily set on the total of all liabilities plus reserve, not on cash balance. Our cash situation for the fiscal year remains positive and will stay good according to Budget Director Don Leuenberger. But according to law we must set rates on all obligated liabilities plus reserve, not on cash flow. In your next regular session it might be prudent to review the necessity of a 3 percent reserve requirement. State Tax Commissioner Fred Herrington points out that when enacted this law mandated about a \$9 million cushion. Now with the inflation hiked budget it requires a \$23 million cushion. That is too high a reserve commitment, he says, and he is obviously right. Senator Newell has been reported in the press with the same idea. You should also at that time look hard and favorably at biennial appropriations and allowing the Board of Equalization an assessment to fine-tune tax rates rather than the required 1 percent income on a half percent sales adjustment which often exaggerate receipts. You will recall that I have asked for both of these in past sessions and you have LB 535 and LB 454 on General File for your regular session. But back to the bridge, and we find that we have two choices, raise taxes or cut spending now. As I indicated at my Tuesday Press Conference announcing this session, I am totally and emphatically against any increase in Nebraska income tax or sales tax rates being increased. It is just not necessary that taxes