

November 5, 1982

here read the lead editorial this morning in the Omaha World Herald entitled, "Senators Should Consider Taxpayers Shortage Too." I'm going to quote just a brief portion of it. "For Senators all of this raises questions of balance. Which state services are essential and which are merely desirable. What level of state services justifies a higher rate of taxation against what too many taxpayers is reduced personal income. To what extent should state employees, agencies and local governments that depend upon state aid share with the taxpaying public, the burden of declining revenue." I think those are three very, very pertinent questions indeed. The editorial concludes thusly: "In the days ahead senators should keep the reasons for that shortage in mind. The state is collecting less than expected in taxes because taxpayers are earning less than expected and, therefore, are spending less and have less income to be taxed. Solutions to the state's money problems should recognize that the taxpayers have a money problem too." I think that states it pretty well. I would hope that you would overwhelmingly agree that any kind of a tax increase would not be fair to the taxpayers and such an increase can most definitely be avoided if you will adopt the measures I shall present today. I am confident that the strong economic signs we see herald a recovery already under way from the national recession. Sure there are some mixed signals. On November 3, 1982, an already strong stock market soared to a new record high and those are pretty hard-fisted fiscal people dealing there. Interest rates have very noticeably declined in recent months from all time unconscionable highs and we can reasonably hope for further significant drops that are crucial to continuing economic advance. Housing sales have demonstrated the effect of declining rates by rising in September to their highest level since May of '81. As I recall it was a 90% increase. The combined package of necessary spending reductions and sales tax administration changes I am presenting to you today will enable you to avoid unnecessary tax increases. The package is within the expected range of revenue estimates that will be provided to Senator Warner on November 9, Tuesday, as he requested, after all of the new economic data is in hand and processed. As you all know the latest national information that we pipe into our Nebraska projections here is not yet available from our professional consultants. My proposal today provides for \$25.3 million in spending cuts and approximately \$5 million in lapses from various revolving and cash funds to the state's general fund. In addition I have amended the special session call and prepared legislation to require faster payment of sales and use tax collections to the state. This measure which does not increase taxes, of course, will make an estimated \$14 million of funds available to the general fund this fiscal year and if this measure is adopted these funds can be used to provide an additional financial cushion which some may feel is needed or they can be used to reduce the amount of spending cuts which I have proposed. Personally I remain solidly convinced that a very strong economic recovery is beginning and with fiscal restraint the state's real needs can be met well into the future without the need for tax increases. The basic philosophy that underlines the recommendations I am presenting to you today is one purely of fairness and equity. I have excluded very, very few programs or activities from the reductions I propose. In fact, only about 10 percent of the budget has been excluded. The major exceptions are direct care costs in the Department of Public Institutions, including a major portion of mental

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