

November 11, 1982

LB 1

least if we can use that process, I think it will be easier to follow. Included in the amendments that the Committee and perhaps others are sponsoring are a couple of things I should mention of the top of the general position and that is that it is a 2% cut across the board with some exceptions. Those kinds of exceptions are such things as constitutional officers salaries which we are prohibited by Constitution to change. We excluded from a reduction anything that we knew would have a deficiency request next session that we by statute at least must comply with, entitlement type programs. Included in those are such things as the Special Ed that goes to the elementary-secondary schools primarily, the wards of the court over which we have no control. Reserve teachers were excluded because again that is a statutory commitment and then there were one or two others, similar type things, where it seemed no point in making a reduction knowing we would have to by law fill it yet this fiscal year in any event, and it would only add to the problem. So those kind of things are excluded. On the revenue side, if you look at the front sheet, the action, it is entitled "Action Required by the Legislature" deals only with LB 1 and LB 2. If you start at the top with the possible revenue shortfall and what level of reserve you want, that, of course, you can use your own judgment. If you come with a figure greater or lower than is on that section of the paper, then you will correspondently affect the action that would be required by the State Board of Equalization. Briefly what we are presuming, also if you will look at the Board of Equalization book that was put out last night, it very clearly shows that there can be again substantial cash flow problems starting probably in March, again depending on the dollar amount depending on what we do in appropriation reductions, but it would be my opinion that even if you did the \$30 million, there would be substantial cash flow problems later on during this fiscal year which would have to be reckoned with at that time. So in recognition of what appears to be a shortfall regardless, this does assume that the Board of Equalization would increase retroactive 1% on income tax which will raise including the corporate tax \$19.5 million, and then further assumes that that adjustment needs to continue through 1983 to fund what is proposed here and more importantly to also provide the funds for three actions that the Legislature is taking, that is the funding for LB 522, the medicaid; the funding for LB 404, which dealt with the Aging agency; and then finally those additional deferrals in capital construction that we are proposing to take at this session which obviously need to be taken into account the next session. I would tell you that I cannot imagine that the Board of Equalization would not do most of this. There are a number of other obligations that we have facing us in the next session which they cannot legally at least take into account or directly take into account, and we start adding those all up, we have major problems in the way of arriving at a budget next year. The selective cuts or the special reductions which are on page 2 through 4, briefly unless there is a specific question, I am perfectly willing to describe each one in detail but they are a combination of either suggestions of programs from agencies indicating that the money would not be spent and was not needed and was not needed as a continuation factor. In other cases it is additional federal funds that we did not anticipate or did not take into account during the regular session which we are utilizing. Let's see, what else? That two things would

00041