

August 12, 1992

GOVERNOR E. BENJAMIN NELSON: Thank you. Madam President, Mr. Speaker, members of the Legislature, fellow Nebraskans, I want to thank the members of this Legislature for dealing responsibly with the legal issues surrounding legislative redistricting and the implementation of Amendment 1. You kept faith with the Nebraska voters by removing any legal questions about LB 1063; by giving Madison County citizens an appropriate opportunity for legislative representation this year; by addressing the concerns of southwest Nebraskans about their legislative districts. You have met the challenge of dealing with immediate and vitally important policy questions and you have done well. But as we have come to expect, the federal government and the courts create new obstacles faster than we can deal with the old ones. Federal mandates have given us a \$100 million problem. Now the courts have added a second \$100 million problem. Dictates of the federal government, primarily Medicaid, are largely responsible for a state budget shortfall of at least \$100 million in the next two-year budget, and this is no surprise as members of my administration, as well as Senator Moore and the Appropriations Committee, continue to prepare for tough budget decisions during the 1993 legislative session. Dictates of the Nebraska Supreme Court, specifically the Bahensky and Jaksha cases, have created two more immediate problems. One will cause an additional \$100 million budget problem for the state this year. The other fundamentally threatens the economy of Nebraska. First, the threat to Nebraska's economy; it will be devastated if the Jaksha decision is fully implemented. All personal property, business inventories, livestock, farm and business equipment, grain in the bins, and even more will be assessed and taxed for 1990 and 1991 at actual value. We have asked the Nebraska Supreme Court to rehear this case, to reconsider this decision, and to rule that the remedy is prospective. In other words, we have asked the court not to apply this ruling to years past. If the court rules that there is no other choice, the court will require that personal property taxes for 1990 and '91 are due and payable. As much as \$1 billion could be drained from Nebraska's economy, the taxpayers. Such action would be unconscionable. I will do everything within my power to see that this doesn't happen, but, as we all know, there are no guarantees. Second, there is the question of \$100 million in refunds that may be required under the Bahensky decision. This money is being collected under LB 829 to reimburse local governments for the exemption of personal property. Implementing this decision, however, will add an additional \$100 million burden this year to the state