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precision of a scalpel, not the bludgeoning of a meat ax. The challenge must be met thoughtfully and deliberately. Therefore, my proposal to the Legislature approaches the problem in four ways: selective cuts; Cash Fund lapses; strategic cuts based on agency strategic budget plans; and agency reorganization. The package of cuts that I propose includes some one-time savings as well as permanent reductions that will reduce the budget base going into the next biennium. Through fiscal year 1995, these cuts will save \$118 million. I am pleased that Senator Moore and the Appropriations Committee agree in principle with this approach. We disagree on some specifics, but their preliminary recommendation conforms to my original proposal. And I appreciate the time that they and the effort that you all have taken in preparing for this session. Medicaid cuts make up a large portion of these selective reductions. We cannot blame this program for causing budget problems without addressing the scope of Medicaid in Nebraska. We have been very generous, in some cases far more generous than other states, in providing optional services. That portion of the Medicaid program over which we have some control must be reviewed and revised. More than \$5 million in savings can be achieved over the next three years through administrative action by the Department of Social Services. I am also requesting your approval to give this department additional latitude to manage optional Medicaid programs. It is my hope that through a managed care approach we can deliver the highest level of services taxpayers can afford. If we do not take these steps now, it is likely that we'll be forced to look at a total elimination of some, if not all, optional services. One of my proposals receiving the most attention is the change in eligibility date for AFDC. Senators, Nebraska is one of the most generous in the nation by offering cash payments to expectant mothers from the moment pregnancy is verified. Eligibility dates in most states begin at birth, which is what I am proposing for Nebraska, nothing less, nothing more. There are other programs, like WIC and Medicaid, that can and do meet nutrition and prenatal care needs. We spend more than \$2 million annually on this optional AFDC program, and it is a commitment we simply can no longer afford. The hard fact is that we're spending \$48 million more this year on the total Medicaid program than we spent last year. The cut I am proposing in the state wards program does shift some costs back to local school districts, as well as to some private institutions. But I should point out that I am not proposing any general across-the-board cuts in state aid to education or to other local governments. Budgets are set for the year and it