

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

April 3, 2000

LB 1217

SPEAKER KRISTENSEN: Time.

SENATOR WEHRBEIN: So next year we are going to have some very serious decisions. Perhaps revenue will stay strong. I...

SPEAKER KRISTENSEN: Time. Senator Beutler.

SENATOR BEUTLER: Mr. Speaker, members of the Legislature, obviously, this is a serious matter, but somehow it seems to me that everyone is in a more negative mood at the moment for some reason, maybe, maybe a combination of reasons, than is justified by the facts of the matter. We are focused as arguably you could focus on the \$49 million that's shown two years out as being a possible deficit. But, folks, that's all based on a set of assumptions which may be an inferior set of assumptions compared to the second method that we use in estimating revenues. Let me put it this way to you, and just keep this in mind as I talk. The difference between projecting a growth rate of 5 percent and projecting a growth rate of 5.4 percent, just 0.4 difference, is \$55 million. If you projected a growth rate of 5.4 percent instead of 5 percent, as is done in the yellow sheet with the figures that we're correcting, there is no deficit two years out. There is no \$49 million. There is no \$55 million dollars. Now let's talk about how that growth rate, that revenue growth rate, what we use and what we do and what are the two methods? On the yellow sheet, the method they used to come to the conclusion that they come to, which is that growth will be 5 percent, they take the historical average, and that involves a formula whereby you go back over the last six years, and for the latest years that you don't know, you fill in some figures so that the average for the last six years is the same as the historical growth rate since we've been first calculating it back in 1981. So if you have your little books, your little yellow books, you can follow along, but I'll tell you what assumptions that requires us to make. In 1999-98, the growth rate was 6.7 percent, okay? And then for '99-2000 and 2000-2001, we have the forecasting board's projections, which are 6.5 percent and 5.5 percent. Notice, all of those most recent year figures are way up above the 5 percent that is built into that assumption that assumes a \$55 million deficit. And the reason for that is because in the out years, which we didn't use to do but now we do, in the out years, you have to