

April 16, 1973

SGT. AT ARMS: Mr. President.

PRESIDENT: Sgt. At Arms.

SGT. AT ARMS: Your committee now escorting his excellency the Governor of the state of Nebraska.

PRESIDENT: Thank you, the committee will come forward please. His excellency J. James Exon, Governor of the state of Nebraska.

GOVERNOR EXON: (Machine not turned on) for allowing me this time this morning to present an interim report on the state of the state. This message will be brief, but very important. I'm pleased to bring you good news this morning, latest revenue projections and receipts coupled with our ongoing sound fiscal management policies can allow at least a reduction of up to 33% next year on the state income taxes by reducing the rate from 15 to 10%. Even further tax reductions could be realized, if you decide not to employ twenty million dollars of Federal General Revenue sharing for aid to education and real estate property tax relief. If this was the case, and if you reject the temptation to spend such funds on other projects, we could in addition, to what I have just said, reduce the state sales tax from 2½ to 2%. This eventuality then could provide a decrease of 20% in the state sales tax in addition to the 33% reduction in the state income tax. These tax reductions are possible and predictable only, on the basis that the legislature will not launch extensive new state obligations. We would also have to continue the policy of this administration, to meet the legitimate needs but refrain from trying to satisfy all by giving in to ever increasing spending demands. While the income tax refunds are running higher than normal, we are experiencing substantial unanticipated increases both on revenues from the state sales and income taxes. The increase receipts are in part due to the present relative healthy state of the economy in Nebraska. I emphasize that these funds and recommendations are based upon present trends that we hope will continue. Barring any down turn in the economy or your increased spending directives, such reduced rates are obtainable goals that will have to be formally and finally set by the state Board of Equalization at it's meeting this November, to take effect next year. They are predicated on the assumption of good agricultural prices, and a good agricultural season, for our farmers, and continued expansion and growth of our industrial and tourism activity. It is important that I share these facts with the legislature and the people. Our Department of Revenue has just provided me with the latest projections that indicate that the state will have a net increase from collections of eight million more than had previously been estimated for the end of the current fiscal period, June 30th, 1973, plus a possible additional nine million dollars for the fiscal year ending June 30th, 1974 under present tax rates. Now, due to cash flows, coupled with our established system, of setting tax rates on a calendar rather than a fiscal year basis, the tax decreases that I am suggesting are possible. It should be remembered that under our procedures, we in effect set tax rates on cash flow requirements rather than strict adherence to calendar year liability. I am sure that this information is timely necessary and will be valuable, as the legislature now faces it's important appropriation duties. A word of caution, is in order, I am hopeful that the majority of the legislature will resist the tendency that will immediately surface by some special interest groups to view these additional tax funds as a bonanza to finance a host of projects. While there are all kinds of spending authorization that may be considered, I direct your attention to my budget recommendations, last January, and those recommendations as amended, I still maintain meet the legitimate needs of the state, subject of course, to relative minor adjustments, that the legislature may care to make. Now in this regard, there is a very real threat to break wide open the Governor's realistic budget recommendations. Your Appropriations