

October 18, 1985

facing a problem on the scale that we faced during the great depression. However, the problem still remains the same. We must be willing to reduce the scale of government. I believe that I have developed a plan that ladles out equal measures of toughness and compassion, a mixture that is sure to generate criticism but is also sure to succeed. My recommendation as an appropriate course of action involves six bills. First, I am proposing that the current general fund budget be reduced by \$18.1 million. This is accomplished by a 3 percent reduction to almost all agencies and programs. A list of the items excluded from any reduction has been provided to you. This list has been kept as short as possible so as to avoid larger reductions to the remaining programs. In addition, I am suggesting that four agencies, Public Institutions, Social Services, Corrections and the State Patrol, be reduced by only 1.5 percent. These reductions have been characterized as across-the-board, and in the sense that very few programs have been excluded, that is an accurate description. However, the reductions should also be viewed as vertical reductions in that they are intended to be continuing in nature and will almost certainly result in reduced services. Agencies should not expect to see these funds restored in the fiscal year '86-87 budget and should plan to make selective and permanent service reductions or eliminations. I fully realize what we are asking and I fully realize that what we are asking will not be easy but I also believe that is, nonetheless, necessary for us to do these things. Secondly, I am asking for a five cent increase in the cigarette tax. As you recall, in the last session you passed LB 653A which increased our cigarette tax by eight cents contingent on the scheduled reduction in the federal tax. At literally the last minute, Congress delayed the effective date of that reduction for 45 days. Three of our surrounding states increased their cigarette tax by eight cents regardless of the federal action. The tax in Iowa was increased to 26 cents; Kansas increased theirs to 24; and South Dakota increased theirs to 23. A nickel increase in our tax will bring Nebraska's tax rate to 23 cents and will generate \$4 million in fiscal year '85-86 and \$7.2 million in fiscal year '86-87. Third, I am proposing to you to increase the drivers abstract fee to \$3.00. This will bring us to about the average of what other states charge. A similar proposal, made by the Appropriations Committee last session, fell only one vote short of the needed 30 votes. This action would reduce the general fund budget for the