

put that sales tax in the Highway Trust Funds. At the time that that change occurred, the sales tax rate for the State of Nebraska was 2 1/2 percent. That's what it was. Now since 1969, since that time the Legislature has increased the sales tax rate. Now I know that I have been present during portions of the debates on increases to the sales tax rates. As the rates themselves have gone up, automatically the number of dollars that have gone into the Highway Trust Fund from the earmarked sales tax have similarly gone up. I, frankly, do not recall during my seven years here there has been any discussion on the floor of the Legislature regarding the propriety of the increase in the sales tax rate on motor vehicles with that money going into the Highway Trust Fund. I could be mistaken on that, but I don't recall the discussion. But I do know there has been a lot of discussion about the propriety of an increase in the sales tax rate for purposes of General Funds. In any event, Governor Kerrey through LB 2E proposes that we simply restore the earmarking to its original historic rate so that 2 1/2 percent of the sales tax collected on motor vehicles goes into the Highway Trust Funds but the other 1 percent sales tax collected on motor vehicles go to the General Fund. Now you have some material that is being passed out that is noteworthy and the first item that you should have on your desk is a letter dated October 22, 1985 from the Governor's office and the Department of Revenue. And I think this letter adequately explains the rationale of the Governor in making the change. I believe that when you look at the second attachment to the letter you will get a sense as to the dollar figures that are involved. According to the Governor's office, LB 2 will generate \$5.6 million for the General Fund. It will generate \$5.6 million for this fiscal year for the General Fund. By the same token, it will reduce the Highway Allocation Fund by \$5.6 million. This is a fund shift, not a tax increase but a fund shift. For a full fiscal year General Fund revenues will increase by \$9.1 million while the Highway Allocation Fund will decrease by \$9.1 million. Now one of the things that is revealing about the letter, and I would call your attention to this, because I think it is important. It is important as we discuss this difficult question. In 1985 during the regular session we passed three different bills, LB 112, LB 346, LB 208, which in and of themselves were enhancements to the Highway Allocation Fund. We enhanced the Highway Allocation Fund during the regular session by \$11.8 million for a short fiscal year and for a full fiscal year by