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Floor Debate  
February 08, 2011

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SENATOR GLOOR PRESIDING

SENATOR GLOOR: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the twenty-fourth day of the One Hundred Second Legislature, First Session. Our chaplain for today is Senator Wightman. Please rise.

SENATOR WIGHTMAN: (Prayer offered.)

SENATOR GLOOR: Thank you, Senator Wightman. I call to order the twenty-fourth day of the One Hundred Second Legislature, First Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

ASSISTANT CLERK: There is a quorum present, Mr. President.

SENATOR GLOOR: Thank you, Mr. Clerk. Are there any corrections for the Journal?

ASSISTANT CLERK: I have no corrections this morning.

SENATOR GLOOR: Thank you. Are there any messages, reports, or announcements?

ASSISTANT CLERK: There are none this morning, Mr. President.

SENATOR GLOOR: We will proceed to General File, LB383, Mr. Clerk. [LB383]

ASSISTANT CLERK: Mr. President, LB383, introduced by Senator Cornett at the request of the Governor. (Read title.) The bill was read for the first time on January 13 of this year. It was referred to the Revenue Committee. That committee reports the bill to General File. There are no committee amendments. [LB383]

SENATOR GLOOR: Senator Cornett, you are recognized to open on LB383. [LB383]

SENATOR CORNETT: Good morning, Mr. President and members of the body. This is a very simple bill in its wording and needs a little explanation. In essence, this permanently eliminates all state aid to cities, counties, and NRDs. This is a very difficult bill for all of us this morning. But the time has come where we need to start looking at where we're going to be at the end of the session and where we're going to be when it comes to passing the budget. And this is the first step in that process. Out of the decisions we're going to have to make later, this is probably going to be one of our easier ones, and this is where we're really going to find out the will of the body in

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regards to the budget cuts that are necessary this year. The cuts that will be delivered to cities, counties, and natural resources districts represents, for some, .5 percent to 2 percent of a political subdivision's annual budget. In contrast, we at the Legislature are currently under consideration by the Education Committee representing decreases of 12 percent in K-12 education--cuts in the double digits. The Health and Human Services Committee is considering cuts to Medicaid in excess of 5 percent across the board through their provider rate formula. As we start the debate on LB383, I anticipate the messages from the cities and counties and NRDs will be: let's wait--or let's zero out the formulas, so when we have the time to appropriate...or the money to appropriate, we can. This difficult budget time has brought us to a point where we need to rethink how we do government. That is why I introduced this bill on behalf of the Governor, which eliminates these programs rather than zeros them out. In the past, the state has made commitments to the counties that they have not been able to live up to. Coming into the Legislature, I fought very hard for jail reimbursement, and then most of you will remember I wrote the county aid formula that I'm talking about--my staff and I did--eliminating. It is time we stop making promises to our cities, counties, and NRDs that we will not be able to live up to, and tying the hands of our future Legislatures by coming, those entities coming in and saying: You promised us this. We are not making any promises anymore to the political subdivisions. I know that we're going to have a very long debate on this today, but this is where, as Mike Flood has said frequently, the rubber meets the road, ladies and gentlemen. This is the first step in cutting the budget. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Cornett. Are there amendments, Mr. Clerk? [LB383]

ASSISTANT CLERK: Mr. President, there are. Senator Pahls would move to amend with AM277. (Legislative Journal page 477.) [LB383]

SENATOR GLOOR: Senator Pahls, you're recognized to open on your amendment. [LB383]

SENATOR PAHLS: Thank you, Mr. President and members of the body. I'm listening. The rubber is going to hit the road. But I want to know which road we're going to follow, not only this body but other groups. If you take a look at my amendment, which basically is very simple, AM277 establishes the Legislature's intent that the reduction in state aid as a result of the cuts in this bill result in budget reductions, and that cities, counties, and NRDs not make up the cuts by increasing taxes or fees. It's that simple. We might as well establish this right up front. If we are going to be expecting cuts, does that go all the way down to those subdivisions, or we think when we make the cuts you increase fees or taxes? I think we ought to be up-front with them so they understand where we are coming from and we ought to make a commitment one way or the other. And the reason why I'm saying that, I'll just use LB81 for an example. We did take away some of

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Omaha's what they perceived as needs. Are we going to stick with that? Did we tell them that any increases in taxes is not something that we are for at their level? Another thing I found very interesting is some of the mandates that perhaps could be coming out of this body this session, we ought to rethink those. I did rethink that when I withdrew my bill dealing with an additional staff member in the Department of Economic Development. Also it was brought to my attention the other day at the Executive Council when we were talking about safety issues in this body, and one of the first things I heard out: Well, that's going to cost money. We all know safety is a very important issue but we have to make that determination if it's worth spending that money. Just to relive some of my past experiences, a number of years ago when the Legislature said that schools need to make sure they have safety policies in place, which you cannot argue with at all, but I lived that life. It took time and money. It sounded very good on the floor, which I agree, but the end result was schools were doing many changes, costing them time and money. And just to give you an idea, recently what happened in the district that I was associated with a few years ago, they're going through some major changes and reflecting and relooking at some of their practices. Again, that will cost money--well-intended things that we do need. Also when I have people come in front of my committee--I chair Banking, Commerce and Insurance and also I work with the Government Committee--people are coming in front of us and telling their story of the cuts that we are making, the plight that they are being placed in. If that is going to continue to occur, then we need to think about it. To think that some of the things that we're requesting are asking: What kind of an effect would it have on those different groups of people? Is that our intent not to have the local cities, counties, NRDs, etcetera, raise taxes? What I'm hoping to gain from this amendment is for us to make a commitment right up front to show the direction that this body intends to take. Because I did learn early on in my tenure here that the intent--if some of you can recall, some of our senators would go...they would keep talking about the intent of the Legislature--and that's what my desire today is to find what our intent is. Thank you. [LB383 LB81]

SENATOR GLOOR: Thank you, Senator Pahls. (Doctor of the day introduced.) We move to discussion. The Chair recognizes Senator Flood. [LB383]

SPEAKER FLOOD: Thank you, Mr. President and members. Good morning. In April of last year, the One Hundred First Legislature knew that a financial crisis was looming. Senator Heidemann, acutely aware of the financial crisis, introduced and passed unanimously LR542. Over the summer and into the fall, as a Legislature, we talked about what a billion-dollar shortfall looked like. We planned for a billion-dollar shortfall, and we all reassured--maybe not all of us, but most of us--reassured our constituents at county fairs and parades, in downtown Omaha and in downtown Scottsbluff, that we would do everything we could not to raise state taxes. Today, we walk the walk. This bill is \$22 million a year in savings to the state General Fund; \$44 million over the biennium. And it's tough--I agree. This is tough. Nobody likes to receive letters, calls, e-mails from local elected officials. But this challenge is so big, a billion-dollar shortfall,

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and the stakes are so high. I ask you two questions. When we're in this Chamber and we're talking about Medicaid, and the Governor's budget has a 5 percent cut to Medicaid providers, do you want to go higher? Is 10 percent okay? I ask you the same question. When we're talking about K-12 aid to education and they're already looking at a 10 to 15 percent cut in some school districts, potentially, because of the loss of stimulus funding that we're unable to replace, do you want to go higher? I don't. Yes, we are hearing from across the state. But remember, ultimately we aren't individually responsible to the chairman of the county board or to the mayor or to the city councilmen. We represent people and families. We represent roughly 35,000 people each, and they don't want higher taxes. They don't want higher state taxes. Families can't afford higher taxes. And as we make the decisions in Lincoln, we expect the same tough decisions to be made on the local level. And that means sacrifice. It's not, pad our budget here, make a small cut here. It means doing something significant and substantive. This budget crisis will test our mettle as a Legislature. This is not the time to blink. People are going to say: Well, wait until the next revenue forecast hearing or the one after that. Folks, if we waited until May 1 to make the tough decisions, May is going to be the worst month of your legislative career and we're not going to get to the finish line. We have to do this. We have to start now. We have to do it in February. We have to do it in March. We have to do it in April. You're going to hear that this cut is forever. You're going to hear that we have to reinvent government, from opponents of this bill. Well, you know what? Reinvention requires more than cash transfers, smoke, and mirrors. It means tough decisions on state priorities. Listen, I'm out of here in two years. Most of you will be here. Cutting the money now and living to fight another day is an option that you're also going to hear about. But who are we kidding? Even if the economy does improve--and that is an if--schools, Medicaid providers, public safety, retirement, state operations, state health insurance, they're all going to be back for modest, if not more, increases. Not to mention the fact that after this two-year cycle we'll have enough money, potentially, in the cash reserve, to fund state government for about a week. And building up the state's cash reserve is and should be... [LB383]

SENATOR GLOOR: One minute. [LB383]

SPEAKER FLOOD: ...a long-term priority. Folks, this bill charts a financial course and sets the tone for the session. It's important. I thank Senator Cornett and members of the Revenue Committee for the tough vote they had in committee. I'm going to support LB383. I feel this is the right direction for the state. And if we do this, this session, this is also going to set the tone for the other tough cuts. Because if you're getting e-mails now, imagine Medicaid, imagine K-12. That's Draconian. In a lot of cases, this is .5 to 2 percent. I will be the first to admit it's more for some. But we're all in this together and I support this bill. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Mr. Speaker. Senators wishing to be heard are McCoy, Conrad, Mello, Harms, Wightman, Lautenbaugh, and others. Senators McCoy, you're

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recognized. [LB383]

SENATOR McCOY: Thank you, Mr. President and members. You know, I hear time and time from my constituents, and I imagine many of you do as well, that they expect us down here in the Legislature to handle our business the same way they handle theirs. And that is: when tough times come, you take a look at your budget; you figure out where you can cut things. Well, this is how. I stand in full support of LB383. No question that this is going to be a tough vote. No question that this is a tough bill. But it's the right thing to do. We hear talk of a new normal, nationally, or at the state level or at the local level. Whether there's a new normal or not, I believe the folks in my district and I imagine the folks across the state believe us to...to need to do what we need to do to get things done to balance the budget--and this is how. And I applaud Senator Cornett and the Revenue Committee for doing what they've done to allow us to have this discussion at this point in the session, and I also stand in support of AM277. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator McCoy. Senator Conrad, you're recognized. [LB383]

SENATOR CONRAD: Thank you, Mr. President. Good morning, colleagues. I rise in support of LB383, and it is definitely an important piece of legislation substantively, and a critical piece of our overall budgetary strategy in order to achieve fiscal responsibility, a balanced budget, and provide the necessary resources for our critical obligations of state government, including public safety, education, infrastructure, and critical human services. Before we get too deep into the debate, I wanted to just talk a little bit about tone as we move forward. I can tell you from my experience in our community in Lincoln and Lancaster County, we enjoy a strong and positive relationship with our local elected officials who are indeed our partners in achieving the public interest. So make no mistake, this legislation is not intended to demonize or point fingers but, rather, I think, needs to move forward from a posture that is clear that we are responsive to their needs and concerns. But they must also understand the challenges that are before us as state legislators. And Speaker Flood very clearly helped to illustrate the context from which this difficult decision emanates from. In terms of impact, we'll hear a lot this morning about this is nothing but a property tax shift and we must maintain this in order to ensure property tax relief. And those are valid perspectives that need to have full and fair debate. But keep in mind, colleagues, the alternatives and the other impacts. This is approximately 1 percent of our budget, approximately 1 percent of our partners in local government budgets. But it equates to real dollars on the local level and, of course, on the state level. And I challenge each of you who come forward in opposition to identify alternatives. Where will we find this amount of money to meet our critical state obligations otherwise? Everyone in this body is keenly aware, as we are as members of the Appropriations Committee, that our big ticket budget items are school aid, Medicaid, and other areas. And if we can't find these dollars in a responsible and positive posture,

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then that's going to be additional cuts to those areas. And what does the impact of additional cuts to TEEOSA mean? That means increased property tax burden for every taxpayer, for every community in every school district across this great state. So I challenge you to think thoughtfully of that. If you come forward in opposition, identify alternative funding sources that we can utilize to ensure fiscal responsibility while meeting our state obligations. Finally, let's make clear this doesn't eliminate all of the different components of our partnership with local government. In fact, we see it through TEEOSA, we see it through homestead exemption reimbursements, through the property tax credit relief program where we reimburse counties, municipalities, and others for their lost revenue based off our policy decisions. Let's look at county jail reimbursement and aid to community colleges--all direct property tax relief programs. If we scale back in those areas, the impact will be the same--putting additional pressure on local property taxpayers. Finally, in looking at this legislation, I had a chance to go back and look at... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CONRAD: ...a historical perspective in relation to this partnership with local government. I encourage you to look at the legislative history, as I have done, for LB816, LB604, and LB522 from the 1980s, which dramatically changed this partnership in a variety of important ways, wherein the state assumed what was formerly the counties' Medicaid contribution. Think of that, colleagues. Over the past 20-plus years, when counties previously were paying 20 percent, at least, roughly, of Medicaid costs, and now the state assumes those in its entirety, what would of that meant if we hadn't shouldered that burden? This is an evolution of our partnership. It's a new way of thinking about government and it encourages all of those at the state, county, and local level to ensure the same fiscal responsibility that we have here in state government. [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR CONRAD: Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Conrad. (Visitor introduced.) Senator Mello, you are recognized. [LB383]

SENATOR MELLO: Thank you, Mr. President and members of the Legislature. I look forward to what I consider to probably be a very fruitful debate today, possibly tomorrow, maybe later this week, in regards to what I consider to be a big policy shift. This Legislature, well before my time, has made it a priority, both in the late '70s with providing aid to municipalities, in the late '90s of providing aid to county governments prioritized property tax relief, emphasizing that that is what Nebraskans want. It's a tax that they have a feeling that they don't see relief on from the state level on a host of

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reasons, on a host of governmental levels. What LB383 does is it eliminates a longstanding policy of this body, which is to provide property tax relief through aid to local governments, pure and simple. In no way, shape, or form what I disavow what I think was a very fruitful process to the LR542 process with all the standing committees over this past interim, I think it was a great exercise that the Legislature should continue to do in the future. But the point is this: By adopting LB383, we are turning our back on a longstanding policy of providing property tax relief to local government entities. The reason being, some of the handouts that we received from Senator Cornett lays out some of the property tax relief that we give to counties. I remind you, read LB383 and read what we are doing. We are eliminating a fund called the County Property Tax Relief Fund. How is it that our decisions are not going to have a direct impact on property taxes? I applaud what Senator Pahls is trying to do with his amendment to provide intent language saying that we don't want local governments to raise their local taxes. But the problem is this: We are neither mayors nor city councilmembers nor county commissioners. We are state legislators who are put in a position right now to determine whether or not we want to continue a state aid policy. It's not our decision to determine whether or not we cut pools, libraries, county roads, county sheriffs. But it is our decision whether or not we want to uphold close to a 30-year policy of providing direct aid to local governments for the sole purpose of property tax relief. Interesting fact: Through our budget hearings and through the State of the State, we heard Governor Heineman talk about the Property Tax Credit Act and the Property Tax Credit Fund, which is currently in the Governor's budget. Currently, it looks to be in the Appropriations Committee preliminary budget. Point being: Any touching of that fund, the Governor said, any movement of that fund whatsoever, whether it was \$1 or whether it was \$110 million, will be an increase in property taxes. That was his words, not mine. So moving \$1 away from the Property Tax Credit Fund is a direct increase in property taxes. You take that logic from the Governor and then see what this logic is, which is we're going to eliminate \$44 million that go directly to county governments, city governments, NRDs, which is proven in statute for property tax relief. I can't get my head wrapped around those two schools of logic, that touching one fund that talks about property tax relief, you touch that, that increases property taxes; you eliminate this fund and it doesn't increase property taxes. I'll be asking colleagues for assistance over the next few days because I can't get my head wrapped around that. That is flawed logic. We make arguments on this floor all the time to fit our positions, our ideologies, our perspectives on any given issue. This issue, in my mind, is fairly clear. [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR MELLO: Either, one, we want to continue providing aid for property tax relief or we don't. In no way, shape, or form do I disagree with our Speaker that we have had a very thorough process to provide us, I think, new perspectives of how to cut the budget. But I'll tell you this: As an Appropriations Committee member, I see 10 percent of the state budget. That's it--10 percent. The last biennium I saw 5 percent. Which begs

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the question, you can make cuts in agencies, you can eliminate programs in agencies, but you can only do that if you're given the information; if you're provided more than 10 percent options of what you can cut in the budget. This body has been done a disservice by not looking at other ways of doing our budgeting. Whether it's zero-based budgeting, performance-based budgeting, there are ways we can look to deal with our problems beyond eliminating aid to local governments, which in my view will increase property taxes. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Mello. Senators Harms, you are recognized. [LB383]

SENATOR HARMS: Thank you, Mr. President and colleagues. I rise in support of LB383. I believe it's time, the time has come for the municipalities, the counties, the natural resources, to start the evaluation how they can be more cost-effective, how they can be more efficient, how they can address the issue that we have today of a shortfall of revenue. It's clear all across the state of Nebraska in the discussion I've had with citizens that our citizens want a smaller government. They're going to have the opportunity to participate in a smaller government, a government that's more effective and a government that's more efficient. A government that's more transparent is what our citizens wants. We have a fiscal crisis that is before us today that's going to take courage for us to stand up and to do what's right. It's time that we have the courage. It's time that we realize that we cannot go any further with state aid to our cities and our counties. We can do this together by sharing some of the pain of eliminating state aid to our cities and our counties and our natural resources. We can share this pain as we look at other agencies. We're not asking the cities and the counties to do anything different than we're not asking any of the other state agencies to do. It's time to reorganize it. It's time to eliminate some of the issues that we have. How many cities and counties have a plan? How many cities and counties have actually looked at where they should take their cities and counties? They just continue to take the state aid without any evaluation at all, and now's the time for the evaluation to occur. Now is the time for us to decide what is best...for them to decide what is best for their cities and their counties--what services can they keep, what services can they give up, what is it that their citizens need. The time has come, colleagues. Do we have the courage to face it or do we not have the courage to face this issue? I have gotten e-mails from all across the state. I've gotten e-mails from my own district that said we don't want to lose these dollars. And my reply is: I think you're going to lose these dollars; it's time to lose these; it's time for you to think about the future; it's time for you to evaluate it. When you look across the state of Nebraska and you look at all the cities and all the counties that we have, we are losing population in rural Nebraska. We are losing population throughout the state. The only growth you have is in eastern Nebraska. And the loss of that population base simply says to me, I don't think you need all of those services; why don't you think about merging some of these offices together. We haven't had that discussion. They haven't had that discussion. They don't have a plan put together to



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address the issue. Guess what, colleagues? It's going to force them to think about, for the first time, what is it that we need; what is it that we can give up; what's the plan that's important for the citizens that I represent? And more importantly, colleagues, do we have the courage to say we're not going to give you anymore state aid; we don't want you to raise our taxes. What we really are asking for you, as cities, counties, or municipalities or natural resources, is just to evaluate where you are; to evaluate what's important to your community, to your region, to your county. I don't believe they've had that conversation. So, colleagues, I would urge you to support LB383 and also for Senator Pahls' amendment. I think this is a first important step. Colleagues, this is just the... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HARMS: Pardon me, Mr. President? [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HARMS: Thank you, Mr. President. This is just the beginning of the discussion that we're going to have. This is the first of a series of issues that we're talk about in balancing this budget. We have about a billion dollars to try to balance. Where are the dollars going to come from, colleagues? You have to start with a process and evaluate the process the way that it should be evaluated. Force the counties and the cities and the natural resources to do exactly what this state has done; exactly what we've done in our planning process. We are looking to the future. We're looking at the options, what is it that we need, what direction do we have to go? Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Harms. The Chair recognizes Senator Lautenbaugh. [LB383]

SENATOR LAUTENBAUGH: Thank you, Mr. President and members of the body. I do rise in support of the underlying bill and in support of Senator Pahls' amendment actually. While it's nonbinding, I think it's serious and I think it is a way to give a sense of what the body is thinking. I do applaud Senator Cornett for bringing this bill and for her leadership in this. I'm going to saying probably the same thing that many of you have said in different ways. But, you know, it's time to stop. We had a discussion, I think last year or the year before, on a bill Senator Rogert brought about the age of majority, and we amended it so it didn't do much, but if we had left it in its original form it would have saved us a million dollars. And someone said, oh, it only saves us a million dollars. Well, we need a thousand more ideas like that to get where we are...or where we need to be--a thousand more million-dollar ideas to get to balance. This one brings \$44 million over two years. I represent two counties. One of them loses 2.39 percent of their budget; one loses .8 percent of their budget if they lose this money. While this is

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regrettable, this is not a hardship that they cannot bear. We are making serious cuts down here because we have to. We don't have a choice. Time is up; we don't have the money anymore. And I can't speak in favor of sunseting. I can't speak in favor of just zeroing out the money and promising that it'll come back or holding out the hope that it will come back, because it's probably not going to come back. If suddenly we're flush in years down the road, maybe we can talk about it again, but that doesn't seem very likely. We shouldn't promise what we can't deliver. Now there are corollaries to this that we need to be mindful of on other bills as they come before us. Just as surely as we can't send as much money to the local units of government as we used to, we also need to stop burdening local units of government. Every bill that carries any mandate for cities, counties, school districts, should be looked at, and if it requires them to do anything they aren't already doing and we're not sending money along--and we're not sending money along anymore--we probably shouldn't do it. And I want to be clear that's going to come up. We have a bill about requiring schools to get involved in something they haven't traditionally been involved in outside of the school day--and I'm not going to support that. We have a bill that frees up, that I brought, that Government Committee has currently, that frees up the counties to dispose of their surplus property with fewer restrictions so they can use the best judgment and more efficiently dispose of their assets they no longer need rather than holding them until they're almost worthless and selling them for scrap. We need to do things like that, and hopefully we will do things like that. But this bill, while regrettable, is necessary and it has my wholehearted support and I hope all of you will join with me in this, because this is just the start. They don't get any easier after this. And I'll yield the rest of my time to Senator Conrad. [LB383]

SENATOR GLOOR: Senator Conrad, 1 minute 25 seconds. [LB383]

SENATOR CONRAD: Thank you, Mr. President, and thank you, Senator Lautenbaugh. I appreciate the time to continue in my remarks. Colleagues, I want to be clear where we are from a budgetary perspective. We have worked together to ensure fiscal responsibility and a balanced budget during our time here, which, of course, is required by law, but we've done so in a very responsible way. And we've made many difficult choices already. [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CONRAD: However, we've done what we can in terms of finding areas to force additional efficiencies, cut out waste, fraud, and abuse. And the easy choices no longer remain. They are all difficult from this point forward. Go back and look at the fact that our budgets have restrained state government spending to record lows. We've done so through offering real tax relief to our citizenry and protecting our critical state obligations. In order to protect that hard-fought tax relief and to carry out the important obligations of state government, we must move forward with ideas like LB383 in order to

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reinvent government and move forward in an efficient manner. Colleagues, I want to also point out... [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR CONRAD: Thank you, Mr. President. [LB383]

SENATOR GLOOR: Senator Wightman, you are recognized. [LB383]

SENATOR WIGHTMAN: Thank you, Mr. President and colleagues. Apparently somebody turned off my light, but the Chair was gracious enough to keep me in the queue. And apparently some gremlins walked by and preferred that I didn't speak on this issue. But I am here and I do intend to speak on this issue and I do intend to support LB383. This will probably be one of the toughest decisions that I've had to make while serving in the Legislature; I think it is for most of us. It is a source of funding and has been for counties, the municipalities, and the NRDs. But I think most of them can live with this being repealed. Again, most of my cities have suggested to me that we leave the language on the books and we maybe defund it for two years, but I am persuaded that we're just going to be faced with the same problem two years from now if we handle it in that manner. We are talking about a lot of dollars here, \$22 million per year, for the aid that we would be eliminating; \$44 million over the biennium. Those are big dollars anywhere we look. I don't think there are any rocks to be turned over out in my district or anywhere else, but certainly across the state of Nebraska, that would make up this \$44 million. Somehow if we're going to maintain the state budget and make up a billion-dollar shortfall, we're going to have to make these tough decisions. And as I say, this is one of the tough decisions. There just aren't any sources that we can make this up. We would run into the same problem if we were to try to add that much to the schools. That would obviously be one place we could look. That would also affect property taxes, or would very likely affect property taxes. So I will support LB383. I probably will not support AM277. I realize it's intent language only, but it seems to me that we have to look at the source of funding, which should be set at the level that sets the budget. And when we provide aid to cities, to counties, we really don't have an opportunity to look at their budgets. Again, I think the board that sets those budgets ought to be the one that comes up with the funding source. And so if we're going to do that and we're not going to have any oversight over these cities and county budgets, then it seems to me the board, whether it be the city council, the village board, or the county commissioners, they should be looking for those source of funds. As long as we continue to just hand out money, not provide any oversight, I think we lack the responsibility to provide this funding. It's a difficult thing. And it is true, as Senator Mello has said, that we have always looked at trying to place some sort of lid upon property taxes. Whether this is going to increase property taxes, I'm not sure. Maybe cuts can be taken in the budget. But at any rate, I think we've got to look at the elimination of this. I think it's going to be tougher two years from now if we don't eliminate the source of

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funds. With that, I would yield my remaining time to Senator Conrad if she wants to use it. [LB383]

SENATOR GLOOR: Thank you, Senator Wightman. Senators wishing to be heard include Fulton, Krist...my apologies, Senator Conrad. [LB383]

SENATOR CONRAD: Thank you. How much time do I have, Mr. President? [LB383]

SENATOR GLOOR: A minute 20 seconds. [LB383]

SENATOR CONRAD: All right. Thank you. Thank you, Mr. President. Thank you, Senator Wightman. Colleagues, just to finish up one point that I didn't have an opportunity to make in my last time on the mike. If we start from the premise that local governments are indeed our partners in this endeavor and in pursuing the public interest, we must also be honest with them as they move forward so that they can plan appropriately and responsibly. I've heard murmurs on the floor that there are compromises being worked out to zero out this funding but leave the substantive language in place. Let's be clear: As, hopefully, our revenues continue to improve and our economic conditions continue to improve,... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CONRAD: ...down the road will we indeed refund these programs; or will we send those improved revenues to schools, to roads, to public safety, to critical human services? These promises have been made in other areas in the past and they have never come to fruition. So as we move forward, let's be honest; let's be clear; let's be straightforward. We owe that to our strong local partners in local government. Think back when difficult choices were before the Legislature in the past. We made changes and cuts to education, critical human services. And there were promises made: We'll come back and restore those when times were better. And then check the record to see if that came to fruition. It almost never does. So as we move forward, we must be honest; we must be uniform; we must be responsible; and we must encourage those, our strong partners at the local level... [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR CONRAD: ...to plan and move forward appropriately. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Conrad. Mr. Clerk. [LB383]

CLERK: Mr. President, some items. The Committee on Agriculture, chaired by Senator Carlson, reports LB160 to General File, and LB126 indefinitely postponed. Notice of hearing from the Redistricting Committee regarding scheduling of hearings, and from

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the Judiciary Committee. And Enrollment and Review reports LB212, LB23, LB74, LB75, LB76, LB264, LB326, LB12, LB146, LB331, and LB332 to Select File, some of which have Enrollment and Review amendments attached. That's all that I have, Mr. President. Thank you. (Legislative Journal pages 478-480.) [LB160 LB126 LB212 LB23 LB74 LB75 LB76 LB264 LB326 LB12 LB146 LB331 LB332]

SENATOR GLOOR: Senators in the speaking queue: Fulton, Krist, Hadley, Cornett, Coash, Adams, and others. Senator Fulton, you're recognized. [LB383]

SENATOR FULTON: Thank you, Mr. President. A little earlier, Mr. President, you said that those wishing to be heard are...and there's a difference between those wishing to speak and those wishing to be heard. Today, I am wishing to be heard. Nebraska is in better financial shape than virtually every other state in the country. We are partly responsible for that. We balanced our budget. We've behaved responsibly. Many states around this country have not. Indeed, many states are talking about a bailout from our federal government. Indeed, I think it's fair to say that some states are hoping--indeed, counting--on a bailout from our federal government. Now let's look at this in its context. If the federal government were to bail out some of the states who have budget shortfalls, where's the federal government getting that money? Our country is in debt to the tune of something like \$13 trillion. Our President, very eloquently in his State of the Union, spoke to this problem. This isn't a Republican-Democrat issue. This is math. That's where we find ourselves in our nation. And the way that I explain it to my kids, the way I think we should look at this: If you're starting to fall asleep, the first thing that starts to happen is your body starts to slouch. Your spine curls up; the body starts to slouch and your head starts to droop. And before you know it, you're sawing logs; you're fast asleep. That's what's happening. We want to do good things with the monies that we have, but we don't have the money to do all the good things we want to do. It's that simple. Now, at the federal level, we've got problems--huge problems such that people who are not even born yet will be impacted. Not so in Nebraska. Now I recognize that there are good things to be done with the monies that we are getting ready to cut. But let me ask you: When the states go to the federal government for help and the federal government has no money to help, it serves nobody. If the political subdivisions come to the state for help and the state has no money for help, we're all in trouble. The way we can best help our cities and counties and school boards is to have a balanced budget and to be there for them when the need arises for help. And so what we're talking about today is continuing down the responsible path of balancing our budget, making tough decisions today such that we can make tough decisions tomorrow. Tough decisions does not equal spending cuts. Tough decisions equals tough decisions, okay? So today we are being prudent so that we are not panicked tomorrow. That's why I'll support LB383. And I think it's important that we communicate to those political subdivisions that if they want to be there for their constituents in the way that those respective governments serve their constituents, then there will need to be cuts made elsewhere, and that's what AM277 says. I hope you'll consider the responsibility we have as state

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senators. Nebraska, I think it could be said, is the envy of many states because of our unemployment rate,... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR FULTON: ...because of our budget, because of our ability to hold the line on taxes. And we have played a part in that. Let us continue forward in a responsible fashion, and that involves taking...moving LB383 forward. We, as a state, will be here tomorrow, and we will be better by making this particular cut. I firmly believe that. Mr. President, I'd yield the remainder of my time to Senator Conrad. [LB383]

SENATOR GLOOR: Senator Conrad, 3 minutes...or, excuse me, 30 seconds. [LB383]

SENATOR CONRAD: Thank you, Mr. President. Thank you, Senator Fulton. Colleagues, I also want to point out from a historical perspective what we're seeing in this legislation is similar to what happened on the federal level during the Reagan administration where we saw an end to revenue sharing and a change in how we structure our governmental partnerships. We can talk more about that later, but I think it's helpful to think about it from that precedent and from that posture, and we can take guidance from that dynamic. [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR CONRAD: Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Conrad. Senator Krist, you are recognized. [LB383]

SENATOR KRIST: Thank you, Mr. President, colleagues. I tend to try to boil things down to something I can understand. And Saturday I spent...Saturday morning, I spent a great deal of time reviewing the bills that are going to be...come before us, including LB383, and trying to, in my mind, put together the consequences of what we are doing here today. And I have said it before and I will say it again: We cannot come up with a comprehensive tax reform by measuring things with a micrometer, marking them with a grease pencil, and cutting them with an ax. We have to at some point take a precision approach to restructuring tax law, tax reform. Now I'm told by senior members in this body that there was a tax reform study done. However, this tax reform study that I saw didn't include the stock market crash and the things that have happened in the last few years. Make no mistake about what we are doing here. LB383--LB383 is changing the way we do business. Think about it as a four-car garage if you will. In the first garage there is parked a black Suburban, and that person has cleaned out his closet and his garage and he has done the best he can to lead the state forward. In the second garage there's 49 cars parked, and we have done what we think is the best. Now, all the way

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along the way, we've thrown out some tools. In that third garage represents every municipality, every village, every leadership component around this state. And we're saying to them, with LB383, have you done everything you can do to clean out your garage? Of course, Garage 1 threw out some tools; Garage 2 threw out some tools; Garage 3 now is left to do what they need to do with less tools in the toolbox. The analogy, I'm sure you all saw in the World-Herald. That fourth garage is 1.8 people sharing that garage. By the time it gets to them, LB383 is going to put a burden somewhere between 3 and 4. There's no other way to think about this. Or we're going to force them to make some decisions that will simplify, make the whole thing more efficient and not raise taxes. I'm going to tell you one other story while up on the mike. Hopefully this will be the last time today; maybe not. I was part of a group that was affixed with a federal mandate to raise a levy around a community--a community of 300 homes. They did everything they needed to do. They balanced their budget. They did all of the things that were required to live in that community, that little village. And then along comes this mandate that says your levy is too low. My levy is too low? It's going to cost me \$3 million to raise my levy. I can't afford that in a 300-person community. You know who came to the aid of that community? The NRD. The NRD helped prop that community up so they could make their changes. My point is that the tools in the toolbox, if we take them all away, all the way down the line, they're going to have to find ways to be more efficient. And the result and factor of the NRD not stepping in at that point would have been a decrease in property value and a decrease of tax base for those homeowners, and an incredible amount of other bad things that happen when you get into a flood zone. The point is that every part of this government... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR KRIST: Thank you, Mr. President. Every part of this government is going to have to look at things the way the Governor has, this legislative body has, and they're going to have to make some changes. And LB383 does that. I think that AM277 makes us feel good about what we're doing. I'm not sure I support the amendment; I'm going to have to come back to it. But I'll tell you this: I will be here in 2013. I will be here to reintroduce legislation, as many of you will be. If we reduce all the tools in the toolbox and we get them to the point where we think we're going now, mark my words, there will be an increase in taxes. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Krist. The Chair recognizes Senator Hadley. [LB383]

SENATOR HADLEY: Mr. President, members of the body, I stand...I rise in favor of LB383. I told the story quickly yesterday to members of the Banking Committee, but I would like to repeat it. Yesterday, we had members from the Family and Consumer Science Clubs across Nebraska--high school students. And I sat next to one who had been at a meeting in Chicago. And she told about how proud she was to talk to other

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representatives from other states, and she was proud that Nebraska was balancing their budgets, meeting their obligations, and doing the right thing, because so many of the students talked about states that weren't doing that. Given that, it is a tough decision to make. It reminded me of...has anyone here ever accepted...someone asked them to speak, and you think it's two months away and it'll never come and we only worry about it the day before it comes. Well, it's the day before it comes as far as taxes. We have some tough decisions to make. This is the first of many. On the Revenue Committee, we asked everyone that came in some questions. One of the questions was: If we don't do this, what would you suggest we cut at the state level? Do we cut school aid; do we cut health and human services? Where do we find the \$44 million? Or do you want us to increase taxes? As far as I can remember, no one could come up with an answer. We have to make these decisions. I realize this has an impact, and it has a disparate impact on different counties, different cities. And that does hurt me. We do need to reexamine the relationship between the cities and counties and state. I think we have put, especially, the counties in a very, very difficult position. I do not have constituents that call me and tell me that they're opposed to the sales tax. I've never had one constituent talk to me about the income tax. But I've had a ton of them talk to me about property taxes. And that is what the counties basically depend upon. So I think we have to reexamine what we allow counties and cities to do. We have to reexamine their relationship with the state. We would not like to have the federal government micromanaging our state. I'm sure Senator Adams wouldn't like the Congress to pass a bill that said you could only spend 23 percent of your budget on education. Yet, at times, we seem to want to micromanage cities and counties. And I try to make a rule not to talk about past lives, but I happened to be on a city council and a mayor, and I think a lot of our cities and counties are managed well. Given the resources they have, they are managed well. And I think some of them do resent that we use a broad brush--that they're all mismanaged, that they all have cuts that they haven't taken, they all have more money than they need. I think we have to be careful about micromanaging cities and counties. [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HADLEY: So I'm going to listen more to the amendment. I realize it's only an intent amendment, but deep down it bothers me that we're getting into the micromanaging of cities and counties. Again, I rise in support of LB383. It is difficult to make but I think it's a decision we have to make. But I will pledge that we need to reexamine the relationship and what we are going to allow cities and counties to do to solve their problems. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Hadley. Senators wishing to be heard include Cornett, Coash, Adams, Loudon, Carlson, Langemeier, and others. The Chair recognizes Senator Cornett. [LB383]



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SENATOR CORNETT: Thank you, Mr. President. What I want to discuss is a little bit on the amendment that Senator Pahls has introduced. As I believe it was Senator Lautenbaugh stated that it was nonbinding. It is, but it is a good statement to make to our municipalities, counties, and NRDs. We at the state have kind of drawn a line in the sand, saying we are not going to raise taxes. And I keep hearing, and I heard in committee that what we're doing is pushing this back on property tax. And that is not necessarily the truth. Each one of these entities has the same ability to make the decisions that we are making at the state level. We are taking 10 percent, and more, cuts in some areas. Now we are all aware that our cities, counties, are in the same financial shape that we are as a state. We are not asking them to raise taxes. We are giving them the option of either making the cuts that we're making or raising taxes and answering to their constituents. That is up to them to decide. The next couple of years...we are having to make very tough decisions for the next couple of years. And one of the things that I want to point out in regards to everyone talking about zeroing the program out rather than just eliminating it, is there's going to be a lot of pent-up needs in two years, assuming that our economy has recovered. And I think Senator Flood touched on this, in that in two years we are going to need to put any additional resources we have back into K-12. We are going to have to put it back into roads and our infrastructure; back into Medicaid; back into health and human services. Our responsibility as a state, primarily, under our constitution is K-12 education. After that, we need to look at our infrastructure; we need to look at taking care of those who can't take care of themselves; and we need to look at public safety. We're not asking our municipalities to make any decisions we are not making at the state level. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Cornett. Senator Coash, you are recognized. [LB383]

SENATOR COASH: Thank you, Mr. President. Thank you, members. I do appreciate the tone today. We're focused on priorities. We want to be all things to all people. It's in our nature. That's why we serve. None of us are here because we didn't want to help. Senator Cornett mentioned in her opening that the state has failed numerous times to meet all of its obligations. So now we have an opportunity to say we're not going to send a false message to cities and counties anymore; we're not going to say we're going to help you out and then not help you out. We're just going to say, take care of it yourselves. We have our responsibility as a state; they have their responsibility as cities, counties, and NRDs. But as we discuss these issues, I don't want us to lose focus on the money and whose it is. It's \$22 million a year. It's not money that belongs to the state's counties and cities; it's money that belongs to the citizens of Nebraska. And they worked and spent time away from their families in order to earn that, and then they gave some of it back to us. Let's not forget on whose money this is. This isn't money owed to cities, counties, and NRDs. This is money that was given to us by citizens--and it's their money and it belongs to them. The only other thing I want to talk about is having to do

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with what our local elected officials are going to do without this money. Like many of you, I've talked to our local leaders. They saw this coming. And they're doing what we're doing. They're going to prioritize just like we're prioritizing. And I don't think it's reasonable to say that this is an automatic increase in property taxes. Those local officials are held accountable just like we are. And I trust them. And I trust the Nebraskans who sent us their money and I trust the local elected officials whose trust the Nebraskans put in them to prioritize just like we are. And it's always a good thing, I think, to get an idea of how we got here. So to that end, would Senator Cornett yield for a question? [LB383]

SENATOR CORNETT: I'd be happy to. [LB383]

SENATOR GLOOR: Senator Cornett, will you yield? [LB383]

SENATOR COASH: Thank you, Senator Cornett. How long have we been...has aid to cities and counties been in our budget? How long have we been pumping some aid from state tax dollars to the cities and counties? [LB383]

SENATOR CORNETT: It started in the 1970s when the state took a lot of items off of the personal property tax rolls, such as household goods and agricultural and business inventories. They also took off, oh, a number of other items that they added back later. And as they added them back, they reduced the amount of aid. [LB383]

SENATOR COASH: Okay. Could you...thank you for that. I think it's important for the body to understand that we started this for a reason and we're here today for a reason as well. Senator Cornett, I'm just going to turn over my remaining time to you to talk about this issue. But can you tell the body a little bit more about what you talked about in your opening. We continue to make promises as a state. Jail reimbursement is one that we've heard about. I've heard about it several times in my three years here, that we continue to fail in our obligation, and how that's manifested itself into LB383. [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR COASH: Thank you. [LB383]

SENATOR CORNETT: I don't know if we necessarily failed towards the end. But the counties felt that they had been promised something and I believe that they had in the beginning. But then the state did not have the money, so they reduced that from what originally was allocated. And after that point they never fully allocated that. I think with this bill we step away from the idea or the premise that we're going to be there, basically when we can't be, and quit making false promises. I fought since the day that I got in here for jail reimbursement. And when I realized that that wasn't going anywhere, I actually wrote the county aid formula with my staff, like I said, that we are eliminating

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here. I don't want to see us, as a state, go down the same path for the next ten years that we did with jail reimbursement. And that's part of the reason for eliminating these programs, is the false promise that maybe next year you'll get money. [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR COASH: Thank you. [LB383]

SENATOR GLOOR: Senator Adams, the Chair recognizes you. [LB383]

SENATOR ADAMS: Thank you, Mr. President. Members of the body, I'm going to let the broken record begin, and you already know what that is, don't you--and you're going to hear it over and over and over again. Every decision we make here not only impacts the budget, but let me be more focused for a minute and very parochial, it impacts school funding. I sit on the Revenue Committee, and I'll tell you, quite honestly, when these bills were heard--and there was more than just this one--when these bills were heard I sat there, not just as the Education Committee Chair who's tried to figure out for six months how we're going to do this deal, but as a former mayor, former city councilmember, and just like all of you, a state senator with constituencies--counties, cities, NRDs. And I tried to be as open-minded as I could, thinking, wait a minute, can counties deal with this; can NRDs deal with this; can cities deal with this? And just like there are 253 school districts out there, and when you ask the question, "Can they deal with a double-digit cut?", we're all going to sit here and say, "Well, most of them can." But there's 253 different situations, 93 counties, however many cities and villages that are different. I see it right in my own district. When I voted to move LB383 out, I didn't vote with any enthusiasm any more than there's anybody in here going to hit a button with any enthusiasm on any of this, whether it's today or tomorrow or whenever it is. But when I voted to move this thing out on the floor, I had come to a conclusion that without this we're going to cut schools even more. And I'm going to tell you right now--and here comes the broken record--in the Governor's budget, and I applaud him, he tries to maintain state funding. That aside, from the standpoint of our school districts, we're going from 950 last year, or in this current school year, down to something far less. State aid was scheduled to go out in this next school year at \$984 million. It isn't going to come anywhere near that. We're looking at double-digit reductions. I've been all across the state trying to talk to as many superintendents as possible during the interim, outlining generally what the plan may be. And you know what? I really have to applaud them. They know it's coming. Generally--not all--but generally they have prepared for it. But they're scared and they're worried. And I'll tell you something else. We can stand here and be concerned about property taxes when we reduce state aid, and that could happen, but in all of the proposals we're looking at, you know what we're doing to school spending lids? Taking them just about to zero. Telling them, you're not going to be able to spend much more than you did last year. Right now, the proposal we're looking at in LB235 has a half-percent of movement, and that may not get us where we

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need to be to satisfy this budget situation. [LB383 LB235]

SENATOR GLOOR: One minute. [LB383]

SENATOR ADAMS: And schools are saying: We don't like it but we understand it. That is double-digit reductions. Here, we're talking generally about less than 2 percent, and I realize not every county, every NRD, every city is in the same boat. I've made my decision. I made it when I voted to move LB383 out. I don't want to cut schools any more. We can't. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Adams. The Chair recognized Senator Louden. [LB383]

SENATOR LOUDEN: Thank you, Mr. President and members. I passed around a paper, it's the Nebraska Department of Revenue, there from the research section, and what that paper shows is the counties that have less than a billion dollars valuation and their mill levy. And as you look that over, the amount of aid that went to those counties, is you look at the bottom line, is about \$3,272,000 and some change or whatever. This is what we're talking about now. When you cut this state aid, those counties will probably raise property tax. When you look through the list there, notice Deuel County, they're at 51 already; Cheyenne County is at 58; some of the others are...Webster is 49; Pawnee, 46, as different areas around there. So there will be a property tax raised if they have a chance to do it. But this is aid that's been set in motion over the years and the formulas have been worked out. And with this bill, LB383, it completely eradicates that language in statutes. That was part of the reason I voted against this bill in committee. I thought there could have been a little bit more work done to it rather than rushed out underneath the balcony as it was. As I think Senator Conrad mentioned that she'd challenge anybody to find the money someplace else with the whole thing, which is \$22 million a year; \$44 million both years. I don't have any problem with it. I don't see that we have to give \$25 million to the university to jump-start their construction on some 160 acres or whatever it was that we gave them to start with, when that foundation is sitting there with billions of dollars. And when you look at the \$3 million that we were probably cutting out on some of these counties that have a low valuation, the foundation is probably giving more than that to their coaching staff for the university than what those counties are receiving state aid. So we have to look at where we're cutting our money, who we're doing it with, and what we're doing. I would have thought that the least we could have done with this LB383 was to have put a sunset clause on it. There's been a lot of work done to bring these formulas forwards in there for county and city and municipality aid that's been brought forth in there. As you notice in the handout I have, they have the property tax valuation, and that's how that percentage is figured out for your county aid. On city aid, I think it's the population. But none of that was taken into consideration. The way the bill is written, it just...it dumped the whole works in the ditch, and eventually if we ever want to start it again, we have to do it again. Now some

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of you can remember back to the special session we had here a couple years ago or so, a couple summers back, and there was a lot of those issues brought forward where they were taking money out of some of those cash funds. And if you remember, the Legislature went in there and put sunset clauses on most of them so that they couldn't continue to take the money out of those cash funds forever. So I think we need to look at how we're doing this thing and where we're going. And I know everybody is talking about we have to cut the expenses out there, and I don't have any problem with that. We probably do. But I think we have to look to see where we're cutting them and who are the ones that's going to be the most vulnerable. [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR LOUDEN: This...on this county deal, we could take a lesson from TEEOSA and that's the same way. Those that have the higher valuation don't get any state aid. And as Senator Adams talks about what can be done with state aid, one thing that has never been addressed from state aid, from the time we raised it from 95 cents to \$1.05 in 2003 and put that all on property tax, no one has ever addressed the problem of the needs that some of these districts have. When they go out there and hire superintendents at a huge salary, those go in as needs. The state of Nebraska is picking that up. And when the Governor briefed us on the amount of school districts that had superintendents at high salaries, those were all needs and the state of Nebraska paid for that. No one has ever addressed that issue yet. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Louden. The Chair recognizes Senator Carlson. [LB383]

SENATOR CARLSON: Thank you, Mr. President and members of the Legislature. I stand in support of LB383 and certainly intend to support not any changes to it. I don't see...oh, Senator Pahls is here. I would like to engage in a little conversation with Senator Pahls if he would yield. [LB383]

SENATOR GLOOR: Senator Pahls, will you yield? [LB383]

SENATOR PAHLS: Yes, thank you. [LB383]

SENATOR CARLSON: Senator Pahls, on your amendment you understand that we are making tough choices, we're making tough decisions, and we're making unpopular decisions with many good people. Now I appreciate that the language in your amendment is intent. And what does intent mean? [LB383]

SENATOR PAHLS: Intent means exactly that is our intent...I'm trying to figure out what our intent is. If we are saying let's cut, let's raise taxes, that's as simple as that. This is a

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nonbinding amendment trying to bring out...because we are making lots of cuts and that's what I'm trying to say at the local level. They need to continue that instead of raising taxes. [LB383]

SENATOR CARLSON: Okay. Thank you, Senator Pahls. And certainly it would have been an entirely meaning had the word "mandate" been in there instead of "intent." But that was not the case, and I understand the point that Senator Pahls is trying to make. I do oppose AM277 and I'll try and talk about why. Cities and counties have a levy limit. My understanding is that the cities can ask for a vote and increase that levy limit. The counties cannot. It's also my understanding that both cities and counties have a spending authority that can increase by 2.5 percent with a majority vote of the council or the board. They can increase spending by 3.5 percent with a supermajority vote of the council or the board. Now I'm also told that many of them can make a decision to increase their spending, but without a levy increase they can't raise the money to do it. And so I think this is an issue that is related to what we're doing on LB383, and that issue needs to be addressed. Now having said that, I believe that it's a common thing for a county or a city to blame the Legislature when we cut state aid. And the statement that will follow being critical of the Legislature is that now we have to raise taxes. No, they don't. It's a separate decision. Counties and cities can choose to try and raise taxes. Cities and counties can choose not to raise taxes, and that's a separate decision from what we're making in the Legislature. We are cutting spending. They can also choose to cut spending. We can decide and they can decide. We have to take responsibility for our decisions, as do they. But I understand that what we're doing here--and if we pass LB383 with no significant changes to it, which I am supporting... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CARLSON: ...that in a sense we put one hand behind the backs of counties and cities. Now I know that AM277 doesn't put the other hand behind their back but it is headed in that direction and we simply can't do that. We've got to let them make their own decisions and if that decision is to raise taxes, fine, if that decision is to further cut spending, fine. But let's not put both hands behind their backs. Thank you, Mr. President [LB383]

SENATOR GLOOR: Thank you, Senator Carlson. Senator Langemeier, you are recognized. [LB383]

SENATOR LANGEMEIER: Mr. President, members of the body, I rise in support of LB383. I don't rise with joy or happiness that we're at this point in our legislative careers but I rise to the understanding that making these cuts, at my district it's about 2 percent and on down, depending on which community you live in. I think it's time as we look...to take 10 percent cuts over the last few years, our employees have had furlough days,

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we've taken our employees to zero pay increases, we've done so much but yet we still have a \$1 million budget hole to fill. This is our opportunity to say that we're going to create an environment in Nebraska where we're going to try and lower taxes, we hope the counties and cities follow and lower and not make efforts to raise their taxes to make up this money. They look at their belts and, you know, I got to say all my communities, as I look at their budgets, they're pretty darn fiscally sound budgets. But I think there's always room to say, you know, we're going to offer just a freckle less in our city and county to our citizens and be responsible and make sure our government runs the neatest ship in this fleet across the state of Nebraska and make sure that we are as efficient as we can. As we look to make those cuts we hope they continue to look to make those cuts. And so with that, I support LB383. It's the first step to making these tough decisions. And I think as each of us casts our vote as we make these the next one is going to get that much more difficult. I've had the opportunity to serve on Banking, Commerce and Insurance Committee my seven years in the Legislature and I've never had hearings like we've had this year where we've looked at taking small cuts and the people pour in to object to them. This is only going to get worse and tougher decisions for us. And I think this is day one to send the message that we're serious about getting our financial house in order. And with that, I support LB383. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Langemeier. Senator Flood, you are recognized. [LB383]

SPEAKER FLOOD: Thank you, Mr. President, members. When I became Speaker, in 2007, a veteran lawmaker was coming back to the Legislature, Senator Ashford, and he said to me, Mike, it's not about the daily battles, it's about the end of the session. We get...and I am one like anybody in here, you get drawn into a debate, you get drawn into an issue and you go up and down and it can be emotional, it can be taxing. But the one question we have to be able to answer is on June 8 at about 5:00 p.m. And maybe it takes a couple of days after June 8 to summarize it, but we have to be able to say, you know what, we confronted the issues, we voted on the and we set a course for the state. And the question is at the end of this session, after all the ingredients and the 2,000-piece puzzle has been put together, did we do a good job? I wouldn't be here if I didn't think this was an important piece to the puzzle, several pieces to the puzzle. And it's especially hard because we've had a great partnership and we will continue to have a great partnership with cities, counties, and NRDs. They're represented by some of the finest folks at the association level in the legislative community, people that we trust and appreciate their hard work. And I don't want that to be lost on anyone. But for me, as much as this is a tough vote, this is an opportunity to start charting a course that will continue beyond our service in the Legislature. A lot of states right now are raising taxes. A lot of states have kicked the can down the road and with the term limits in some states they're out of there before they have to deal with it. Most of you will be here. We can't kick the can down the road. If we hold the line and make the tough

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decisions and continue to prioritize state spending in areas that will grow the state and not increase state taxes, Nebraska will be the shining city on the hill. I watched the Ronald Reagan documentary last night. (Laughter) But I say that not flippantly. I say it because I really think it's true. A lot of states right now are paying for wild spending in 2005, 2006, 2007 when there was endless money. We've always made the tough decisions, we've built up a cash reserve. We're going to build up a cash reserve again. And the buy-in for me on bills like this is, yes, it's hard, yes, it's tough, but we need to grow jobs in Fullerton, we need to grow jobs in Albion, we need to grow jobs in Norfolk, we need to grow jobs in West Point, in Omaha, in Lincoln, in Scottsbluff. And part of that is making sure we can do what we can to hold the line on spending and not increase taxes. Part of that is being innovative with the money that we have. And at the end of the day we talk about state priorities, and we'll have a chance to deal with this later, we haven't made an inch of progress to speak of on roads, infrastructure. We'll have a chance to talk about that later this session. This is a tough vote. It's a tough bill. But at the end of the day if we make these decisions now, the One Hundred Third Legislature is going to have a chance to rise up, the One Hundred Third Legislature is going to have a seat at the table with all sorts of opportunities, hopefully, the economy comes back. [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SPEAKER FLOOD: But the buy-in for those of you who will last beyond my time in the Legislature is, what do you want to do to shape this state? And by eliminating these programs today your opportunity remains very vibrant in the One Hundred Third Legislature. And I will love watching you work from the comfort of my living room (laugh) at 8:00 on a late night in May. I'll look at the Clerk and I'll look for that wonderful smile he'll have on his face because I know he likes working late (laugh). But I do think this is an opportunity. I don't want to be flip about it. I am serious. I think we have the choice before us, and I don't want it to be all doom and gloom because I think there's a better day coming. I appreciate the time. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Mr. Speaker. Senators waiting to be heard: Senators Campbell, Heidemann, Nordquist, Dubas, Utter, Ken Haar, and others. Senator Campbell, you are recognized. [LB383]

SENATOR CAMPBELL: Thank you, Mr. President. This is an interesting day for all of us who started our public service in a local political subdivision. We have members in here from city councils and school boards and NRDs and county boards. And I would suspect for all of us it is a tough day. I understand the history of aid to cities and counties. And, Senator Coash, I just want you to know for those 30-some years never once, never once was the payment equal to what had been promised. I understand the argument to wait. But waiting won't solve the budget dilemma. And more than anything I understand the need for honesty. Colleagues, this morning as I walked to the



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Legislature I was stopped and someone said to me, are cities, counties and NRDs to be the only ones to lose permanently their aid? And I said, no. As the Chairman of the Health and Human Services Committee I want you to know that there are cuts being made in Medicaid and to recipients to Nebraskans that will never return. So let us not think that any decision here should be taken lightly. I support LB383 because I believe it is the future of what we need to do for the state of Nebraska and for all our citizens. It is hard to say that we cannot continue this aid. It is hard to say to our local communities and leaders, we cannot continue this aid. But to set that future, and I agree with the Speaker, these are opportunities that will come to us in the next couple of years. Having served on a county board I realize the importance of the partnership between counties and the state. And whenever I used to go out and speak on county government I would remind people that county government is the arm of state government, that's why it was set up to carry out those day-to-day services--licensing cars, marrying people, property valuation. But I see in the future opportunities for us to partner with cities and counties and NRDs on perhaps individual programs that may need our financial help in the future more than this state aid represents. And we obviously need to look at the mandates that we put on all of these. I want to look at the property taxes because everybody says, oh, what we do here is going to...it's going to raise property taxes. The people who raise property taxes are your local political subdivisions--your school boards, your county boards and your cities. And the citizens who live in those communities speak eloquently and thoughtfully and loud to those local entities. Local citizens make decisions about what affects... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CAMPBELL: ...property taxes. I support LB383 because I think it does set an important tone for what we need to do for the budget and our future. But I cannot support the amendment because I believe those decisions should best be left to our local leaders. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Campbell. Senator Heidemann, you are recognized. [LB383]

SENATOR HEIDEMANN: Thank you, Mr. President and fellow members of the body. Well, here we are. This is the beginning, this is the first of many difficult decisions that will be before you. This decision, when we took it up in Appropriations what we was going to do with this matter, took about a half hour. It wasn't an easy one by any means, we weren't all on the same page. And you can guess, this is day 24 in the Legislature, the Appropriations Committee has been working on the budget practically the whole time. This decision was about a half-hour decision. We did...I mean a half hour for us is quite a while to talk on one issue I will have you know. But I am giving you the scope of things that we have before us this year. I stand in support of LB383. It's a part of the puzzle that I think that we have to do to make this work. When this issue came before

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us I've had people come up to me and say, why not just do a 10 percent cut like we did in the LR542 process? That would have, over two years, gained us \$4.4 million. I'm looking over to Senator Adams right now. And if we would have only done \$4.4 million instead of \$44 million, which this will save us, and we say, Senator Adams, I'm sorry, there's \$40 million that we don't have. And he's going to tell me and he's going to tell us, that's not going to work. This is the beginning of many difficult decisions that we're going to have to make in order, when we get to the end of May and we are finalizing our budget, to make this thing work. You wonder why we can't do it for two years. People have asked me that question. I believe in the long run, in years you're going to look at this same issue, and you've heard it before, we're not going to be able to do this. This is facing reality right now. You could hold out that hope and you can hope and you can hope. But in two years from now I believe, in my opinion, you will not be able to do this. In my opinion, we should face reality right now. I have talked to the counties in my area. I'm not going to say this is going to be easy because a lot of my counties are pushing the levy limits, but it is about 1 percent or a little bit more of the amount of money that they spend. And they say, if this is what you have to do, we will be part of the solution. But, they said, do not do anything else to us that's going to cause us more of a burden. And because of that I cannot support AM277. But I think it's important to realize that there are people that are willing to be part of the solution, just don't make more of a burden for them. As I said, this is as...before the session started I was quoted in the paper about reinventing government. And people have brought that back to me time and time again. We're going to hold you to that, Senator Heidemann, we're going to hold you to that because we want to see things a little bit different. Let's find our priorities, let's fund them and there's other issues out there that we no longer can do as a state. And as I look upon it, this aid is something that we no longer will be able to do. There's a new norm that's coming up, I'm convinced of that. We will, in my opinion, we will see more revenue coming into this state... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HEIDEMANN: ...but it isn't going to be to the extent that we're going to be able to do everything that we have done in the past. There are other decisions on other things that we do in this state and we've talked about them in Appropriations. There are certain programs that we have not funded for two years, three years, four years, and this will be year five and six that we haven't funded at the level that they already call for. We need to go back as a state and to analyze things that we are doing, things that we haven't done and we won't be able to do in the future and change it. We need to face reality. LB383 is reality. I urge you to support LB383 but I do not support AM277. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Heidemann. The Chair recognizes Senator Nordquist. [LB383]

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SENATOR NORDQUIST: Thank you, Mr. President and members. I rise in opposition to LB383. I was looking around on the Department of Revenue Web site, clicking around on their county map and looking at property tax levies at the county level over the last year and the change in those levies. Certainly, I didn't get a chance to click on all of them, but a number of counties have seen property tax increases over the last year including Cass, Chase, Custer, Dawes, Dodge, Douglas, Hall, Madison County, Pawnee, Platte, Red Willow, Saunders, Wayne, those are just a few that I clicked on. And I don't know all the circumstances surrounding those counties property tax increases. But I do know, at least I assume that those were tough decisions. I don't know anyone in this body or anyone elected to any level of government that thinks raising property taxes is an easy decision. I'm sure they just didn't say, I feel like raising property taxes today. That doesn't make sense. They made tough decisions, I'm sure they did. We talk about us making tough decisions and we say they need to make tough decisions. I'm sure these counties that raised their property taxes made tough decisions because that is not an easy decision. And now we're taking another tool away from them. And for us to think that that won't cause them to have to make another tough decisions and potentially raise property taxes again, well, that just doesn't make sense. They made the tough decision once. We're taking money away from them. They're probably going to have to make that tough decision again. That's what they're facing. And we like to pat ourselves on the back today and say we're making the tough decisions, we're cutting government. We're kicking the can down the road to the final payer, the last resort, the payer of the services that we tell them to, that's what we're doing. We like to say we're talking the talk. I don't know that we're walking the walk by just cutting off the check that we're sending to them. Now people have said come up with solutions. I know it's not a popular one right now but I will put forth that I think that \$25 million for Innovation Campus is a questionable "spenditure" right now. We have a lot of needs. We're cutting deep into state government. Now \$25 million is a one-time amount, gets us halfway there over this biennium. We would need to find other cuts to get us through the full amount. But I can't stand by, when I campaigned and heard from my neighbors that property taxes was their biggest concern, I can't stand by and not say something on this and let us go forward with that expenditure while property taxes will likely go up on my constituents, I would be neglecting my duty down here. So I ask you to consider this, to consider the tough decisions that were made in these counties that saw property tax increases, to consider the decisions that they already made and what position we will put them in by taking this aid away. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator. Senator Dubas, the Chair recognizes you. [LB383]

SENATOR DUBAS: Thank you, Mr. President. Good morning, colleagues. None of us like having to make this decision that we're going to be making this morning. We are elected to represent our districts. And I'm sure every one of us have heard from people back home. But we are also state senators and so that requires us to step back and

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take a big picture view of every situation. The LR542 process was helpful but it also forced us to look in every nook and cranny of government agencies to find efficiencies and to reexamine the status quo. These are the times that call on leadership skills. These are the decisions that keep me awake at night because I know the type of impact they have on my people back home. But our constituents, and I've heard this over and over again, are demanding fiscal responsibility from us. And I've attempted to be very up front in my public comments that less government will mean less services. Early on in this discussion people, in general, were supportive and agreeable with that. But now as we become more targeted with the types of programs and services that are going to be impacted that resolve is softening. I do agree with Senator Cornett's statement that it's time for us to be honest and forthright with those whom we have promised money to. It's hard having them know that they should be getting a certain amount of money and time and time again we have not been able to deliver on that. So let's just call a spade a spade and be up front with what we're doing. I do want to be on the record and I do oppose this amendment. I want to be on the record as to the hard decisions that are already being made at the local level. I know that positions aren't being filled. I know that services are being cut. In fact, I received a letter this morning from one of my city administrators. He very eloquently pointed out all of the challenges that his city is facing. And he goes on to state that he can appreciate the idea that the state of Nebraska is facing dramatic cuts and that municipalities should shoulder a portion of the impact. From my side of the fence, however, cities are facing their own issues as occupants of the same environment that the state exists in. They are facing the same things that we are facing right now. They also have to answer to the same constituency that we answer to. And so again, even though the amendment is more or less just intent language, I think it's putting a message out there that we don't feel our local, county, and NRD governments will be responsive to their constituency and I know that they are. And I know that they are facing these very same...I've sat in on county board meetings and city council meetings and NRD meetings, I know the types of discussions that they are having at their level. So I really want to be on the record, we really need to make the point that we understand that our local governments are working hard to be efficient and being responsive to their constituency. So while I do at the end will be supporting LB383, I just cannot support the amendment because I just think it sends the wrong message to those who are elected at the local level. With this bill and bills to come we are beginning to give our citizens what they are asking for. But again, I want people to realize that things will change. The term has been bantered about quite frequently this morning, we're in a new normal, we will likely not go back to where we were pre-recession. Every one of us knows that change is hard and most of us go into it kicking and screaming... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR DUBAS: ...all the way. Thank you, Mr. President. But as the Speaker said, it's time for all of us, taxpayers and government alike, to walk the walk. It's time for us to

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determine and prioritize what government's main duties and responsibilities are. That's what we're doing with this bill today, that's we will do with multiple bills that come to the floor in front of us in the next 80-some days or less. The decisions won't get any easier, in fact they will get harder. But we will really need to give them all their due diligence, know and understand the impact short-term and long-term, and at the end of the day we'll vote our conscience and go home and try to help our constituents understand what we did and why we did it. I appreciate the time. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Dubas. (Visitors introduced.) Senators wishing to be heard include Utter, Ken Haar, Schilz, Council, Janssen, Mello, Wightman, and others. Senator Utter. [LB383]

SENATOR UTTER: Thank you, Mr. President. Good morning, colleagues. I want you to know I speak to you at some peril this morning. My colleague, Senator Mello, spoke earlier and he left all of his stuff here. And I'm a little...I hope I don't get, you know, in the wrong speech because I think that he and I are on different sides of this issue. Now that I've got the housekeeping done, I want to tell you that I rise in support of LB383. I'm opposed to AM277. When I ran for the Legislature I ran on the basis that government was too large. And, of course, at the time I was talking largely about state government. But maybe all government is too large. And I vowed as a candidate and I have steadfastly maintained that position, I think, in this body since I've arrived here that we need to be very careful about how we spend the people's money. And so I have constantly looked for efficiencies in government. I have looked for ways that government can be more relevant. I have looked for ways that we can separate the needs from the wants of government. And certainly I understand that there are differing opinions on what the needs and wants are. Someone's...some person's want may be another person's need and I understand that. But I think what we're doing here is the beginning of a very important process. And I think that process is, frankly, to make government, frankly, at all levels smaller, more efficient, more effective, and more relevant to modern needs. And so I support what we are doing here as tough as it may be. And I admit it's tough. I have talked to the people back home. And I know what they are saying because they've already made cuts. The government...the city of Hastings has made cuts, have not filled vacancies, have cut back every place that they can they say. And I'm sure that's true. And also they are...the county, the main county in my district, I represent part of Hall County and all of Adams County. And I've talked to the commissioners of Adams County. And we heard in the Revenue Committee from a county commissioner from Hall County. And I know that they have also made cuts. But, folks, now we have arrived at the time where we must make some really tough decisions. And those decisions are that we have to remain frugal, we have to look at what the revenues are or may be. And we now have to begin this process of what I think are going to be a lot of difficult decisions as we move forward. It's interesting, as I sit in Revenue committee and folks...and we hear bills and folks come forward to testify on those bills. And they say, well, don't cut this, don't cut this, don't cut something else.

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Everybody wants somebody else's ox to get gored in this process... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR UTTER: ...not in our backyard. And, I guess, the other half of that story is that while they come and tell us what they don't want to happen, they don't come and tell us where we can go so that it makes that job of making that decision in their favor easier. So as we move along on this bill, my friends, I urge you to support this. And I urge you to maintain your strength as we go forward because I think there are going to be many more decisions very similar to this to be made as we move along. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Utter. The Chair recognizes Senator Ken Haar. [LB383]

SENATOR HAAR: Mr. President, members of the body, some of you in this Chamber weren't even alive in 1974, but I was 31 years old at that time. And the federal government came out with a new program called CDBG, the Community Development Block Grant program. And when this first started out, cities like Lincoln could just get a chunk of money and they could spent it any way they wanted to and that was great. But as time went on there still is CDBG but now it only gives grants for very specific purposes. And it's still very useful. But times have changed and that just giving a chunk of money has changed. And although I don't like LB383 to vote for it I think it's necessary. I think times have changed and I think it is the new normal. And I think we need to get used to it, just the way cities got used to losing that pot of money from CDBG that they could use in any way. And cities got along okay. They learned how to adapt to it. And I think cities and counties are going to have to learn how to get by with not getting this money from the state. So I will vote for LB383 and I thank Senator Cornett for that. Now I want to talk about AM277 which I am opposed to and I would encourage you to really think about. Now I was on the city council for the city of Lincoln for eight years. And in this body now, looking back at that experience, we are not mayors right now, we are not city council members, we are not county commissioners, we are not NRD board members, etcetera, etcetera. And these offices which I've just named, like city council, these are not, and I repeat not lesser government offices. They're something we hold very close and dear called local control. They're close to the people. And they respond to the people. And if they don't then the people need to "unelect" them. So I would really urge us not to pass AM277 because I think that's something that has to be done at the local level by these important elected officials called mayors and city council members and county commissioners, NRD board members and so on. Now I disagree with some of the comments that have been made about cities with my good friend Senator Harms when he said, cities do not plan well enough and so on, some cities do. The city of Lincoln, where I'm really familiar because I was part of that, they have a comprehensive plan, they look at the budgets well into

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the future. And I think there are some cities which plan very well and some that don't. But again, that's a matter of local control. And I think that has to be taken up at the local level. So even though AM277 is intent language, I feel that it's improper in this bill. I think it somehow diminishes our opinion of local government. I would like to say that through the LR542 process and sitting with the Education Committee through many sessions has made me try to come up with some ways of evaluating where we're going to cut, where we're going to reinvent government. I decided early on that a 10 percent or just a percentage cut across the board is not being responsible and we're...we can do better than that. So really indeed... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HAAR: ...we have to reinvent government in certain ways. One of those ways from dealing with LR542 is to remove mandates. We are suggesting removing a lot of mandates and letting local control take it's place. Another one that I just wanted to share with you that's in my books anyway is this statement I passed around from one of my political heros, Hubert Humphrey, and it really talks to what Senator Adams was talking about. We have to be really most careful when we cut things that affect children, the elderly and the infirm. And so as I go through this I'm trying to set up those standards by which I'm willing to make cuts and I wanted to share those with you. But please vote against AM277. Thank you very much. [LB383]

SENATOR GLOOR: Thank you, Senator Haar. Senator Schilz, you are recognized. [LB383]

SENATOR SCHILZ: Thank you, Mr. President. I would call the question at this point. [LB383]

SENATOR GLOOR: The question has been called. Do I see five hands? I do. The question is, shall debate cease? All in favor vote aye; those opposed vote nay. Have you all voted? Record, Mr. Clerk. [LB383]

CLERK: 28 ayes, 6 nays to cease debate, Mr. President. [LB383]

SENATOR GLOOR: Debate does cease. Senator Pahls, you are recognized to close on your amendment. [LB383]

SENATOR PAHLS: Thank you, Mr. President, members of the body. I appreciate the discussion today. I do think it made maybe us more aware of not only this amendment but of the original bill. Several things that I like what I heard. Local control, we should allow people at the lowest level make...of government make those decisions. Can't argue against that. Also heard, hold the line. That's probably what the intent of this amendment was all about. I also heard that, let's take a look at mandates. The next time

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we as senators come up with a great idea let's take a look at what the cost would be to those individuals at the local level. I like that part. And I think if those of us, if we take a look at some of our bills, I think we sort of set some guidelines there. One of the reasons why, there were several reasons why I brought this amendment forth. One of them was, as I said earlier, is a number of people who have come in front of my committee and we are making cuts. Maybe more in-depth cuts to them than we will do to the cities, the counties or NRD. And again, we have just started. But the last week or so I've heard from some individuals and some of our cuts could devastate their programs. And I'm sure you will be hearing those in the future. So that's one thing that caused me to have pause on this. Another thing that caused me to rethink some of this is when I heard the news. They city of Omaha, which I happen to be from, they're thinking about hiring another lobbyist for \$70,000-plus and that tells me one thing--they're not going to lobby my mom, they're going to lobby us down here. So that's one reason why the intent of this language...and again, as several people...this is intent, this is not mandatory language, simply the intent. So that's what I'm asking you to take a look at. And I've heard good arguments pros and cons to this amendment. I want you to think because this basically is the beginning phase of what I've heard several of you talk about what the rest of this session could be like. So if you think we need to send a message that we will not only cut at our level, that perhaps this should be a basic philosophy that all government should be taking a look at. Take a look and see if they need to make a cut. Hold the line. And, hopefully, in the near future that line may be adjusted. But apparently it is an issue today. Thank you, Mr. President. I'd like to have a record vote. [LB383]

SENATOR GLOOR: The question is, shall the amendment to LB383 be adopted? All those in favor vote aye; all those opposed vote nay. Have you all voted? Record, Mr. Clerk. [LB383]

CLERK: (Record vote read, Legislative Journal page 480.) 10 ayes, 36 nays, Mr. President, on the amendment. [LB383]

SENATOR GLOOR: The amendment does not pass. Mr. Clerk. [LB383]

CLERK: Mr. President, before we proceed to the next amendment, some items. Your Committee on Government, chaired by Senator Avery, reports LB218, LB228, LB278, LB368, LB399, LB556 to General File, LB161 to General File with amendments, and the following bills indefinitely postponed: LB89, LB101, LB150, LB171, LB187, LB188. (Read LB178A by title for the first time.) Senator Hadley, a new resolution, LR70; that will be laid over. And Senator Fischer has an amendment to LB212 to be printed. (Legislative Journal pages 480-482.) [LB218 LB228 LB278 LB368 LB399 LB556 LB161 LB89 LB101 LB150 LB171 LB187 LB188 LB178A LR70 LB212]

Mr. President, the next amendment to LB383, Senator Loudon, AM288. (Legislative



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Journal page 482.) [LB383]

SENATOR GLOOR: Senator Louden, you are recognized to open on your amendment. [LB383]

SENATOR LOUDEN: Thank you, Mr. President and members of the body. As I drafted this amendment here that I think we need to have a sunset clause on this bill. I'm sure we have to have the bill, LB383, advance and probably in order to make the budget work better. But there again, why should we do away with everything in statute that's been worked on over the years to fund cities and counties? Those formulas have spent a lot of work. I've been down here, all the years that I've been down here we've talked about this. First, we were going to reimburse jail fees and then that didn't work. Then finally we came around to what we do nowadays. And as that handout I've passed out earlier showed on the counties they all get, with that formula, they all get \$30,000 up front. And then from then on it's decided on their valuation on the amount of money they get with a percentage. Now if this amendment is brought forwards and it sets aside in two years so that the next Legislature can go ahead with the language that's in statute and pick up where we've quit. If there isn't any money then why they can do the same thing. They can push the sunset clause farther into the future. So I think this is something that has to be looked at. And that was part of the problem. And I voted against this bill in committee, that I thought something like this should have been done in committee to put some kind of a sunset clause on it. This isn't anything new. We did this during the special sessions with several of the bills that came out of their budget that was asking for funding from some of these funds that were checkoff funds. And we had to put sunset clauses on them or otherwise those would have been taken from now on. So with that, I would ask that as you look at this amendment I think it's something that's well worth the effort to put into. And I think this is something that would be a lot better legislation for LB383 if we had some type of a sunset clause on it. It doesn't do anything to the bill. As far as where the money is now it would be the same amount of money that part. But at least in 2013 then we can look at it again and probably perhaps move forward with that. So with that, I would ask for a vote to advance this amendment. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Louden. Senator Council, you are recognized. [LB383]

SENATOR COUNCIL: Yes, thank you, Mr. President. When I first hit my button to speak on this matter I was rising to speak on Senator Pahls's amendment as well as the underlying bill. But, I guess, it's fortuitous that I'm being recognized at this time with regard to Senator Louden's amendment because I have filed an amendment that basically is the same as Senator Louden's amendment but just addresses the issue a little differently. And allow me to put it in context. I've been listening to the debate this morning about LB383. And I've heard the word "budget" and I've heard the word

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"policy." And it appears that those who are supportive of LB383 want to cast the debate as one of a policy debate. But the more I listen and the more I've read, this is a debate about budget. And it's about the budgetary situation that the state of Nebraska finds itself in at this time. Now I don't discount the need to have policy discussion. But I think it was Senator Coash, when he was on the mike, asked the question as to, where aid to cities and counties came from, what was the genesis, what was the catalyst? Well, based on my review of this matter, ladies and gentlemen, the genesis, the catalyst was this legislative body taking and eliminating sources of revenue that cities and counties had relied upon to fund their governmental operations. And that to prevent increases in property taxes that could be associated with the state's elimination of that taxing ability, the quid pro quo was to provide state aid to cities and counties. Now again, we want to cast this as a policy debate but we want to ignore the underlying policy in the context of other bills that are being considered by this body during this session. And I submit to you that the real policy debate is whether or not LB383 should be advanced when there are several bills, not a few, but several bills providing for the elimination of taxes that cities and counties, cities in particular, have relied upon as a source of their revenue to fund their operations. Sound familiar? Yes, it should sound familiar because that's the exact same environment that led to the policy to provide aid to cities and counties. We eliminated their ability to raise revenue from other taxing sources. And at this time I must comment on Senator Pahls's comment about the city of Omaha and hiring the lobbyist. Well, if we didn't have all of the bills that have been introduced to eliminate the city's ability to generate revenue from other taxes, I submit to you that they wouldn't have a need to hire a lobbyist. But if you take the elimination of all of those other taxing sources and the revenue to be generated from that away from cities in particular and also eliminate the state aid, the policy that we would be advancing would be a policy of, while we talk about local control... [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR COUNCIL: ...and we talk about it a lot, we really don't practice what we preach because we are removing local control at the same time we are proposing to eliminate the state aid. And when we talk about it in that context it is clearly a budget issue. And because it is a budget issue and we're dealing with this biennium I support Senator Loudon's amendment and the similar amendment that I have filed that addresses the budget issue but leaves the underlying policy in place for future legislative bodies to decide whether or not we are in a financial position to provide the aid. Or on the flip side then all of these other bills to eliminate taxing authority by cities and counties should not be advanced if LB383 is advanced because it's contrary to the policy that some want to promote as being this... [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR COUNCIL: ...state's tax policy. Thank you. [LB383]

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SENATOR GLOOR: Thank you, Senator Council. (Visitors introduced.) Senators waiting to be heard are Janssen, Mello, Wightman, Hansen, Howard, Sullivan, and others. Senator Janssen, you are recognizes. [LB383]

SENATOR JANSSEN: Thank you, Mr. President, members. When I arrived today at 9:30 I had pushed my button. I believe I was 48th down in the queue at that time. I hit Senator Wightman's button off, I thought that would move me up, but I got caught. (Laugh) So lucky me, I get to go after Senator Council and I believe Senator Mello follows me. So sometimes you're not always lucky the way you fall in the queue. The sunset idea brought by Senator Louden, that's not originally what I had pushed my button to talk about, however I do oppose that. I don't think we should...when I find myself...I do find myself a fan of sunsetting but not in order to bring back spending measures that we go through and we make the tough decisions to get rid of. So in this case I'll be opposing AM288 and supporting LB383. When I first got here Senator Harms was on the mike and what he said and many said after him is that cities, counties, and NRDs need to start accounting for their dollars. And I could not agree more. The broken record here for me is I used to be on the Fremont City Council, I used to oversee that budget, I was the Chairman of the Resources Committee, which the budgeting committee essentially. And I've still attended a few meetings. I still pay taxes in Fremont. I go to some city council meetings. And what took me back was a couple months ago as we were going through the LR542 process, I went to a council meeting for another reason and this came up on the agenda is there was a spending measure that was coming forward. It was six figures in spending, not an insignificant amount of money for the city of Fremont. And it was over a number of years. And this money was being funneled to a private institution within the city boundaries of Fremont. And thankfully there were some new city councilmen there that night that weren't in on all of the backroom dealings or whatnot that went on that lead to this measure and they asked why, how, what for. And these questions brought to light some things that really didn't go over too well and it failed on 4:4 vote, it didn't have a majority that it needed to pass that night. And I just wondered to myself as I was coming back, just got back into town, go to this meeting, after we sit through LR542 and we talk about throwing things on the chopping block near and dear to me in the Government Committee--tuition for our troops, those are things that we were throwing on the chopping block. And I'm sure there's other things, local newspapers were being affected by notices. Those are things that were thrown on the chopping block that we talked about. I wondered if they had gone through this process if this idea that they had would have even come close to getting on an agenda. I wonder if they had to go to the taxpayers and use...they have quite a bit of room left in their authority, their taxing authority, and ask for this additional \$120,000, \$150,000 if they would have done that as the local elected leaders. If they would have felt good going out in the newspaper saying, yes, we want to raise taxes for this. I can tell you they would not have been. I talked to a city councilman after that meeting who was on the side that was pushing for this. And he said, well, we were just

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looking for a way to get this organization money in a legal fashion that we could do. They did find a legal fashion. Was it ethical? Probably not, not in my opinion. It had some...it basically kind of smelled a little bit like deceit to me. I was proud of the city council of Fremont that night for defeating that measure. And I think they've moved forward since then in a more responsible manner. I never felt engaged more as a legislator as I did going through the LR542 process, just seeing...and, I guess, you probably deal with it a lot more in the Appropriations Committee, you see this on a daily basis. But for us to actually go and dig into the books as deep as we did and to see these programs and have them justify these programs, it was a sense of empowerment of, you know, we can do more with less. We can cut first and we can cut deeper. And there are areas to cut. And this, despite what everybody is saying, is not really a tough decision. I mean we're essentially... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR JANSSEN: Thank you, Mr. President. We're essentially telling cities to do more with less. I don't feel it's my responsibility to tell them they can or cannot raise their taxes. If they have the room to do that, that's what they are elected to do, that's what I was elected to do on the city council. They need to justify that. And I think we need to do this permanently. I recall back in high school athletics the coaches used to say, no pain, no gain. This is short-term pain for long-term gain. I apologize to Senator Lautenbaugh. I will give you the remainder of my time, about 30 seconds. [LB383]

SENATOR GLOOR: Senator Lautenbaugh, you have 25 seconds. [LB383]

SENATOR LAUTENBAUGH: Thank you, Mr. President. Thank you, Senator Janssen. I wonder if Senator Cornett would yield to a question? [LB383]

SENATOR GLOOR: Senator Cornett, will you yield? [LB383]

SENATOR CORNETT: Yes. [LB383]

SENATOR LAUTENBAUGH: Senator Cornett, if this bill passes without the amendment is there anything that would prevent a future Legislature from bringing back the aid if they were of a mind to? [LB383]

SENATOR CORNETT: No. [LB383]

SENATOR LAUTENBAUGH: So we're not tying the hands of future legislators with this action. [LB383]

SENATOR CORNETT: We can't tie the hands of a future Legislature. [LB383]

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SENATOR LAUTENBAUGH: Thank you. Please vote against the amendment. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senators. Senator Mello, you are recognized. [LB383]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. First, I'd like to start off with a general stroll down memory lane from July 8, 2007, Governor Heineman, in his look at Nebraska's budget said, "A top concern for many Nebraskans is the growth of property taxes. While property taxes are set by local units of government, each year the state provides a substantial amount of funding in an effort to limit the need for higher property taxes." Senator Fischer, while we agree on some things and disagree on others, provided me a prospective to take in regard to this debate. As a member of the Appropriations Committee, she suggested, look, if you don't support LB383, why don't you provide some solutions, provide some ideas of how we can find the \$44 million that is associated with this bill. Because on the floor today many of us have said this is the first step in the process, which in my mind, I think Senator Council alluded to it, we're talking about the budget process, not a policy question here. We're talking...LB383 is a budget bill not a substantial policy bill because we're obviously debating whether or not we should cut this aid. So I took it upon myself in the short 25, 30 minutes to go through a few actions within the Appropriations Committee that sometimes many of us are not informed about or don't fully get to see from behind the cloak that is known as Room 1003. First item, right now within, I believe, it's the end of fiscal year 2014 there will be roughly \$7 million in surplus in the Education Innovation Fund. That's money that is generated by the lottery. LB333, which I commend the Education Committee and Senator Adams, utilizes a significant portion of that surplus to fund general funded appropriated programs. But still even if we pass LB333 we have \$7 million left in an account that at this point in time is not being spent. So there's \$7 million in an account that we could put back in the General Fund, reduce General Fund appropriations in the Department of Education and move us closer to this \$44 million. Second item, Department of Revenue, currently there's \$693,000 cuts suggested by the Department of Revenue that would reduce ten vacant positions. The Appropriations Committee chose not to take that cut. I'm offering that today as one of the many options I think we can take as a Legislature to make up that \$44 million. Contract reductions in the Department of Health and Human Services, very interesting proposal, very interesting issue. The Department of Health and Human Services came in with their budget proposal saying that they could reduce contracts by roughly \$8 million. They gave us a one-page handout saying, well, roughly, here's where we would get it from, from different program line items, but no mention of where these contract reductions would come for, for different programs or specific contracts, just generally saying, we can reduce contracts by \$8 million. I say, let's one up them. Let's make them find contract reductions to \$13 million, which saves us about an additional \$5 million a year, right there is \$10 million. If you're keeping track right now, give or take we're at almost \$19 million we found in three items. Fourth item, Department of Health and Human

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Services also provided an administrative cut to operations. I'll read what was provided to us. Reduction in staffing and general operations, \$3.3 million. The Department will identify positions for elimination if this modification is selected. They would like the flexibility to reduce agencywide not just in this budget program. We chose not to take that. I don't know why. I was one of the many people who probably said we should take it because it was an option available where they provide very little information into the process. Add that, that's \$6 million, we're at \$25 million right now. Also within the Department of Health and Human Services we are talking extensively about... [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR MELLO: ...reforming the child welfare system. They put in their proposal a \$5 million transfer each year to the juvenile justice program to help deal with the child welfare privatization efforts. I remind you in this transfer of \$5 million in General Funds, they also left \$5 million unaccounted for in the Department of Health and Human Services budget. It's an issue that we had extensive debate in the committee about of where are they putting this \$10 million because they didn't provide us any information about it. But they did just keep it in their budget hoping that we wouldn't bring it up or we wouldn't mention it. Ten million dollars right there, my friends, that's give or take about \$35 million in four or five items. I fundamentally disagree with the assessment that this...we can move on this bill, LB383, because we have to. We don't have to do anything. We have a budget process that is roughly 50 days away still. Anyone who says we have to do this either, one, has not read the rules and understands the budget process or, two, wants to take this bill because it's the Governor's bill and because it's easy to push tax shift down to the local government. [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR MELLO: My appropriation...thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Mello. (Visitors introduced.) Senators waiting to be recognized are Wightman, Hansen, Howard, Sullivan, Price, Avery, and others. Senator Wightman. [LB383]

SENATOR WIGHTMAN: Thank you, Mr. President, members of the body. I, too, want to thank Senator Cornett for bringing this bill forward. I think it is the right thing to do. We're talking now on the amendment. I think Senator Lautenbaugh brought up a good point that we can just as easily pass new legislation. I think we're going to take a far more careful look at it if we wait and it comes up again as a separate budget bill than if we leave it on the books and we know that we'll be lobbied rather strongly by city and governments at that point. I'd like to thank Senator Ken Haar for his remarks. I thought they were well stated. And I realize they were primarily in support of the bill but in opposition to the previous amendment. Thomas Paine once said, these are the times

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that try men's souls. I think we're there today. We're there this entire session. I was just a young kid when he said that some 225 years ago. (Laugh) But at any rate...and I know some of you are surprised that I maybe wasn't older at that point. But I think we have to look at this globally in the overall problem we have. I just checked to see, there's a figure running around out there called unfunded obligations of the federal government. Has mostly to do with Social Security, Medicare and federal retirement. I just checked that figure and the figure I found was \$109.6 trillion. I multiplied that by...or divided that by 308 million residents of the United States and it comes to \$353,896 per man, woman, and child in this state...or in the United States. So think about that figure for a minute, \$353,000. How many of us have that much money at our disposal that we could pay our own share of that? And yet we keep kicking all these...somebody mentioned kicking the can down the road to our kids, to our grandkids, and I think we're maybe to our great grandkids at this point. So I ask you to keep this in mind. And I think it applies at the federal level, it applies at the state level. It seems to me that the board, whatever it is, whether it's a city council, county commissioners, that set a budget should be the ones that make the determination and probably they should take the heat for tax increases. And for us to continue to fund this aid to county and city governments, we maintain no oversight, as I said previously. And I think that there's a little responsibility when we are allowing this. Now that's not to say we can't look at it two years from now. But I think we're better off taking a fresh look at it rather than passing AM288. So with that, I thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Wightman. Senator Hansen, you're recognized by the Chair. [LB383]

SENATOR HANSEN: Thank you, Mr. President and members of the Legislature. I appreciate Senator Loudon bringing this amendment, although I don't want to tie the hands of any future legislators. New legislation can be brought up to take this up at any time, probably not next year but most any time. I made a prediction at home during the interim. I predicted through the LR542 process that at the end of this session everybody in Nebraska is not going to be happy, not going to be happy with their one-house Legislature. And I think what we're doing today is going to take a big step toward that prediction. I don't think that the intent of Senator Pahls's resolution that we voted down was all that bad. When I put my other hat on, and I have a few hats, but when I put my other hat on and become a rancher, I look at those taxes, those property taxes and they are beginning to hurt. We're getting more and more school districts that are nonequalized, that means they pay their own way. Yet we still have restrictions on them, what they can do for their spending. But there is going to be more and more of those unequalized districts out there. Cities, counties, and NRDs all make grants. They all have grant writers or they hire a grant writer. At the end of that grant what happens? Well, that was a good program, that person we hired was a good person, they did a good job. Let's just put them on the payroll. That's one instance that happens every day in this state. Senator Krist was talking about tools in the toolbox. Well, I think normally,

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I've been on Appropriations now three years and we've cut four times with one special session. So I haven't had the opportunity to take a scalpel out of that toolbox and cut...make small cuts. In the special session we used the hatchet, we got the hatchet out. Now we've got the axe out. This is serious business. We know that \$44 million has to come from somewhere. The legislation came through the Revenue Committee. I have to support LB383 in order to cut this budget. We asked every entity in state government and now in counties and cities and NRDs to do more with less. Well, less is going on strike. Less is almost on life support. Less needs respite care. Less wants a Mexican holiday and less wants to go to Disneyland. Less can't, he's still here for the long term. Mr. President, I'd like to yield the rest of my time to Senator Lautenbaugh. [LB383]

SENATOR GLOOR: Senator Lautenbaugh, you have 2 minutes and 5 seconds. [LB383]

SENATOR LAUTENBAUGH: Thank you, Mr. President. And thank you, Senator Hansen. Senator Mello, I did listen to your comments. And, I guess, by way of response I would simply say we have to do this now because this does not get us even close to where we need to be. And so every opportunity we have to do something to cut the budget, and we can demonstrate that it's not a disastrous cut, which this would not be by any reasonable measure, we should avail ourselves of it. The reason we should do this now is because we have the bill now. And again, as so many have stated, we're starting down a long hard road here. And this bill is just the start. This is, as Senator Janssen aptly observed, not even that hard a choice because it is so small a percentage of what the localities are depending upon and what they have at their disposal but it is significant to us bringing our budget back into balance. So the best reason for doing this now is because we should and we can and we need to... [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR LAUTENBAUGH: ...because we'll have more to do down the road and it will be worse. But we have to start somewhere and this is a great place to start. I would urge you to vote against the amendment which sunsets this. As I observed, speaking like an auctioneer earlier with Senator Cornett, there's nothing that prevents a future Legislature from bringing back aid to the localities if they're of a mind to. But when we put a sunset in here we seem to be implying or semipromising something that we probably won't be able to deliver on for several years. I would urge you to vote against AM288 and support the underlying bill. Thank you, Mr. President. [LB383]

SENATOR GLOOR: Thank you, Senator Lautenbaugh. Senator Howard, you are recognized. [LB383]

SENATOR HOWARD: Thank you, Mr. President, members of the body. I've listened diligently to all of the comments and all the thoughts and all the ideas while I was



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waiting for my light to come on because I think we all have something that we want to contribute to this discussion. But what really caught my attention was when Senator Mello began to talk about Health and Human Services. And you can all guess that would definitely catch my attention. I put in a bill this year to reduce the salary of the administrators over in Health and Human Services by 10 percent. I did that for a number of reasons, not the least of which is I think the work that's been done toward the privatization effort has...could have been handled better. Maybe that's the best way to put it. I think it's certainly been flawed. And I think there certainly was the lack of opportunity not only for the input from this legislative body but also from other individuals in the community. People that the department likes to call their stakeholders really didn't have the chance to address that. But I'd like to discuss this further with Senator Mello if he's available and would yield for a question. [LB383]

SENATOR GLOOR: Senator Mello, will you yield? [LB383]

SENATOR MELLO: Yes. [LB383]

SENATOR HOWARD: I found...thank you, Senator Mello. I found your information to be really, really interesting. I can't help but get the impression that Health and Human Services is kind of akin to being magicians over there. They can find money when they need it for the privatization and they can bring money back in and say, we don't need this amount of money anymore when it's not serving their purpose. I'm...I completely am puzzled by how they're operating. We've all asked for accountability from that department from time to time and it seems to be pretty scarce in coming. What in your opinion would be the right course for the amount of money with Health and Human Services or their offer to contribute back and that sort of thing? [LB383]

SENATOR MELLO: Well, I think, Senator Howard, to sum up what I think a general consensus amongst a lot of our colleagues is there's just not enough accountability and there's not enough transparency. I mean, I was just talking with Senator Wightman. We have a budget proposal put out by DHHS of \$571 million in General Funds for Medicaid. And they give us 14 options to choose from if we wanted to reduce their budget. You heard me right, \$571 million and they gave us 14 options to choose from. So I would wholeheartedly reiterate that, yes, there's a lack of accountability and I think we all know there needs to be more transparency. [LB383]

SENATOR HOWARD: Well, you know, I find it so curious, and I know this isn't beat up on Health and Human Services day, that's probably down the road a ways, but, you know, when I did put in this bill for the 10 percent reduction in salaries in the administrative level one of the e-mails that was passed on to me informed me that when everyone else, including staff in this legislative body was taking mandatory furlough days, the administration at Health and Human Services didn't do that, didn't participate in that. So I find that very, very troubling. I want to kind of return to the issue that we're

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dealing with right now which is passing LB383 or not passing LB383. And I say that, to use that familiar analogy that we're fond of right now, kicking the can down the road, what we're doing is kicking the empty can down the road. The bills at the county, city levels are not going to go away. We're going to have to still have folks that are in jail and those bills will have to be paid. And when we look at that and we say, well, where will the money come from? Where will the money come from? What happens when you shift the bill? Somebody else has got to cough up those dollars. My concern is it's going to be the usual funding source... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR HOWARD: ...which will be...thank you, which will be property tax. And I want to have everyone keep that in mind that we're...two words actually, it's not hyphenated, property tax was spoken on this floor. And my big fear is that's where the source of revenue to make up for what we're not going to do for cities, town, municipalities, it's going to come from property tax. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Howard. (Visitors introduced.) Senator Sullivan, you are recognized. [LB383]

SENATOR SULLIVAN: Thank you, Mr. President and colleagues. This has been a good, in part, difficult discussion that we've had this morning. I rise in support, even though reluctantly, of LB383. I'm still commiserating about AM288 because I've heard from a lot of my counties and municipalities in favor of that concept. In difficult decisions like these it helps me or perhaps even makes it more difficult to put a face on this issue. And I tried to do that. And, of course, the face that comes up in front of me are the eight-plus counties in District 41 and the 34 communities in District 41. Also, as a member of the Legislative Planning Committee I remember one of the early pieces of data that we received that talked about the median-sized community in Nebraska, that means as many larger and smaller. That median-size is 354 people. That is about the population of the majority of the communities in District 41. And I know that they are struggling. And I know that this decision that we make today, if we rule in favor of it with LB383, will be a hardship for them. Yes, it represents a small amount of money to some of them. But in the larger scheme of things for them, for example, one community it amounts to a \$8,400 decrease in their aid. They're facing a \$12,000 budget shortfall. They've had a 20 percent increase in their utility rates. In the larger scheme of things for all of us that may not seem like much, but it does mean a lot of these small communities, small communities in the northern part of my district that were hit dramatically by the floods in June. One community...one county alone is looking at well over a \$6 million hit with repairing bridges and roads because of the flood damage. I'll take a little bit of issue with Senator Harms in that maybe counties and municipalities aren't planning. They are struggling and they are having extensive discussions about what to do next. They know that change is on the horizon. But I think it's probably safe

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to say that all of us don't find change easy. And we know that change is coming to rural Nebraska. When we make decisions like this, some of these small communities of population 66 or 125 or 275 just view this as perhaps another nail in the coffin. So I would ask you in all of these situations they are, of course, willing to share their load, share the pain and we have to make these hard decisions here. But I would also hope that you will think about what we want this entire state to look at...look like. Will it make a difference if a town of 66 people doesn't survive, if a town of 150 doesn't survive? Well, I would suggest to you that when we chip away at our endangered communities we are chipping away at the entire infrastructure of this whole state. And when I hear Senator Flood talk about the fact that this presents opportunities, well, perhaps it does. But some of these opportunities, and we will hear about them in some of the economic development bills that we'll be talking about later on, speak to rural Nebraska. But sometimes they overlook the very smallest of the small. And as I've said to you before, when I drive down the streets of Cedar Rapids or if I go to Ericson in my district, like I did on Sunday, or if I drive to Burwell, these communities are struggling to survive. They are worrying about their future. But they are also part... [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR SULLIVAN: ...of what we want this whole state to look like and they are part of it. And so when we look at some of these economic development bills, I want to make sure that the smallest of the small at least have an opportunity, at least have the technical assistance to be part of the opportunities, if you will, that are presented. Senator Campbell mentioned about partnerships. Yes, I think that cities, counties, and the state Legislature do need to form a partnership. And all I ask is that we not forget the entire state as we look at these situations. I wasn't here when Senator Chambers was here but I've been told that he chastised some rural senators saying, you settle just for the crumbs. Well, crumbs can't sustain us in rural Nebraska. And we have to step forward and say we are part of the entire state. We're part of this total infrastructure that we have and we need to be part of the solution. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Sullivan. Senator Price, you are recognized. [LB383]

SENATOR PRICE: Thank you, Mr. Chair. Members of the body, good afternoon. What a day. I hit my button hours ago. And I'm glad that we're...everybody has an opportunity to comment and reflect and interject good ideas. A thought that occurred to me as we've listened to the debate is when I was out on the campaign trail and I knocked on the door and people were talking about different programs and policies that we have in place. And what struck me was a comment made when someone said, well, we're not paying for that because it's a federal grant or it's a federal program. And sometimes we're not paying for that because it's a state program and that we are in a local area. And this individual said very wisely, where do you think the money comes from? It's all taxes,

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we're all paying on this. So as we look at LB383, which I support, we have to understand that when we get down to that lowest level who has the germane control over the activity going on, have we been providing a cushion and ability for these subdivisions to say, well, we're not paying for it, it's not our money and they become used to it and they haven't had to be necessarily accountable to the service they're providing. Now get this, someone else is providing a service and they're getting money from another political subdivision. It kind of removes you from or insulates you, the elected official, from answering to the taxpayer. And the taxpayer is saying, well, it's not coming out of my pocket. Oh, I would beg to differ. It's just not maybe coming out of your back pocket, it's coming out of your front pocket. And there are many people who become quite astute on what's happening to their taxes here of late. They're looking and they're wondering when they look at their property tax bill and they look at all the different areas that their taxes are going to and they look at all the different areas and things we're paying for. And now they're beginning to ask the question. And they're wondering, you know, who's funding this? An we shouldn't any more go along saying, well, we're not paying for it, because you are. And as many have said before me, this is going to be a painful process. No one is going to come out of this unscathed. But yet we must do what we must do. And with that, Mr. President, I would yield the balance of my time to Senator Cornett. [LB383]

SENATOR GLOOR: Senator Cornett, you have 2 minutes 15 seconds. [LB383]

SENATOR CORNETT: Thank you, Senator Price. I'd like to address some of the comments that Senator Mello made. When he offered up things that the Appropriations Committee didn't send out, he didn't offer out why the Appropriations Committee did not send them out. One example of that is his offering of not making...or making the cuts to the Department of Revenue. We heard that as part of our LR542 process also in the Revenue Committee, the Revenue Department's budget. The Revenue Department has consolidated over the past few years to include the Property Tax Administrator and has eliminated over 40 positions through that consolidation and through attrition. The positions that are open and the positions that he is talking about cutting have a negative, I repeat a negative fiscal impact. When you have no one left in your Department of Revenue to audit, when you have no one left in your Department of Revenue to go out and collect taxes, you cease to bring in money. That is the function of the Department of Revenue. Other states have went down that road and have found that they have less money than they started with. [LB383]

SENATOR GLOOR: One minute, Senator. [LB383]

SENATOR CORNETT: They're hiring auditors back, they're hiring revenue agents back. I don't think that it's fair for a senator to get up and make statements like that without explaining why those decisions in his committee were made. Thank you. [LB383]

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SENATOR GLOOR: Thank you, Senator Price and Cornett. Senator Avery, you are recognized by the Chair. [LB383]

SENATOR AVERY: Thank you, Mr. President. I'm going to support LB383 and I do this with full knowledge that it hurts my own city, it hurts my own county, and my local NRD. So, I guess, the question is, why am I going to support it? I am recognizing, as many of you are, a painful truth. And that painful truth is that if we don't lay the foundation now, and this is a foundation, if we don't do that then we're not going to get to where we need to be in balancing the budget later in the session. This is critical. This is a test for this Legislature. It is a test of our will, it's a test of our seriousness and our determination to balance the budget without raising taxes. Many of us were on the ballot last November. And many of us ran with the promise that we would do everything possible to balance the budget without raising taxes. I made that pledge and I intend to do everything I can to keep my word. Two key elements of LB383 were part of the options list that came out of my committee during the LR542 process. The Government Committee voted unanimously to end aid to NRDs and we handed that bill off to the Revenue Committee and it became part of LB383. In only one instance when we were doing the research on this, in only one instance did we find that state aid accounted for more than 1 percent of an NRDs budget. And in that one case state aid only accounted for 1.2 percent of the budget of that NRD. With respect to aid to cities the Government Committee represented a change in how aid was distributed to achieve a 10 percent savings. That change required cities to meet a minimum levy effort of 75 percent of the state average for nonbond levies. The Revenue Committee decided to alter that recommendation by eliminating state aid altogether. Now my guess is that the members of the Government Committee probably do not disagree with their decision. However in our LR542 deliberations we did not need to go that far in order to reach our cumulative goal of \$4.7 million in budget savings. I give you that background on the process and some of the work that went into creating LB383. This is not easy, as everybody that's spoken on it has admitted, but I think it is necessary. I am glad that Senator Cornett addressed some of the comments that were made by Senator Mello. And, Mr. President, if I have any time remaining, I would like to yield it to Senator Conrad so that she can elaborate on that issue. Thank you. [LB383]

SENATOR GLOOR: Senator Conrad, you have 1 minute and 31 seconds. [LB383]

SENATOR CONRAD: Thank you, Mr. President. And just to reiterate a couple of points. I think that, number one, I want to congratulate Senator Mello for rising to the challenge and trying to identify alternatives to help shape this debate as we move forward. But, of course, it's not appropriate to refight the committee fights that we've already had in terms of the overall preliminary budget package that we're bringing forward. And, of course, he has a head start in rising to meet that challenge as a member of the Appropriations Committee. And I want to keep in mind some of the items he mentioned and some of the items others have mentioned in terms of finding alternatives. We have

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to be very careful to ensure that we're comparing apples to apples here. I've heard some people mention... [LB383]

SENATOR GLOOR: One minute. [LB383]

SENATOR CONRAD: ...one-time sources as to be utilized to replace this program funding. And that's not a sustainable solution, that's not a workable solution. And if, indeed, proponents seek to continue this aid program on into the future, please keep in mind that we will have to have a sustainable funding source in order to do so. And final point, colleagues, is as we budget it is about priorities. You've heard me say it before, a budget is in deed a moral document and it sets our priorities for what is most important to us and our citizenry. It is not fair to treat every program the same because they have different levels of importance for our different state obligations. Doing a 10 percent across-the-board cut isn't fair because some programs generate revenue, some programs meet critical state obligations,... [LB383]

SENATOR GLOOR: Time, Senator. [LB383]

SENATOR CONRAD: ...and others don't. So it's important to keep that in mind as we move forward. Thank you. [LB383]

SENATOR GLOOR: Thank you, Senator Conrad. Mr. Clerk. [LB383]

CLERK: Mr. President, I have a priority motion. But before, I acknowledge that General Affairs reports LB281 to General File, LB314 to General File; Education, LB333 to General File; Senator Council, an amendment to be printed to LB383. (Legislative Journal pages 483-487.) [LB281 LB314 LB333 LB383]

Mr. President, Senator Loudon would move to adjourn the body until Wednesday morning, February 9, at 9:00 a.m.

SENATOR GLOOR: You've heard the motion to adjourn until 9:00 a.m., Wednesday morning. All in favor say aye. Those opposed say nay. We will do a machine vote. All those in favor of adjourning until 9:00 a.m. Wednesday vote aye; those opposed to adjournment vote nay. Have you all voted? Record, Mr. Clerk.

CLERK: 18 ayes, 14 nays to adjourn, Mr. President.

SENATOR GLOOR: The motion does not carry. We will continue debate. Oh, the motion carried. Simple majority, we are adjourned.