1986

Nebraska Policy Choices (1986): Overview

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NEBRASKA
POLICY CHOICES

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Center for Applied Urban Research
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Foreword

On behalf of the College of Public Affairs and Community Service at the University of Nebraska at Omaha, I am pleased to introduce the first volume of *Nebraska Policy Choices*. The college occupies an important position within the University of Nebraska for stimulating analysis of current and emerging public affairs issues in Nebraska. Through this publication, we hope to help identify major public affairs issues and to provide explanations of the options available to citizens for dealing with public policy in Nebraska.

*Nebraska Policy Choices* is a product of our Center for Applied Urban Research, the major outreach component of the College of Public Affairs and Community Service. While faculty and staff at the center have taken the leadership, scholars from various campuses have been invited to contribute. This edition, for example, contains the work of several University of Nebraska-Lincoln faculty.

The Center for Applied Urban Research is dedicated to providing applied research and public service to address the needs of Nebraska residents. I extend my sincere thanks to the faculty and staff of the center for their work on *Nebraska Policy Choices*, one example of the center fulfilling its mission.

David Hinton, Dean
College of Public Affairs
and Community Service
Acknowledgments

This inaugural volume was completed with the help of many individuals throughout Nebraska. Special thanks to the volume’s ad hoc advisory committee members who provided guidance and recommendations throughout the development of the volume: Margaret Lehning, Dan Costello, and Vicki Krecek.

We are grateful to the technical reviewers who provided comments and suggestions on the chapters: Clark Archer, Mary Boschult, Jeffery Chapman, Steve Fredricks, Dick Gady, Charles Krider, Don Leuenberger, Stuart Miller, Helen Muller, Bernice Neugarten, Dail Neugarten, B. J. Reed, Jim Roberts, Joe Singer, Larry Swanson, Gary Targoff, Keith Turner, Curtis Ventriss, and David Williams. The efforts of Gloria Ruggiero, who edited the volume, are sincerely appreciated.

Special recognition goes to Dr. John Kirlin at the University of Southern California, School of Public Administration, who in 1983 gave birth to the idea of a volume on state policy choices. He is co-editor of California Policy Choices which is now in its fourth year of publication.

Finally, Chancellor Del Weber and Vice Chancellor Otto Bauer provided special encouragement for this project. We are grateful for their leadership and support.
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Overview

Jeffrey S. Luke and Vincent J. Webb

The purpose of the *Nebraska Policy Choices* series is to improve the basis for making state policy choices. This series tries to enhance Nebraskans' awareness of their many alternatives for steering Nebraska into the future. Each annual volume in the series will provide a forum for considering the major issues facing the state and for identifying the various policy options or choices available to Nebraskans. The goals are to broaden public understanding and to promote informed and responsible choices among alternative policies.

Specifically, *Nebraska Policy Choices* seeks:

- To identify current and emerging policy issues facing Nebraska,
- To increase our understanding of long-term trends and to relate these to current policy choices,
- To provide comprehensive analyses of policy choices around these issues and to identify the various policy options available to state and local policymakers,
- To raise emerging policy issues for public discussion before they reach a critical state,
- To complement current state policy research by identifying innovative policies and policy strategies and by analyzing their applicability to Nebraska, and
- To stimulate and encourage further policy research on these and other issues facing Nebraska.

*Nebraska Policy Choices* attempts to complement the more specific budget and legislative analyses conducted by policy groups, legislative analysts, and state government managers. *Nebraska Policy Choices* takes a long-term and broad view of the issues facing Nebraska now and those that are likely to emerge in the foreseeable future. An annual volume of this type can address new and emerging issues in a timely manner. We hope that by publishing the volume in the fall, legislators, government officials, business leaders, and citizens will have the
opportunity to take advantage of the issues analyzed prior to the beginning of the legislative session.

The University of Nebraska occupies a strategic position for stimulating innovative policy research and professional scholarly analysis to assess important public issues. The *Nebraska Policy Choices* series utilizes the expertise of scholars from the state’s universities, colleges, and research institutions. The authors present objective information to address issues and trends, and they attempt to improve the basis of policymaking rather than advocate specific policy choices.

**Public Policies, Processes, and Choices**

Public policies are those made by governmental officials. Policies are, generally speaking, whatever governments choose to do or not to do, and are distinct from public programs.\(^1\) Public policies are strategies or courses of action taken by government officials to reach a goal or to deal with a problem or matter of concern.\(^2\) Public programs, on the other hand, are sets of authorized governmental activities aimed at achieving specific policy objectives.

Public policies produce a variety of programs and services for the citizens of Nebraska. Policy choices affect which services will be expanded and which services will be reduced. Policy choices influence the growth of businesses, the education of our children, the quality of our environment, and the availability of jobs. Public policy choices fundamentally shape the future.

The entire governmental system of Nebraska is an instrument of collective choice, and public policies are the result of these choices. How are policy choices made in Nebraska? Policy is made in a variety of ways, for example, legislative bills, executive actions, and court decisions; there is no one process by which policy is made.

Choicemaking occurs in policy formulation and involves the following related parts:\(^3\)

- Agreement that a problem exists and selection of a desired objective,
- Understanding of the forces that are causing the current problem,
- Devising policy options for resolving the problem, and
- Selecting the best options or strategies available.
Policymaking is a complex and constant interplay between choices and consequences. The purpose of this volume is not to develop a grand theory of how policy choices are made, but rather it is to analyze the policy choices available for specific issues facing Nebraska.

Nebraska Policy Choices: 1986

Seven policy issues are analyzed by some of the state’s leading experts in this first volume of Nebraska Policy Choices. These issues fall into three broad categories: the economy, delivery of human services, and state government finance. Three chapters treat economic issues: Nebraska’s Economic Structure, The Changing Structure of Agriculture in Nebraska, and Small Business and Economic Development for Nebraska. Three chapters analyze issues related to the delivery of human services: Child Poverty and Child Welfare in Nebraska, Aging and Long term Care in Nebraska, and Indigent Health Care in Nebraska. The volume’s final chapter is Financing State Government in Nebraska.

Some common themes emerge from these chapters. One theme is change. All of the issues analyzed in these chapters are rooted in fundamental changes. Policymakers must recognize that Nebraska’s economic and social structures are experiencing fundamental changes, not temporary disruptions. The need to be proactive, not reactive, in resolving these issues is another implicit theme. Solvability is another theme that emerges. These issues and their attendant solutions are not beyond the control of Nebraska policymakers. Nebraska policymakers can influence an issue, even if it is dependent on federal and international policies as in the case of agriculture. Still another theme is the need to explore new solutions for resolving policy issues. Policy options reflecting new solutions to the issues analyzed are offered throughout this volume.

The Economy

Three chapters analyze Nebraska’s economic issues. Nebraska’s economic structure, changes in the agricultural economy, and the role of small businesses in economic development are examined. Strain on and transition in Nebraska’s economy are major themes in these chapters.
Nebraska’s Economic Structure

Charles Bare, Jerome Deichert, and Donald Pursell provide an overview of Nebraska’s economic structure. They suggest that Nebraska’s economy is in transition, that it is becoming more of a service economy and less of a goods producing economy. Much of the transition in Nebraska is linked to national and international economic changes. Although Nebraska’s economic transition is difficult for some individuals, for example, farm operators, they point out that change is necessary for economic progress.

They forecast that Nebraska’s economy will grow at five-sixths to nine-tenths the rate of the national economy during the next decade. Although Nebraska can expect growth in employment and personal income, they see this growth as being the result of national economic growth. They contend that this growth will be distributed unevenly, with the telecommunications and service sectors experiencing faster growth than the manufacturing and transportation sectors. These authors maintain that agriculture will continue to decline as an important component of Nebraska’s and the nation’s economies.

They offer several prescriptions for enhancing the state’s economy. These include a reconsideration of the family farm amendment (Initiative 300), increasing investment in higher education, maintaining and improving infrastructure, and reallocating some of the state’s agricultural research funds to developing the telecommunications industry and innovation centers. The need for an economic development policy that recognizes the importance of services is also suggested. Three industries, telecommunications and information, high-technology manufacturing, and insurance, should be targets of Nebraska’s economic development strategy.

The Changing Structure of Agriculture in Nebraska

Bruce Johnson examines some of the structural changes that are taking place in Nebraska’s agriculture. He views structural change in agriculture as an evolutionary process, but notes that the rate of change has accelerated greatly during the past 10 years.

Johnson analyzes many characteristics of Nebraska’s agriculture. First, he points out that while Nebraska’s economy has become more diversified, agriculture will remain a dominant influence on the state’s
Therefore, fundamental changes in agriculture have tremendous consequences for the state. Because of the composition and volume of agricultural production, Nebraska is heavily dependent upon federal farm programs. Changes in these programs will have tremendous implications for the state.

Johnson identifies overproduction and declining exports as major problems with agriculture during the past few years. He also identifies several major structural trends, such as consolidation and enlargement of farms, size and concentration of farms, specialization in agriculture, ownership and control of resources, and variability in income.

Johnson then assesses the policy implications of these trends. He believes that production will have to be reduced, either through market adjustments or public policies, and that land and capital will need to be taken out of production. He also states that the number of farms will continue to decline and that programs to retrain and provide alternative sources of employment for displaced farmers should be developed. He recommends the diversification of rural economic activities as an objective of economic and community development policies and development of new approaches to providing capital to commercial agricultural producers.

Johnson also notes that changes in agriculture could result in the significant depopulation of rural Nebraska over the next several years. He concludes that policymakers will no longer be able to separate agricultural issues from those concerning the distribution of the population, the well-being of communities, and the quality of life in Nebraska.

Small Business and Economic Development for Nebraska

Bruce Kirchhoff argues that the state's economic development policies should focus on developing and promoting the growth of small businesses. He expresses skepticism about economic development policies which emphasize the relocation of major industries to Nebraska. Kirchhoff notes that growth in the number of nonagricultural businesses in Nebraska has lagged that of the nation. Kirchhoff believes that the state's economic development policies should encourage entrepreneurs to form and expand businesses in Nebraska.

Kirchhoff begins his analysis by examining several studies related to the role of small businesses in economic growth. He concludes that
small innovative businesses are the major source of new jobs and economic growth and that economic development policies premised on an entrepreneurial economic model are justified. The major tasks of the state’s economic development effort should be to develop policies that encourage entrepreneurial activity in Nebraska and to identify the small businesses that should be targeted and supported for development because they have real potential for economic growth.

Kirchhoff offers a classification scheme based on the dimensions of innovation and growth that he feels can be used to identify small businesses with economic growth potential. Based on this scheme, he suggests that economic development should concentrate on the constrained growth and economic core sectors of small business. Constrained growth firms are those that should be high-growth firms but are constrained from entry into selected markets. Economic core firms are characterized by low growth and low innovation rates. According to Kirchhoff, economic development policies should focus on increasing the rate of business formation and increasing the rate of growth of constrained growth and economic core businesses.

Kirchhoff identifies four types of resources that are required for the formation and growth of small businesses: managerial knowledge and ability, scientific knowledge and ability, debt capital, and equity capital. He then makes some policy recommendations concerning the provision of these resources. These recommendations range from maintaining and expanding business assistance and consulting programs, such as the Nebraska Business Development Center, to establishing an innovation center that would work with entrepreneurs and guide them into appropriate consulting relationships. He concludes that the continued development of Nebraska’s economy will require the establishment of an economic environment that fosters small business formation and eliminates the growth constraints faced by many small businesses.

**Delivery of Human Services**

Three chapters in this volume focus on problems in the delivery of services to the elderly, the young, and the indigent. A common problem is meeting increased costs and demands for services with fewer resources.
James Thorson and Bruce Horacek explore the implications of the increasing elderly population. They state that a high proportion of Nebraska’s population is age 65 or older and that this group is the fastest growing segment of the population. They review the social and economic well-being, the health status and needs, and the service needs of the elderly, as well as alternative means for delivering services. They conclude that the status of the elderly, especially the ‘young old,’ is good generally. Most of the health care and social service needs of the elderly are being met, most have adequate retirement incomes, and most are able to maintain independence. Most elderly individuals are able to cope with the problems they face, and they are able to lead active and productive lives.

A growing segment of the older population experiences many of the chronic problems usually associated with old age. This segment is increasing because of extended life expectancy resulting from medical advances. As a result, a higher percentage of deaths occur later in life, and most deaths are the result of chronic diseases. Therefore, geriatric care is becoming common for individuals who are at the end of their lives. Thorson and Horacek point out that there comes a time when the services provided by agencies and families are insufficient for many elderly individuals, and placement in a nursing home or an extended care facility becomes necessary.

Presently, there are over 200 nursing homes in Nebraska. The demand for care in these facilities is likely to grow given the demographic trends in the state. Thorson and Horacek note that the population aged 85 years and older, which is the population most in need of extended care, grew by over 45 percent between 1970 and 1980. They report projections of a 202 percent increase in this segment of the population by the year 2000.

The tremendous growth in Nebraska’s elderly population and the implications of this growth for extended health care are compounded by one additional factor—income. The group aged 85 years and older includes individuals who are likely to require public assistance to help meet their medical and long-term health care needs. Using Medicaid expenditure data, Thorson and Horacek estimate that the cost of providing this assistance in Nebraska will increase from $60.4 million
to $164.5 million over the next 15 years. They point out that there is no easy solution to the problem of paying for this care.

They review several options that policymakers can consider as they attempt to finance long-term health care. These options include doing nothing and paying the increased costs, lowering the quality of care in order to pay less for care, increasing home services, allowing partial payment for health care services by Medicaid and insurance companies, promoting price competition among nursing homes, and providing assistance to families that provide care for their elderly members. They conclude that while the problem of providing long-term health care for the elderly is a serious one, it is not hopeless. They believe that the resourcefulness of Nebraska's families and of Nebraska's elderly will contribute much to the solution of the problem.

Child Poverty and Child Welfare in Nebraska

Ann Coyne and Herb Grandbois examine the implications of increased poverty among children in Nebraska. They point out that children represent the fastest growing group of poor people in the United States today and that this trend holds true for Nebraska. In 1980, over 13 percent of children under 5 years of age were poor, nearly 12 percent of those aged 5-17 were poor, while only about 10 percent of those aged 18 and older were poor.

They review several reasons for the increase in the number of poor children. Among these are an increase in the number of children living with one parent, an increase in teenage pregnancy, and a lack of child support for women. Lower wages and benefits for women than for men, the cost of child care for single-parent working mothers, unemployment and underemployment in two-parent families, and low wages are additional factors that contribute to child poverty. Coyne and Grandbois also state that federal tax revisions in 1981 resulted in tax increases for poor families, and that problems in meeting eligibility requirements for federal assistance programs and the state's agricultural crisis exacerbate the problem.

Several policy options are reviewed by Coyne and Grandbois. These range from changing eligibility requirements so that more children would qualify for Aid to Dependent Children and food programs, such as the Food Stamp and the Women, Infants, and Children's Supple-
mentary Food Programs, to establishing state funded health insurance programs for unemployed or underemployed parents.

They also call for a departure from child welfare policies that remove children from families with problems to the development of a child welfare system that is sensitive to the negative effects of removing children from their families. Such a system would provide services to families and children at the community level.

They also point out problems with the legal status of Indian children in Nebraska. These children often find themselves without the services of tribal or state courts. They recommend the establishment of an Indian desk in the state's Department of Social Services staffed by experts on Indian culture and child welfare. Finally, they suggest that changes in the present organizational pattern of supervision of child welfare personnel and income maintenance personnel may be desirable.

**Indigent Health Care in Nebraska**

Keith Mueller analyzes the problem of providing adequate medical care to Nebraska's medically indigent (those who are unable to pay for medical care). He maintains that medical indigence is increasing in Nebraska and that about 15 percent of Nebraskans are probably uninsured. He provides data that indicate that over 20 percent of Nebraskans with incomes between $5,000 and $9,999 have no insurance, and 16 percent of those in the lowest income group have no insurance. He estimates that nearly 52 percent of the Nebraskans who are defined as living in poverty are ineligible for Medicaid benefits. If medical indigence is defined as 150 percent of federal poverty guideline levels, nearly 74 percent or 169,587 Nebraskans are without Medicaid benefits. The growth in medical indigence can be attributed to several factors, but the recession of 1982-83 and the farm crisis are the primary factors according to Mueller.

Several issues that policymakers need to consider as they develop indigent health care policies are discussed by Mueller. These include determining who is eligible, which services should be provided, how indigent care will be financed, and how providers will be paid. Policy options for financing hospital care and for providing services to the indigent are offered. Programs, such as establishing case management for primary care, expanding and adopting the Douglas County Primary
Health Care Network in other locations, and contracting with health insurance organizations, may offer partial solutions to the problems of meeting the health care needs of the medically indigent. According to Mueller, sound policies must guarantee a full range of medical services to the indigent. Routine services as well as episodic services should be provided in a variety of treatment settings. Care providers should be paid for their services, even if they are paid at a reduced amount.

Finally, Mueller outlines a framework for the development of indigent health care policies for Nebraska. This framework consists of six objectives that he believes must be satisfied before Nebraska will have an adequate policy for providing health care to its indigent.

State Finance

The final chapter in this volume analyzes Nebraska’s state finances. An examination of alternative sources of revenues for paying for government services is the main focus of this chapter.

Financing State Government in Nebraska

Roy Frederick reviews Nebraska’s government revenues and expenditures. He notes that expenditures for state government have grown rapidly since 1970. In fiscal year (FY) 1986-87, total appropriations for state government will be just under $2 billion. Of this, $839.3 million will come from the general fund which relies on taxes and other general state revenues. This compares with expenditures of about $1.2 billion in FY 1976-77, of which $440 million came from the general fund. Frederick attributes most of the increase to inflation and increased aid to individuals and local governments. Nebraska’s state finances are being stressed by relief from relatively high property taxes and declining federal aid to state and local governments.

Frederick reviews state expenditures, pointing out that five state agencies (the University of Nebraska, the Department of Social Services, the Department of Roads, the Department of Education, and the Department of Public Institutions) account for most state spending. He notes that per capita expenditures in Nebraska vary considerably from one functional area to the next. Nebraska is above the national average in spending on higher education and highways and lower than the national average in spending for state aid for local elementary and secondary education and social services.
Frederick notes that revenues collected for the general fund amounted to $834.2 million in FY 1985-86, which compares with $343.8 million in FY 1975-76, or an increase of 143 percent. On a per capita basis, Nebraska collected $1,232 in state and local taxes which ranked it 29th among the states. Individual income, corporate income, and sales taxes were lower in Nebraska than the national average, while property tax collections were higher than the national average.

Frederick then evaluates Nebraska’s tax system using four criteria: equity and fairness, economic neutrality, economy of administration, and stability of yield. He suggests that policymakers also consider proportionality and the relationship between tax rates and tax bases when designing tax policies. In addition to taxes, Frederick discusses several state finance issues, such as property tax relief, a state lottery, earmarking, tax mix, and economic forecasts. His discussion of financing state government includes consideration of options, such as reducing services, expanding the tax base, increasing tax rates, increasing user fees, and reallocating funds from one governmental unit to another. He concludes that the debate will continue over what services state government should provide and how they should be financed.

Future Volumes

The process of public issue discussion and agenda setting is typically an iterative one. It is our hope that the chapters in this first volume of Nebraska Policy Choices will help to stimulate public discussion of some of the major issues facing Nebraskans. In the coming years, new policy issues will be addressed and facets of this first year’s issues will be examined in greater detail.

Endnotes