

Sixth District:	
Dean	39,944
Westover	35,534

SUPERINTENDENT OF PUBLIC INSTRUCTION—

Matzen	177,064
Pyrtle	160,333

REGENTS OF THE STATE UNIVERSITY—

Third District:	
Warner	30,586
Perkins	26,651
Fourth District:	
Landis	30,762
Edgerton	20,344

Pending the reading of the abstract Senator Wiltse offered the following motion:

Motion

Mr. President: I move that a reading of the tabulated returns be dispensed with and that the abstract prepared by the Secretary of State be accepted as the accredited returns of the election held November 7th, 1922, of the electors of the State of Nebraska.—JOHN WILTSE.

The motion prevailed.

Motion

Mr. President: I move that a committee of five be appointed to invite the Governor to appear and present his budget message for the coming biennium.—PERRY REED.

The motion prevailed and the Chair appointed Senators Reed and Shellenbarger, and Representatives Neff, Amspoker and Davis of Cass.

The committee retired and subsequently returned with the Governor, who presented the following budget to the Legislature:

To the Forty-second Session of the Nebraska State Legislature

Members of Your Honorable Body:

The Budget, which I am now transmitting to you, contains a report of the appropriations for the current biennium, the expenditures for the first year of the present biennium, an estimate of the expenditures for the second year of this biennium, and the departmental requests, fol-

lowed by my recommendations of appropriations to be made by the legislature for the ensuing two-year period. The recommendations that I have made of amounts to be appropriated are subject to change within fifteen days by the incoming Governor, and the Budget as thus amended becomes the Budget in fact. In other words, the budgetary recommendations contained herein are purely advisory and are not binding upon the legislature, except as they are not amended in the Budget that will be submitted by my successor.

In my recommendation of appropriations to be made for the forthcoming biennium, I have acted exactly as would have been done had I been continuing in office, or as would be done in the conduct of my own business. I have, therefore, limited the totals for the various expending agencies to the minimum of necessity, for I realize that there is a wide spread demand for a reduction in taxes.

If state taxes are to be reduced and held within bounds this will be possible only thru confining the state's activities to the actual necessities. You are not justified in making appropriations or creating new activities upon the lone theory that there is a demand for them, for experience tells us that when the day of reckoning comes, this argument has little weight with the voters. The demand in each succeeding political campaign is for lower taxes, and you must anticipate that demand instead of hoping to be able to meet it during a political campaign.

The total recommendations for appropriations contained in this Budget amount to \$22,025,357.55. Of this total, \$13,912,235.53 is to be derived from tax funds, and \$8,113,122.02 from all other sources, including Federal Aid, fees and licenses, and other cash funds. Of the \$13,912,235.53 from tax funds, \$1,876,747.75 is for the capitol fund, and \$12,035,487.78 for the general fund. Estimated cash receipts to the general fund for the biennium \$1,875,000,000, leaving \$10,634,903.90 to be raised by taxes. The total requests from expending agencies were \$27,725,434.39. The reduction of \$5,700,076.84 that I have made from the total requests consists principally in items for permanent improvements or capital investments. I feel that under present conditions, the state can well forego such expenditures. If these recommendations are adhered to, it will be possible to reduce the general fund levy for each year of the succeeding biennium 15%.

The principal purposes for which the recommended appropriations are to be made are indicated in the following:

Education (State University, Normal Schools,

Department of Public Institutions, Vocational Education)	\$8,844,086.40	40%
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Penal and Charitable Institutions (Board of Control)	4,349,536.32	20%
Roads, bridges and paving (State and Federal Funds)	3,714,008.00	17%
New Capitol Building (Special levy of .3 to run for six years, beginning in 1919).....	1,876,747.75	9%
All other activities of State Government.....	3,240,978.99	14%

Not only do these items indicate the principal purposes for which state money is being used, but also the principal activities with reference to which action must be taken by you if appropriations are to be held within bounds.

The increase in taxes during the last four years has been chargeable in no small measure to the revenue that it has been necessary to raise to meet Federal Aid. To be exact, the amount of the increased appropriations from tax funds during the last four years has been \$17,522,886.60. Of this amount \$5,710,976.47 was appropriated to meet Federal Aid, and of that total \$5,062,101.47 was for the building of roads.

I am a staunch advocate of good roads, and I believe that Federal Aid for road building has been very useful in the State of Nebraska. Three million dollars is available from this source for the next biennium. I am recommending that the state accept one-half of this amount or one and one-half million dollars, the state fund to meet that aid to be raised from a tax of one cent per gallon on gasoline used in motor propelled vehicles that use the roads. A further discussion of this subject will be contained in my final message to you.

The largest increase in appropriations is contained in the item for the state's penal and charitable institutions. This total includes increases both for maintenance and permanent improvements. The increase in the population of these institutions has been thirteen per cent during the last two years. This does not include the hundreds of unfortunate people who would be enrolled there now if the state was able to accommodate them. The only reason that this expending agency will not show a deficiency at the end of this biennium is that I have said to the Board of Control that they should not accept more inmates than they are able to care for within the appropriations of the last legislature. I am urging upon you now that the appropriations to be made for this expending agency shall not be so limited as to warrant a continuation of such a policy. It is your duty to see that the wards of the state are adequately provided for, and I know that the people of Nebraska would not have it otherwise, regardless of the demand for a reduction in taxes.

The increases that have been recommended for the University and Normal Schools are only nominal and are hardly in keeping with the growth that these institutions have shown during the past two years. Your attention is called to three expending agencies that now train teachers for the public schools: First, the normal schools for which the total requested appropriations are \$2,303,471.67; second, the teachers' college in the State University, for which \$113,852.73 is appropriated; third, the normal training course in high schools, for which \$255,400.00 is included in the item of state aid under the Superintendent of Public Instruction. I recommend that you consider these items very carefully, with a view to eliminating any duplications of effort or expenditure that may now exist.

From the supporting schedules included in the Budget, you will note that practically no recommendations are made for increased salaries. On the other hand a very marked reduction obtains in the salary roll for departments under the Civil Administrative Code. This reduction is made possible by the graduated scale of salaries that are paid in these departments, dependent upon length of service.

Certain funds of the state which are expended on warrants are not carried in the list of appropriations or biennial requests, but are simply shown on balance sheets in order to give the condition of these funds at the close of the last fiscal year. These funds include hail insurance, temporary school fund, the forest reserve, state equipment and material fund, the stationery revolving fund, Handcraft Furniture, and the interest on bonds purchased for the relief of ex-soldiers. While some of these funds have not been appropriated by the legislature heretofore, I think under the constitutional provision, it would be advisable for the legislature to make appropriations of these funds, but not carry them in the regular appropriation tables.

I would recommend that one additional fund, similar to the above be created to take care of the commercial activities of the State University. These activities include the cafeterias, dormitories, bookstores, and the hog cholera serum plant. All of these are in the nature of revolving funds, and to include these expenditures in the regular University appropriations would make the appropriations and the expenditures of the University larger than they would be for purely educational purposes.

I am pleased to be able to report to you that for the first time in the state, so far as I am informed, no expending agency will show a deficiency at the end of the present biennium. This is made possible by the operation of the Executive Budget, which went into effect with reference to all of the state activities in April, 1921. Under this system of executive control of expenditures and accounting, quarterly

estimates are submitted subject to the approval of the Governor, and no amount can be used in excess of the approved estimates. For the two quarters of the present biennium that yet remain, an amount of each appropriation for operating expenses remains unexpended, equal to that amount that has been released for expenditure during similar previous periods. Thus, the incoming administration should be able to complete the biennium without the creation of any deficiencies whatsoever, and comfortable surpluses should be shown in several of the items.

In accordance with Chapter 210 of the Laws of Nebraska, I am presenting to you the appropriation bills based on the Budget, with the request that they be referred to the Committee on Finance, Ways and Means of the House.

From the operations of the Executive Budget thus far, I am prepared to say that it is the most forward step that has ever been taken in the handling of the state's business, and I know of no alterations or changes that should be made in the form in which the Budget is now prepared and executed.

EXECUTIVE OFFICE

Lincoln, Nebraska

January 3, 1923.

TO THE PRESIDENT OF THE STATE SENATE AND GENTLEMEN
OF THE SENATE AND HOUSE OF REPRESENTATIVES IN
JOINT SESSION:

The forty-first (special) session of the Legislature authorized the State Tax Commissioner to make a study and prepare a special report concerning the revenue laws of the state. This study was made by W. H. Osborne, State Tax Commissioner, and I have the honor to transmit a copy of his report herewith.

Respectfully submitted,

SAMUEL R. McKELVIE,
Governor.

REPORT OF STATE TAX COMMISSIONER

LETTER OF TRANSMITTAL

Lincoln, Nebraska, January 4, 1923.

Honorable Samuel R. McKelvie,
Governor of Nebraska.
Your Excellency:

I have the honor to submit herewith my report in compliance with Senate File No. 2, 41st, (Special) Session of the Legislature, 1922,