Letter of Transmittal

Honorable R. L. Cochran, Governor,
State of Nebraska,
Lincoln, Nebraska.

Dear Governor:

I am submitting herewith tabulations carrying your budget recommendations for the biennial period beginning July 1, 1939, and ending June 30, 1941. The tabulation also carries the appropriations made for the present (1937-9) biennial period, and the expenditures therefrom for the first fiscal year.

Respectfully submitted,

Wm. H. Smith,
State Tax Commissioner
and Budget Director.

BUDGET MESSAGE
OF
R. L. COCHRAN, GOVERNOR

Delivered to the Fifty-third Session of the Legislature of Nebraska, January 23, 1939.

To the Members of the Fifty-third Session of the Legislature of Nebraska:

In accordance with the constitution, I am transmitting herewith my budget recommendations to your honorable body. My approach to the problem of preparing this budget is best explained, I believe, by quotation from my inaugural message from which I read as follows: "The assessed valuation of all physical property in the state was $3,167,489,300.00 in 1929. The assessed valuation in 1938 was $2,033,302,482.00. This means that in order to raise the same amount of state appropriations from property taxes today, it will require 1.55 mills as compared with one mill in 1929. In other words, it requires a 55 per cent greater levy to raise the same amount of money than it did in 1929. This means that we cannot expect to maintain

the same standards of governmental service, both local and state, as were maintained a decade ago when we were possessed of greater wealth and a correspondingly greater income . . . My ideas are in harmony with the report of the Legislative Council which recommends that sufficient reductions be made in appropriations for the next biennium to absorb any delinquencies in the general fund during this biennium to the end that the state levy for the next two years may not exceed the levy for this two-year period."

I need not tell you that in preparing a budget in harmony with this sentiment expressed by both legislative and executive agencies it was necessary to depart somewhat from the usual methods of budget making based largely on demonstrated needs. It was found necessary to apply arbitrary reduction after the budget had been prepared based on minimum needs of the various expending agencies included in the budget.

The following items explain the procedure followed, after consultation with the Chairman of your Appropriations Committee and the Chairman of your Legislative Council:

Total appropriation for the biennium 1937-39 from property tax sources exclusive of emergency appropriations	$12,373,837.99
First budget arrived at following hearings with expending agencies	11,932,163.20*
Reduction 1939 under 1937	$ 441,674.79

It was estimated that this reduction was not sufficient to absorb the estimated deficiency in the general fund (due to delinquencies in tax payments) during the present biennium, **allow for the same degree of delinquency during the next biennium** and still prevent the levy for the next two years from exceeding that for 1938.

It was estimated that in order to carry out the recommendations of your Legislative Council and your Governor, a further flat reduction of six per cent was necessary (except in a comparatively few cases where statutory requirements made it impossible). By applying this percentage, with the exceptions as noted, to the first budget total arrived at, $11,932,163.20, it was reduced in the amount of $655,081.03 to $11,277,082.17.

Wherever possible I have further reduced departmental budgets by an amount equivalent to the anticipated unexpended balance in these appropriations on July 1, 1939. These anticipated balances

* NOTE: Does not include appropriations for legislative council, legislative reference bureau or secretary of the senate, as explained elsewhere in this message.

were arrived at by determining the rate of expenditures for the first eighteen months of the present biennium, and assuming that expenditures for the remainder of this biennium would not exceed this rate.

The final total of property tax fund appropriations recommended herein includes certain new items not reflected by the first total at which I arrived following the budget hearings.

The following is a comparison of property tax fund appropriations for the 1937-39 biennium and recommended property tax fund appropriations for the 1939-41 biennium:

Total tax fund appropriations, 1937-39	$12,373,837.99
Total budget recommendations for tax fund appropriations, 1939-41	$11,158,170.82
Total recommended reduction in property tax fund appropriations for 1939-41 biennium under 1937-39 appropriations	$ 1,215,667.17
Total federal, cash and other funds appropriated 1937-39	$42,839,983.81
Total federal, cash and other funds recommended in this budget (including revenue from county insane tax levy, estimated $940,526.26)	$40,473,079.68
Recommended reduction in cash and federal fund appropriations for 1939-41 biennium under 1937-39 appropriations	$ 2,366,904.13

Following is a comparison of the grand total of appropriations from all sources for the 1937-39 biennium with the grand total of recommended appropriations from all sources for the 1939-41 biennium:

Grand Total 1937-39	$55,213,821.80
Grand Total 1939-41	$51,631,250.50
Grand Total Reduction	$ 3,582,571.30

It should be pointed out here that the grand total of appropriations for the current biennium as shown above does not include emergency appropriations.

Wherever practical in the interest of economy as well as in the interest of equality between departments and bureaus, we expect to apply the same policy, relative to reductions, to departments and bureaus maintained by cash funds as in the case of those agencies maintained with property tax funds. The computations made here

and the results referred to are based on the assumption that present assessed property valuations will be maintained. At this juncture I again call attention to the necessity for legislation making more effective the intangible tax law and as a result affording relief to other classes of property; also to the necessity for greater equalization by improving the administration of personal property assessments.

Charitable and Penal Institutions

Explanatory of the lump sum item of $250,000.00 recommended for repairs, remodeling, equipment, furnishings, and replacements, it is estimated that $140,000.00 will be required to furnish and equip new buildings, now completed or under construction, at Beatrice, Kearney, Lincoln, Hastings, and Norfolk. These very much needed buildings were made possible first, because of a very wise provision enacted by the 1937 legislature whereby the Board of Control was given a lump sum appropriation without specific earmarking; second, able administration of this fund by the Board of Control; third, because of the joint efforts of the board and the Governor in obtaining a 45 per cent public works administration allotment at a time when PWA funds were almost depleted, and when we were advised that Nebraska's share of PWA funds had been allotted. This made possible a million dollar program accomplished with little more than a half million dollars of state appropriations.

It is obvious that in order to use these buildings an appropriation of $140,000.00 for furnishing them in the next biennium is imperative.

I am including an item of $50,000.00 for the purpose of remodeling buildings and installing fire escapes at the two Milford Institutions in order to prepare them for use by senile mental patients. Here again is presented an opportunity to accommodate the large number of mental patients who are awaiting admittance to state hospitals. This appropriation, together with consolidation at Grand Island of the two Soldiers' and Sailors' Homes will be the means of providing better care and treatment for mental patients now held in counties, and at less cost to the taxpayers.

I call your attention to the fact that after consolidation of the Milford and Grand Island Soldiers' Homes at Grand Island that institution will have room for over 200 more members than the present combined population of the two institutions at the present time. In other words the consolidation of the Milford and the Grand Island institutions can be effected and will fill the Grand Island institution to only slightly more than 50 per cent of its capacity

In the case of the other Milford Institution, the Woman's Industrial Home, the board of control and the state planning board recommend, and I concur, that this institution be discontinued as a state

maternity home, and be operated in conjunction with the Soldiers' and Sailors' Home at Milford as a hospital for senile cases from the state insane hospitals. I make this recommendation because of the fact the population of the Woman's Industrial Home is so small that the per capita cost of operation is much higher than the cost of the same service rendered in private hospitals. It is agreed that the care of such cases can and should be handled by the counties in private hospitals at much less cost to the taxpayers.

Nebraska's state penitentiary has been singularly free of outbreaks. This has been due to the alertness of the officials rather than to physical characteristics of the plant. I am advised on good authority that similar institutions in many states are protected with fences surrounding the entrances and all approaches. Indeed we have such provision at both the state reformatory for men at Lincoln and the Women's Reformatory at York. Under present conditions at the Penitentiary there is equal if not greater danger from without than from within. It is estimated that it will cost $45,000.00 to relocate the highway in front of the Penitentiary, to build and illuminate a fence, and to construct a small building at the entrance to serve as a waiting room. This is urgently recommended as a security measure. (Plans for this proposed improvement can be seen at the office of the Board of Control).

An additional $15,000.00 is recommended for work inside the Penitentiary including removal of transformers to the outside and the installation of steam tunnels. Removal of the transformers is likewise a security measure.

I urge that the item of $250,000.00 recommended for the foregoing purposes be appropriated to the Board of Control in a lump sum for the reason that should PWA funds or other federal allotments be made available at a time when the legislature is not in session, the Board may take advantage of such funds and carry on much needed construction and in this way obtain the greatest returns possible during the next biennium as was done during the present biennium.

Education

As I have stated many times, I believe that one of the most important obligations of society is education of our youth. We should have as good educational institutions as we can afford; as good elementary and high school facilities as the respective school districts of the state can afford and as good institutions for higher education as the state can afford. Two years ago, a State Planning Board was created by the legislature. The Board's report is before you and contains its recommendations for a ten-year building program for

the state's higher educational institutions and charitable and penal institutions. May I quote from the report submitted by the Normal Board sub-committee of the State Planning Board:

"Whereas, your Normal Board Committee, in its study of the building requirements of the colleges under the control of the Board of Education for State Normal Schools, has found that the problem of laying out a recommended 10-year building program is complicated by the question of future educational programs and proper future functions of these colleges that it would materially effect their building needs; and

"Whereas, Studies already made indicate overlapping of activities of various educational institutions of the state and, in the opinion of the Normal Board Committee, call for a thorough study of the present educational needs and educational program of the State in order that a definite future program may be established which will serve as the factual basis upon which the future requirements of the various educational institutions may be anticipated.

"Therefore, The Normal Board Committee recommends that the Board of Regents of the University of Nebraska, the Board of Education for the state normal schools, and State Superintendent of Public Instruction, be invited to join with the Planning Board in a petition to the United States Office of Education for a survey of the Educational Program now being conducted in Nebraska and for recommendations for a sound future unified program in order that the Planning Board may thus be furnished with the basic data which this committee considers essential to the adoption of a sound building program."

This recommendation was adopted. At a meeting held since then the state university, represented by the Chancellor and the President of the Board of Regents; the state normal schools, represented by the Presidents of all four normal schools, and the Chairman of the normal school board who was represented by the comptroller of the normal board; the director of vocational education; the State Superintendent of Public Instruction and a representative of the U. S. Department of Education all have pledged cooperation in carrying out such recommended educational studies.

In connection with education, I have not recommended any appropriation for adult education under the State Superintendent. I have recommended a small increase in the appropriation for the State Library Commission with the thought that the most efficient way in which to give educational advantages to adults is by making books available to those who desire them.

Relative to the operation of the normal schools, I wish to quote further from the report of the State Planning Board as follows:

"The Planning Board has found that the revenue from the rentals collected from the students living in the dormitories at the State Teachers Colleges is applied to the amortization of the bonds sold to finance the dormitories and is not applied to the maintenance and operation of the dormitories. This means that in following this policy, when the construction of a new dormitory is authorized, state funds are, in effect, obligated to operate and maintain these dormitories. The Planning Board also found that all expenses incurred in operating and maintaining the dormitories at the University of Nebraska are met from the rentals from the dormitories. The Planning Board believes that the policy of the University of Nebraska in this matter is the correct one and that the requirements of existing statutes are met in so doing.

"A heating expert, employed by the Planning Board to study the needs of the Normal Schools, has recommended that boilers are needed at several Normal Schools. A study of his report clearly shows that the need for additional boiler capacity is required because of the heavy heating load requirements of the dormitories and in certain cases, the need for a new boiler is definitely shown to be the result of the increased heating requirements resulting from the construction of the dormitories under the current PWA programs.

"The Planning Board therefore recommends that no appropriation be made for new boilers and that the cost of any additional heating requirements caused by the construction of dormitories be met from the revenue of the dormitories. . . . It is recommended that a certain sum be designated for maintenance of buildings in the general fund appropriation for each school and that accounting be made of such expenditures on each building, on each campus. This maintenance cost item should include all costs of maintaining a building in good condition other than the cost of light, heat, janitors' wages and major replacements. Specific amounts are recommended for each college under the discussion of each college.

"This recommendation should not be interpreted as necessarily recommending an increase in the general fund approprition for these schools. Certain portions of past general fund appropriations have no doubt been intended for repairs and maintenance and the Planning Board recommends that certain portions of the general appropriation be specifically designated for maintenance."

It appears that the policy followed by the normal schools with reference to dormitories is outside of the spirit if not the letter of the law. I most heartily concur in the recommendations of the Planning Board. I also concur in the recommendations of the Planning

Board where they state: "The Board recommends that a uniform accounting system be set up by each agency to show in the necessary detail the cost of operation and maintenance of buildings and operating equipment. Such a system would permit each institution to benefit from the experience of others and would provide subsequent legislatures with definite information as to actual cost of building maintenance and operation."

With reference to higher education generally, I renew my recommendations relative to submission of a constitutional amendment for the purpose of consolidating all of the state's institutions of higher education under one board of education.

Board of Educational Lands and Funds

The people of the state by their votes eliminated the office of Commissioner of Public Lands and Buildings. Your attention is called to the fact that the budget shows a saving of the salaries of the commissioner and a deputy, totaling $15,280.00.

State Treasurer

I call your attention to the provision for a semi-annual audit of the office of the State Treasurer. This item is considered of equal importance to the provision for the State Treasurer's bond.

Planning Board

I have discussed some of the activities of the State Planning Board under the subject of education. I recommend that the tuberculosis survey be continued in co-operation with the state Department of Health, both in the interest of humanity and in the interest of economy. Experience thus far had with this survey shows that it will save the state money. It costs the state approximately $500.00 per year per patient to care for and to treat each tuberculous patient at the Kearney Institution. Early diagnosis and discovery of tuberculosis will reduce the number to be hospitalized. Such a program likewise will reduce the spread of this disease. The benefits of a tuberculosis survey will be reflected in smaller appropriations for the State Tuberculosis Hospital in the future. I sincerely believe it is an expenditure of money to save money. I wish our economic conditions warranted making even greater progress in this important work.

Law Enforcement

I am recommending a slight increase in the appropriation for the State Sheriff's office for the purpose of providing a bulletin to

be sent to all law enforcement agencies, which should result in greater efficiency on the part of all such agencies.

While I am not recommending a change in our present system of law enforcement, which is carried on mainly by local officials, I do recommend that, in the interest of a better understanding, you give a hearing to any of those who believe that in an emergency the Governor should be all powerful in directing local law enforcing agencies.

Legislative Reference Bureau and Other Legislative Agencies

While I am reluctant to suggest anything affecting agencies related to the operation of the legislature, I do find it necessary in connection with my budget recommendations to call attention to the fact that there are three separate and distinct continuing legislative agencies provided by law, the Secretary of the Senate, the Legislative Council, and the Legislative Reference Bureau. It would appear that there should be a consolidation of these agencies.

Social Security

Your attention is called to the fact that the revenue from three-fourths of a cent of gasoline tax, all beer and liquor taxes, estate taxes, and the per capita tax as now collected (approximately 60% of the head tax now being collected) will produce revenue in the amount of three million seven hundred and fifty thousand dollars ($3,750,000.00) of state funds per year. This would be equivalent to the state appropriations for the present biennium. I feel that we should devise a way to make head tax collections more effective and complete than at present. By doing so the anticipated revenue for social security might be increased by several hundred thousand dollars. In this way we should be able not only to maintain present assistance payments, but also to have a surplus with which to meet contingencies, such as increases in the number of those on the assistance rolls or to meet other conditions which might arise during a two-year period.

Highways

The status of highway improvements when work now under contract is completed will be as follows:

Paving	2,925	miles
Gravel	5,450	"
Earth	358	"
Total	8,733	miles

Each year has seen the highway system expanded and new routes taken over for maintenance by the state. It is interesting and satisfying that despite this greatly increased mileage maintained, the total cost of highway maintenance has been kept at approximately the same level for the past five years. This has been the result of economies effected, new methods developed, together with the judicious use of higher type surfaces where traffic conditions and other factors make the cost of maintenance excessive. There is no other state activity where expansion and increased building have not resulted in increased maintenance cost.

Both as to construction and maintenance of highways Nebraska continues to get more for its tax dollar than any other state. This was confirmed by a visiting highway engineer from a foreign country sent to the United States by his government and referred to Nebraska by the U. S. Bureau of Public Roads to study our methods. I quote from comments by R. A. Farquharson, Staff Writer with the Toronto Financial Post, who had previously visited Nebraska: "Motoring through other states enroute to Nebraska, where I went to find out how that state does it, and see if there were lessons we could learn in Canada, I was told many times: 'Sure they have no debt, but have they anything else?'

"If there is a catch I failed to find it. Statistics do not show it. The truth is that Nebraska is not a wealthy state and Nebraskans know it. It does not undertake services it cannot afford. Having no debt, it can control its expenses. When depression comes or drought drys up the taxpayers' sources of income, state expenses are slashed.

"But what about the roads? One of the first persons I met in the strikingly beautiful capitol building at Lincoln was Senor Podesta of the Argentine Highways Department, who has settled down for the summer to make a complete study of the Nebraska road building system.

"They get more roads for less money than any other state in the two Americas, he told me. Nebraska has 8,000 miles of surfaced roads in a one hundred and eleven million dollar state highway system. Its black top roads are built at a cost of $4,000.00 a mile on a gravel base.

"Senor Podesta was only one of a number of foreign visitors. Engineers have come from South Africa, Australia, Brazil, Cuba to study the economy of Nebraska's road building. The roads are not meant for heavy traffic, such as between Toronto and Niagara Falls.

Traffic of three thousand cars a day would be the Nebraska peak. And economies in maintenance have been developed to keep pace with new construction.

"Having no debt, paying for the roads out of income as they are built, has kept Nebraska free from expensive splurges of road building."

As a state concerned with economy in government, we are desirous of matching federal highway allotments to Nebraska with a minimum of state taxation. With this thought in mind, I recommend that an amount be set aside before allocation of the gasoline tax is made to the counties for the purpose of matching federal funds for local feeder roads. Under the present authorization of federal feeder road funds for the next biennium, Nebraska's share of these funds will be approximately $308,000.00 per year. While it will not require a full one-quarter cent of gasoline tax to match these funds, I recommend that as much as is necessary be set aside, having in mind that it is necessary not only to match them, but also to provide for right of way and other incidental costs in which the federal government will not participate. Under such a program we will have the maximum capacity to match federal funds for highways and social security without any increase in state funds.

It is a sound policy to match the federal feeder road funds with a portion of the counties' share of the gasoline tax because the improvements are generally made on roads now under county control and county maintenance. It probably will take no more than thirteen per cent of the counties' share to accomplish this.

Speaking of a highway program generally, any curtailment in the program at this time will work to the disadvantage of those sections of the state where the highways have not been brought to a final standard of construction. These sections have contributed to the building of highways in other portions of the state. To deny funds now to those sections in which highway improvements have not been made, creates a gross inequality in taxation. In preparing the budget for the Department of Roads and Irrigation, I assumed that the present rate of gasoline tax will be continued and that three-fourths of a cent of gasoline tax will be used for social security as recommended in my inaugural message.

Conclusion

In conclusion there are a number of important appropriation items which I have not discussed in this message due to the fact that I consider the figures self-explanatory. I assure the legislature and

your finance committee that I desire to work with you in providing for our institutions and agencies in the most intelligent manner possible, consistent with the ability of our people to pay.

Respectfully submitted,

(Signed) R. L. Cochran, Governor.

With his message the Governor submitted tabulations carrying his budget recommendations and two official budget bills, one to provide for the payment of the salaries of the officers of the Nebraska State Government, and one making appropriations for the state government, for the biennium ending June 30, 1941.

SUPPLEMENTARY MESSAGE FROM GOVERNOR

January 23rd, 1939.

To the Members of the Fifty-third Session
of the Legislature of Nebraska:

I am submitting herewith a report showing the moneys received by myself, as Governor, during the period beginning January 7th, 1936, to and including December 31st, 1938.

This statement shows the money received for warehouse licenses, extradition warrants, federal aid for soldiers' home, and miscellaneous items, which were deposited with the State Treasurer.

There is included in this total one item for $1.00 and one item for $7.50, total $8.50, received in December, 1938, but not deposited with the State Treasurer until January 7th, 1939.

Respectfully submitted,

(Signed) R. L. Cochran, Governor.

January 23rd, 1939.

Report of Money Received by the Governor During the Term Beginning January 7th, 1936, to and Including December 31st, 1938.

Source	Amount
Fees for warehouse licenses	$ 77.00
Fees for extraditions	125.00
Federal aid for Soldiers' Home	27,178.55
Miscellaneous items	191.67
T. H. Maenner check for $186.67 for refund on a deficiency claim filed with legislature.	
Paul P. Chaney check for $5.00 in payment for desk, appraisement made by Mr. Tilley and Mr. Younkin for the purpose of fixing sale price.	
Total	$27,572.22

Respectfully submitted,

(Signed) R. L. Cochran, Governor.

BILLS ON FIRST READING

The following bills were read the first time by title:

LEGISLATIVE BILL NO. 95. By Hastings of Polk.

A bill for an Act relating to public safety; to provide for safeguarding of persons and of buildings and their contents from electrical hazards arising from the use of electricity for light, heat, power, radio, signaling and for other purposes and promoting the welfare of the public; establishing minimum standards for the installation of electrical wiring and equipment; requiring that all such installations of electric wiring and equipment shall be made in conformity with the provisions of this Act; empowering the State Fire Marshal to administer and enforce this Act and prescribing his duties, rights and authority thereunder; authorizing the State Fire Marshal to employ Deputy Electrical Inspectors and fix their compensation, and prescribing their duties, rights and authority; authorizing the State Fire Marshal to provide for the inspection of electrical wiring and equipment, establish fees therefor, and prescribe necessary administrative rules for enforcement of this Act not inconsistent with the provisions thereof; exempting from the provisions of this Act certain types of electrical installations and also all installations located in municipalities of the State of Nebraska which enforce by ordinance and inspection, electrical standards for the installation of electrical wiring and equipment