

REPORT—Committee to Wait Upon Governor's Secretary

The Committee to wait upon the Governor's Secretary and escort him to the Legislative Chamber returned with Mr. Otho K. DeVilbiss, Secretary to the Governor, who read the following message to the Legislature.

BUDGET MESSAGE OF R. L. COCHRAN, GOVERNOR

To the Members of the fifty-fifth session of the Legislature of Nebraska:

Gentlemen:

Section 7 of Article 4 of the Constitution of Nebraska, provides that the Governor "at the commencement of each regular session, shall present by message a complete itemized budget of the financial requirements of all departments, institutions and agencies of the state, for the ensuing biennium. Said budget shall be prepared with such expert assistants, and under such regulations as may be provided by law. No appropriation shall be made in excess of the recommendation contained in such budget, unless by three-fifths vote of the Legislature, and such excess so approved by three-fifths vote shall not be subject to veto by the Governor."

Section 81-302, of the Compiled Statutes of Nebraska for 1929 provides that "in case of a change of administration, the outgoing Governor shall deliver the budget to the legislature previous to the close of his term, and the incoming Governor shall have fifteen days in which to review the budget as prepared and delivered by his predecessor, and may send to the Legislature a supplementary budget message, making suggestions of any changes which he deems wise, and the constitutional requirement for a three-fifths vote to increase the items and recommendations contained in the budget shall relate to the supplemental message of the Governor."

In accordance with the foregoing constitutional and statutory provisions, I am transmitting herewith my budget recommendations to your honorable body, and my worthy successor will later submit to you his recommendations, in accordance with the provisions of the statute.

In the preparation of this budget I have kept in mind, as I have heretofore in the preparation of budgets, not only the needs of the various expending agencies, but also the ability of the taxpayers to pay for those needs. Six years ago my worthy predecessor called attention to the fact that, added to our other adversities, we had, in 1934, just preceding his message, the worst drought in the history of the state. I call your attention to the fact that we have had six

additional years of drought of quite general character since the condition referred to by Governor Bryan.

Farm income, our main and almost exclusive source of revenue, has declined by more than fifty per cent in the past ten years. Our population has declined and the valuation of property for assessment purposes has declined.

The ability of people to pay taxes is best measured by income and by assessed valuation of property. As a result of reassessment of real property in 1940, we have seen a decline of 6.1% in the valuation of all property. In the preparation of this budget, I have felt that total expenditures should be reduced in a percentage equal to the overall reduction in assessed valuation of all property for taxation purposes. In this we found many cases where reductions were not possible because of constitutional or statutory provisions. Accordingly, I made a reduction of 7% where possible in order to obtain a net reduction in the total of property tax appropriations in proportion to the reduction in the assessed valuation of the state.

BOARD OF CONTROL

During the past six years we have, by taking advantage of all available federal funds together with appropriated state funds, expended \$2,501,894.00 for improvements, mainly for mental hospital ward buildings. These expenditures were made not alone for the purpose of providing safe housing facilities but also to relieve the waiting list of those confined and cared for in counties at a cost greater than that for which they can be cared for by the state. Because of these increased facilities and the resultant increase in population, amounting to 1,348 additional patients by the beginning of the next biennium, an increase in maintenance of institutions under the Board of Control is recommended.

EDUCATION

In keeping with the policy of this budget, I recommend a 7% reduction in maintenance fund of the University and the four normal schools.

I eliminated an item of \$94,000.00 for aid to normal training in high schools as heretofore appropriated to the Superintendent of Public Instruction. I am advised by educational authorities that Nebraska is one of the few states which still make appropriations to high schools for normal training. My study convinces me that there is no reason for a continuation of this policy. Normal training is provided through four state normal schools and the state university.

I believe that this sum can be used more efficiently by allocating it to these institutions which are specifically provided with facilities for doing this kind of educational work. In this budget I have, accordingly, allocated the item of \$94,000.00, appropriated to the State Superintendent of Public Instruction in 1939, to the Four Normal Schools and the State University. Certain it is, too, that from a geographic standpoint, this arrangement will provide more equitable distribution of educational advantages.

I have not recommended any appropriation for payment of tuition for children living in Army posts and attending public schools. I do not consider this a state responsibility. I consider it a responsibility either of the federal government or of the local community in which the Army posts are located. I think that each community where a post is located derives in federal money, directly or indirectly, a substantial advantage. It is my belief that these advantages they accept should carry also the responsibility that goes with them.

DEPARTMENT OF ROADS AND IRRIGATION

This budget contemplates a continuation of the present sources of revenue at the same rates for financing our highway program. The increase in the budget for the Bureau of Irrigation is occasioned by the expansion of the irrigated area in Nebraska by the building of new projects requiring an additional office to be located at St. Paul for the administration of the irrigation laws.

GAME, FORESTATION AND PARKS COMMISSION

Six years ago I recommended to the legislature that the maintenance of state parks be financed entirely from property tax. This recommendation was adopted by the legislature of 1935. Since that time, according to members of the Game, Forestation and Parks Commission, there are increased needs and burdens which have accrued to the parks division of the service so that larger appropriations are being requested for maintenance. Then, too, there are requests for additional parks such as Fort Kearney and others. I can visualize this becoming a considerable financial burden to the state.

Two years ago the Legislature raised the license fees for hunting and fishing from \$1.00 to \$1.50. This provides additional revenue for this department and I think it is entirely appropriate to spend out of this increased fund what is necessary to maintain the parks of the state. Therefore, in my budget I have omitted any item for maintenance of parks from property tax funds. This budget proposes that the maintenance of parks as well as all other activities under this commission be financed by proceeds from fishing and hunting

licenses. I recommend the repeal of Section 37-212, C. S. of N., 1929, as amended in 1935.

EXECUTIVE DEPARTMENT

Your Governor's mansion is an adequate and comfortable home for the Governor and his family, provided it is properly maintained and operated so that it does not prove to be too great a financial burden to the occupants.

Therefore, I make the following recommendations which only an outgoing Governor would feel free to make:

1. The responsibility of the physical maintenance of the mansion and grounds be given to the custodian of the capitol.
2. An increase from \$3,200 to \$5,740 for the maintenance of the Governor's mansion. There are two reasons for this increase: First, the unwarranted and excessive cut of almost one-third made for the Governor's mansion by the legislature two years ago; and second, I have estimated \$750 as the amount necessary to repaint the mansion, which is badly needed for its preservation.

I have recommended an increase from \$4,272.61 to \$5,000 in the maintenance of the Governor's office. My experience in the office convinces me that the increased responsibility of the office makes this increase necessary.

ATTORNEY GENERAL

My recommendations for this department represent a reduction of approximately \$23,000 below the appropriation made two years ago.

During the past two biennial periods, appropriations made for this department showed considerable increases over the previous bienniums, during a time when general reductions were being effected. For the general administration of the office, exclusive of the item for interstate irrigation litigation, I have recommended the same amount as for the 1935-1937 biennium, allowing for salary difference prior to Supreme Court decision.

CUSTODIANSHIP OF CAPITOL

An increase of \$8,332.33 has been recommended for the maintenance of the capitol. This increase is made necessary because of diminishing receipts from the old capitol building levy which in previous years have gone for maintenance of the capitol.

SOCIAL SECURITY

Attention is called to the fact that the law providing for the use of one cent of gasoline tax for state assistance will expire July 1, 1941. This budget is based upon the assumption that this law will be re-enacted and continued for the coming biennium. This budget contemplates collection of revenue for state assistance from the present, four sources: beer and liquor taxes, one cent of gasoline tax, the per capita tax of \$2.00 on those between the ages of 21 and 50 and estate taxes.

PLANNING BOARD

I recommended the discontinuance of this activity, and therefore recommend no appropriation.

LEGISLATIVE COUNCIL

I recommended the discontinuance of this activity, and therefore recommend no appropriation.

HISTORICAL SOCIETY

This budget shows an increase in the amount of \$8,550.00 recommended for the State Historical Society. This recommendation is made for the reason that I think the amounts previously recommended have been so small and the work of the Historical Society has so grown that in my judgment the amounts recommended are seriously needed to the end that a record of Nebraska's history be properly maintained for its educational value to present and future generations.

DEPARTMENT OF AGRICULTURE

Two years ago the legislature passed a bill providing for egg inspection. However, through error an appropriation was not made for its administration. This budget includes \$10,000.00 for making effective the law passed two years ago.

DEPARTMENT OF HEALTH

I have recommended an appropriation of \$5,000.00 for the installation of a master filing system, the necessity for which is due to present emergency condition in world affairs and defense activities in this nation which have created tremendous demands for copies of birth certificates.

PUBLICATION OF GOVERNORS' MESSAGES

It is my understanding that the University of Nebraska is sponsor-

ing a WPA project costing \$30,000 in federal funds for the purpose of making a permanent record of certain historical documents, including the publication of the addresses of the Governors of Nebraska. It appears that the good which can be realized from this project will largely be lost without the publication of these records and I have, therefore, recommended \$3,000.00 for the publication of the Governors' messages.

CONCLUSION

In general there are two classes of taxes—those derived from property and those derived from fees, licenses, etc.

I hope this legislature does not attempt to delude the public as did the last, which attempted to show by making the low estimates of appropriations from fees and other cash sources, that reductions in appropriations had been made where no such reductions existed. For example, I quote from a report of the Director of Research of the Legislative Council: "There was a reduction of \$4,419,840.13 in appropriations made by the 1939 Legislature under those made by the Legislature of 1937."

The real facts are that reductions in appropriations were made by the last Legislature in the amount of \$1,581,144.01.

The only way to give the taxpayer a reduction in taxes other than property taxes is by actually reducing the rate of assessment of the gas tax, the insurance tax, game and fish licenses, the auto registration, etc., rather than merely inserting a figure that in no way influences either collection or expenditure. Let us be honest with the public. The budget message I submit shows no reductions except in property tax. I have made a reduction in property tax recommendations in line with the reduction in assessed valuation for 1940. I hope this legislature can find ways to reduce my budget. To go beyond my budget means an increased burden on property, or in lieu thereof, a new form of taxation. May I say, frankly, I am opposed to either. I do believe that he who advocates a greater appropriation than that which I have submitted in effect advocates a new form of tax such as a state income tax or a general sales tax. I am opposed to both. I am likewise opposed to levying a heavier burden on property taxes.

The people of Nebraska are proud of the fact that we have during the past six years resolutely avoided the adoption of an income tax or a general sales tax, and have likewise succeeded in maintaining the state property tax levy at a consistently low rate.

In preparing this budget I have found it necessary to depart from my knowledge of needs and have been guided rather by my

knowledge of the reduced ability of the taxpayers to pay. In this I have used as a measuring stick the reduction in assessed valuation of property made in 1940.

As required by Section 81-313, Compiled Statutes of Nebraska, 1929, I am submitting bills for appropriations as recommended in this budget.

Respectfully submitted,

(Signed) R. L. COCHRAN,
Governor

Submitted with his Budget Message was a copy of the Governor's Budget for the 1941-1943 biennium and his proposed budget bill for the fifty-fifth session.

At 10:50 a. m. the President declared the Legislature at ease.

At 11:14 a. m. the President called the Legislature to order.

REPORT—Committee on Committees

Mr. President: Your Committee on Committees submits the following action taken by the committee in the selection of the standing committees.

(Signed) Ernest A. Adams, Chairman

Standing Committees

AGRICULTURE—Neubauer, Chairman

Metzger
Weborg
Carmody
Hanna

Matzke
Mischke
Ray Thomas
Knezacek

APPROPRIATIONS—Callan, Chairman

Reed
Norman
Tvrdik
Greenamyre
Raecke

Jeppesen
Carlson
Garber
Mueller
Howard

BANKING, COMMERCE & INSURANCE—Thornton, Chairman

Peterson
Sullivan
Lambert
Bowman

Van Diest
Kotouc
Ernest Adams
Asimus