

The President put the question "Shall the debate cease?"

Mr. Doyle asked unanimous consent to talk two minutes.

No objection was offered.

The President restated the question "Shall the debate cease?"

The motion prevailed with 39 ayes, no nays, 4 not voting.

Mr. Sorrell's motion to adopt the report of the committee was restated.

The motion prevailed with 19 ayes, 16 nays, 8 not voting.

MOTION—To Escort Governor

Mr. President: I move that a committee of five be appointed to escort the Governor to the legislative chamber.

(Signed) Greenamyre

The motion prevailed and the President appointed the following members to serve on said committee:

Greenamyre, Chairman

Crosby

Mueller

Hanna

Peterson

The committee retired and subsequently returned with the Governor, who delivered the following:

BUDGET MESSAGE OF GOVERNOR DWIGHT GRISWOLD

Delivered to the Fifty-sixth Session of the Legislature

of Nebraska, January 12, 1943

Mr. President, Mr. Speaker, Members of the Senate:

With our economic and social standards influenced by the tide of the war, planning for the wise appropriation of funds for proper functions of state government is difficult. I have found it so in the preparation of my budget recommendations and I am sure you will find it so as you proceed with the task of setting up the appropriations.

Even after making allowances to permit comparison of our pres-

ent scope of government with the limited state functions of 25 years ago, the job is more difficult than it was during World War I. It is more complicated now, because that conflict did not so directly or continually affect the private lives of our citizens, the operations of our businesses, industries and farms, nor the activities of our local and state governments as does the present world struggle. Despite these complexities, however, I am confident that with care, we can appropriate wisely.

During the summer and fall of 1942, Tax Commissioner Brady visited all of the State institutions except the Prison Farm at Genoa, the Girls' Industrial School at Geneva and the Women's Reformatory at York. He will be available to discuss with you the conditions of the state's physical plants.

The Budget submitted herewith largely speaks for itself, but there are several items and specific problems, to which I wish to direct particular attention.

Personnel Problems

Like other employers, the State of Nebraska has had personnel problems during the past two years. It is a common and candid observation that the state has never paid high wages. As the general need for competent workers has increased, the state, as an employer, has felt the effect of competition willing, and able, to pay more.

To offset this loss in personnel, it has been necessary to allow increases in salaries to many people working for the state but even as we have handled the problem, there has been entirely too great an employee turnover.

In a great many departments the number of employees has declined due to a decrease in their activities. I cite the record of the Department of Roads and Irrigation as a strong example. During the period beginning February 1, 1942, and ending November 1, 1942, the number of regular employees of this department declined from 876 to 688. The total payroll dropped from \$120,000 to \$99,000 even though some individual salaries were increased during the period.

There is reason to anticipate a continuation of this trend in many departments during the next two years, and we must plan accordingly.

I assure you that we are not keeping anyone on the state payroll merely that they may draw a salary, and I do not know of a single person working for the State of Nebraska who is not doing a full day's work for the salary drawn. We are hoping, of course, that before a year has passed, this nation will again be at peace. It does not appear possible, at this time, however, and we must make our plans accordingly.

No Construction

It appears that no construction will be possible until the war is over. A letter from Donald M. Nelson, Chairman of the War Production Board, dated Dec. 31, 1942, explains the necessity of using all possible manpower and construction material in the war effort. I quote the following from this letter:

"I am, therefore, asking you as well as the Governors of the other states to use your influence with the Legislature of your state and with the county and city governments within it, to restrain as far as it can possibly be done, any new construction during the year, 1943."

I feel that it is our solemn duty to cooperate in such a program. No construction of any kind is provided for in this budget except the very necessary repair of one roof at a cost of \$3,700. Our state buildings are otherwise in sufficient repair to operate efficiently for another two years without additional construction. We are fortunate that work done during recent years makes this possible.

Old Age Assistance

A year ago, when rationing of tires and automobiles was inaugurated, it appeared that reduced highway travel and the resulting decrease in gasoline tax revenue feeding the State Assistance program, would necessitate a special session of the Legislature.

As the months passed, however, three factors figured prominently in adjusting this pending difficulty without legislative action:

First, instead of tobogganing to a fearful level, in 1942 income from the state's five-cent gasoline tax dropped only \$520,000 below the all-time record collection established in 1941. Since one out of every five cents collected goes for assistance, this decrease meant assistance income from state gasoline tax was reduced only \$104,000.

Second, income from liquor taxes increased sharply, offsetting the amount the assistance program lost in gasoline tax revenue. A great deal of the liquor tax increase, however, resulted from a bookkeeping change in the law made by the 1941 Legislature, and from advance buying stimulated by an increase in the Federal liquor tax but even so it is reasonable to assume liquor tax revenue will remain approximately at its present level during 1943.

Third, improved administration and better Nebraska economic conditions brought a decline in the number of assistance recipients.

The following figures will show the change which has taken place on these rolls during the past three years.

Old Age Assistance

December, 1939	27,256
December, 1940	28,506
December, 1941	29,643
December, 1942	28,450

Aid to Dependent Children

December, 1939	11,688
December, 1940	12,618
December, 1941	12,789
December, 1942	10,300

It will be noted that during the past year there has been a real decline and this has permitted a larger average payment to partially meet the increased cost of living, and still maintained a cash balance. This balance on January 1 was \$1,054,000, state funds eligible for matching with federal funds on an approximate dollar for dollar basis.

With prudent use of this balance, it is my belief that present revenue sources are sufficient to meet the needs during 1943. Our experience with gasoline and liquor revenues during the past year proves their range cannot be accurately forecast. The best course, it seems to me, is to continue as in the past until change becomes necessary. That time may arrive next winter, and if so, it can be met by a special legislative session. Certainly, it would not be sensible for this Legislature to remain in session, merely waiting for time to reveal the exact need.

For several years, the state assistance expenditures have been approximately ten million dollars, half of which is furnished by the state and half by the federal government.

It is expected that during the calendar year, 1943, the state's share will come from the following sources, without any change in the law:

Unexpended balance, Jan. 1.....	\$1,000,000
Liquor tax	1,600,000
Head tax	800,000
Gasoline tax	1,600,000
TOTAL.....	\$5,000,000

We thus have adequate, matchable state funds in sight to assure continued operation of the assistance program for about a year and I give you my pledge that if these funds dwindle, I will call you in ample time for action.

State Institutions

Only through good planning and close cooperation has the State Board of Control been able to avert disrupted operations. Food costs have shot upward and wages have increased. Meanwhile, the Board has shouldered the responsibility of bringing improved treatments and methods to our mentally and physically handicapped.

You will be interested to know that the Kenny method for treating infantile paralysis is being installed at the State Orthopedic Hospital. In the mental hospitals, new treatments are being adopted as quickly as they are proved worthy.

I am recommending a considerably increased sum be placed at the disposal of the Board during the coming biennium. My hope is the Board will not find it necessary to use all of this amount, but I feel Nebraska has reason to be proud of its institutions and that the humane care they afford should not be jeopardized.

I am asking that the Nebraska Industrial Home at Milford be abolished. Its services can be rendered with little additional expense by the University Hospital in Omaha and the physical properties at Milford left available for other public use.

Two years ago, \$240,000 was appropriated for the addition of a new building at the Norfolk State Hospital. This construction was forestalled by the war and I am recommending that the \$240,000 be made available to the maintenance account of the Board. I feel, however, there is a moral obligation on the part of future legislatures to provide for this building at the first opportunity.

University and Normal Schools

Pending the outcome of current conferences between University of Nebraska and Federal authorities on possible use of the University in the war training program, I am recommending an appropriation from property tax funds identical with that allowed two years ago. I trust that before your deliberations are completed, these conferences will have cleared the way for a determination of the University's needs and that full information can be submitted to you.

I am recommending an increase for the College of Medicine and the University Hospital of about \$70,000. The College is now operating on a twelve instead of a nine months' basis, enabling medical students to complete the former four-year course in three years.

So that grain improvement work and research can be carried out, I am recommending an increase of \$10,000 for the Agricultural college. In the past, this work has been financed privately through the Nebraska Grain Improvement Association, but since it involves a co-operative testing program to adapt various crops to different soil types in Nebraska, I feel it is a function in which the College should take the lead.

Our four state normal colleges are in a position similar to that of the University in that it is difficult to foretell the effect that war will have upon them. Their enrollment is down radically from what it was two years ago. It seems likely that they will be forced to consolidate courses, release some instructors and prepare generally for further inroads of the war.

In the light of the uncertain immediate future I am recommending that their budget remain on the same basis as was set up two years ago. This recommendation contemplates increases in the salaries but a reduction in the number of instructors.

The appropriation for the state normal college at Wayne deserves special attention. Through years of careful planning, the school has accumulated a cash fund of more than \$40,000, a balance far greater than held by the other three colleges. I understand that Wayne authorities accumulated this balance hoping to build an athletic stadium.

At this particular time such construction is out of the question and my budget calls for a reduction of about \$40,000 in the property tax appropriation for the school at Wayne, and the appropriation of the accumulated cash fund balance in exchange. To be fair to the Wayne College, however, the State should appropriate the funds necessary for the stadium when such construction work again becomes possible.

In considering the Wayne situation, it must be remembered that so-called "Cash Funds" are the property of the State, just as are "Tax Funds" and that they accumulate usually because "Tax Fund" appropriations are larger than necessary.

The State Fair

My budget is submitted on the assumption there will be no State Fair held during the coming biennium. The fair management presented the 1942 fair as the last for the duration and it seems most unlikely that a State Fair would be patronized in 1943 or in 1944.

Highway Funds

I do not favor the diversion of any more of the gasoline tax now used for highway purposes. We have an accumulation of about \$2,000,000 resulting primarily from the stoppage of practically all new construction. It is doubtful if this balance will increase greatly in the future as maintenance will consume most of the income.

This accumulated sum, and more too, will be needed when highway traffic is again fully resumed and construction work is started. Certainly, it should not be diverted from its intended purpose.

Emergency Fund

Considering present conditions, it probably will be advisable for you to appropriate a fund for special emergencies which may arise. It was such an appropriation two years ago that enabled us to carry on the work of the defense organization and save the trouble and expense of a special legislative session.

Since the expenditure of such an emergency fund probably would be placed under my direction, I feel that the decision as to its creation and the amount properly rests with the legislative rather than with the executive branch.

The Permanent School Fund

Already before you is a report from the Board of Educational Lands and Funds enclosing a copy of the audit of the permanent school fund as made by the State Auditor. This audit shows that between 1870 and 1939 there was created in the permanent school fund a deficiency of about \$685,000.

Of this total, \$181,000 is really a bookkeeping shortage. This amount of money was received by the state as rent on certain saline lands transferred to the state by the Federal government.

Under the law, these rentals should have been credited to the permanent school fund but since 1893, through error, they have been placed in the temporary school fund and remitted to the school districts of the state.

In other words, the school districts over a period of years have received for direct expenditure \$181,000 which should have gone to the permanent school fund to be invested for their benefit.

I recommend that you provide that the income from these saline

lands go into the temporary school fund, and that you legalize what has already transpired.

With this change, the deficit in the permanent school fund would be reduced to about \$503,000. More than half of this was caused by a dishonest State Treasurer about 50 years ago. Another shortage of \$150,000 was caused by an illegal act of the Legislature in 1873. Nevertheless, the deficiency exists.

I would like to offer this solution. The state now holds many bonds, the income from which is tax free so far as federal income tax is concerned. Since the state pays no income tax in any case, this "tax-free" condition is of no advantage.

I recommend that you give the Board of Educational Lands and Funds authority to sell these tax-free bonds, buying in their place United States government bonds, the income from which would be taxable if held by individuals. By making this shift, the fund will show what might be termed a profit, perhaps equal to the deficiency.

The General Fund

Two years ago a deficit existed in the General Fund of the State and in order to remove it, the appropriations bill provided that certain cash balances be lapsed into the General Fund. These totaled several hundred thousand dollars, and this procedure, together with the payment of delinquent taxes due to better economic conditions, has changed the situation so that the General Fund now has a balance of about \$2,000,000.

I am therefore suggesting in the appropriations bill that the large and unnecessary balances in some of our cash funds be appropriated to the General Fund to be considered as "Unappropriated Miscellaneous Receipts and Fees" in accordance with the terms of Section 77-1007. This is the section which provides the manner in which the state tax levy shall be made, and the use of these cash balances in this manner will reduce the 1943 levy.

We can appropriate these cash balances for specific purposes, but I feel that it is better bookkeeping to lapse the balances into the General Fund and then appropriate from it.

Constitutional Amendment

I am proposing for submission to the people of Nebraska a prospective change in our constitution which will permit the Governor to veto items or parts of items of an appropriations bill.

The amendment would still leave to the Legislature its authority to pass such items over a Governor's veto by a three-fifths majority vote but would require separate votes on each controversial item.

Under the present uncertain constitutional provision, it appears that a Governor can veto items which he himself has submitted in his budget, but he cannot veto additions the Legislature made by a three-fifths vote.

This condition could lead to serious logrolling. Without an amendment such as I propose, the way is open for twenty-six men—four more than a simple majority—to authorize excessive expenditures even if their agreement exists for only one ballot. While it is true no such situation has developed, nor is it likely to develop at this session, the fact remains that the loophole is there and should be corrected, to forestall some serious difficulty in the future.

As I stated at the outset of this message, the preparation of this budget has been a difficult task because of the uncertainties of present conditions. Certainly no one can see very far ahead. All we can do is to make our decisions on the basis of information now available.

It is my best judgment that a war economy will prevail in our nation for two more years and I have drawn my budget recommendations accordingly.

I assure you that whatever responsibility you leave with me will be used to the best of my ability in the interest of good government here in Nebraska and in support of our nation's war effort. To you I pledge my utmost co-operation; from you I expect good counsel.

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) Dwight Griswold,
Governor.

MESSAGE FROM GOVERNOR

Appointment

January 11, 1943

To the President, the Speaker and
Members of the Legislature.

Gentlemen:

As Chairman of the Board of Educational Lands and Funds, I desire to inform your honorable body that, in accordance with Section 72-201, C. S. Supplement 1941, the Board has this day nominated for