

5. In the title, line 13, strike the semicolon and in lieu thereof insert "and for a broker to return the license of a salesman making such change of place of employment;"

LEGISLATIVE BILL 39. Placed on Select File, as amended.

E and R amendment to L. B. 39:

1. In the bill, Section 1, line 2, strike the word "Act" and insert the following: "Act *act*".

LEGISLATIVE BILL 9. Correctly engrossed.

(Signed) Roy B. Carlberg, Chairman

BUDGET MESSAGE

OF

VAL PETERSON, GOVERNOR

Delivered to the Sixtieth Session of the Legislature
of Nebraska, January 29, 1947

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

The budget presented with this message has been prepared on a realistic basis. No sleight of hand techniques have been employed for the purpose of keeping the total low. No pretention is made that it is a perfect budget. Its shortcomings, however, are due to the limitations under which all humans labor as well as to the shortness of time permitted a new Governor in which to familiarize himself with state activities and needs and the limitations of our budgetary staff. While we take a reasonable pride in its authorship, we hope and feel confident that your Honorable Body, with the assistance of all persons interested, will be able to make improvements. Responsibility, in its broadest sense, for the preparation of the budget and the final passage of an appropriation bill, must be shared by everyone in the state.

Total requests made by all agencies appearing before the hearings held by the outgoing and incoming governors amounted to \$78,823,030.35 of state funds. As a result of these hearings and innumerable conferences, the requests have been cut to \$65,717,678.75 plus the unexpended balances remaining at the end of the biennium and to be reappropriated.

Reductions in this revised budget under that submitted by the outgoing Governor total \$4,752,608.00, made up of reductions in the general fund of \$2,532,695.00 and in the cash funds of \$2,219,913.00. It should be explained that the major portion of these reductions represent buildings and repairs requested which, I feel, should be provided for through the creation of a special building fund on a long range basis. Also included is a reduction of \$99,999.00 in the amount recommended by Governor Griswold for the School Retirement Fund. These items total \$1,869,999.00. Another reduction of major amount is \$2,000,000.00 in the University cash fund which appears to have been over-estimated. This means that we have made cuts of \$662,696.00 in the general fund recommendations of Governor Griswold and \$219,913.00 in his cash fund recommendation. These cuts have been made by careful scrutiny of all line items in the budgetary requests and were difficult to effect. In certain instances we have made increases, all of which are apparent in the detailed budget and some of which I will mention later.

In the preparation of this budget, we have had to determine the relative importance of the requests made and the ability of the taxpayer to meet them. We have never forgotten that Nebraska is not a wealthy state, that wealth here comes the hard way and that we must always cut our cloth accordingly.

We have also had to bear in mind the insistence of the citizen for governmental services, and the provisions which have been made for those services through statutory enactment. While we have scrutinized carefully all items of expenditure, inquiring into the necessity for them, yet we have had to be bound by the wishes of the people as expressed by law. Only your Honorable Body can eliminate governmental services once established.

In this budget we have provided salaries and wages based on present conditions and have consistently provided for slight increases in the coming biennium. We have provided additional personnel only where agencies are understaffed. We have allowed for reasonable increases in the costs of items for maintenance, supplies, food, lodging, etc.

The period of marked inflation and flux in which we find ourselves today has made it somewhat difficult to project costs of governmental operation through the next 30 months. However, our problem is more difficult than that of the ordinary citizen or business only in degree. All of us face the same situation in our private affairs. It is elementary but must always be kept in mind that in periods of inflation where the dollar is cheapened, more dollars must be provided to purchase the same services. I will not take

your time here to cite statistics as to increased costs but rather will assume that you are familiar with them or will find them readily available. The story of inflation is sad, and, I believe, universally known.

Throughout our budget work we have insisted that the expenditure of money from the more easily collectible sources, such as fees and licenses, must be expended with the same care as the property tax dollar.

Long Range Building and Repair Program

For 16 years, due to the general depression, several years of unprecedented drouth, and the war, Nebraska has been unable to give the attention to and expend the funds required to maintain properly and expand her state institutions. During many of those years ours was the problem of survival. I feel that no apologies for the course of the state government during those years is necessary. Governors and Legislators were forced to abide by the stern realities of depression and drouth. Now we must go forward in a sane, sensible, frugal manner. It appears neither logical nor economical to attempt to provide for repair costs and new building needs, session by session, on the catch-as-catch-can basis. Rather it would seem wise to consider planning our program over a term of years. This should distribute the cost to the taxpayer in a more orderly fashion with resulting economy. A bill making provision for such a plan has already been introduced by Senator Fred Mueller and has received some discussion. I recommend that your Honorable Body consider it carefully. If some such plan is not adopted, then it would be incumbent upon the Legislature to make provision in the appropriation bill for the items for buildings and repairs which I have eliminated.

Even if funds were available for immediate appropriation for construction of a vast building program it would be inadvisable. First, because of the inflation we would receive only about \$2.00 of value for \$3.00 spent. Secondly, the materials and labor are desperately needed in the construction of a building program for veterans and other citizens long deprived of decent and adequate housing. I have in my files a letter from the Administrator of the Federal Works Agency requesting that state and local public works projects be deferred wherever possible. To build now would only add to the inflationary pressures so destructively beating about our economy.

Board of Control Institutions

The deficiencies in these institutions appear to be so marked

that it will be impossible for Nebraska to place them immediately on the level which it desires. In this budget, provision has been made for an expanded staff of professional people and attendants to be employed on a 48-hour week rather than on the 60-hour week which formerly existed. Provision has also been made for increased cost of supplies and general maintenance. Provision has been made for the repair and maintenance of institutional equipment. Here again, however, I must caution that if you do not adopt the long range building and repair fund program outlined earlier, appropriation must be made for urgently needed repairs and replacements for the physical plant.

University and Agricultural Extension

In company with all Nebraskans we recognize the great contributions made to our state by the university and our normal schools. We are familiar, too, with the increased enrollment which now presents pressing problems to university authorities. It is a matter of personal regret to me that a study of all factors made it inadvisable to recommend the full amounts requested by the university authorities. However, we are recommending over and above the 1945 appropriation of \$4,500,000.00 of property tax funds, provisions for 204 additional staff members, a small salary increase for the present staff, additional assistants in laboratories and class rooms, and increased funds for maintenance and equipment. The over-all increase recommended is 18% over the tax fund appropriation for the 1945-1947 biennium. In view of the 41% increase in enrollment over the school year 1945-1946 which is expected to continue for a number of years, this increase may appear too small. However, it is felt that the percentage of increase in cost should by no means parallel the increase in enrollment. Further, the increase in enrollment in the university for the first semester of 1946-1947 is only 29% above that of the school year 1939-1940. Increases made parallel the requests of the university authorities with the exception of the percentage of the salary increase allowed. Cash funds, of course, have been increased by the influx of students and particularly those under the G. I. Bill of Rights.

I have made a modest increase over Governor Griswold's recommendation for agricultural extension activities. The work of this extension division produces many practical and substantial benefits to the farmers of this state. Even the small increase recommended will be highly beneficial to the men and women, boys and girls on our farms.

Normal Schools

I concur with the outgoing Governor in his belief that the ap-

portionment of funds by the four normal schools should be the responsibility of the normal board. A substantial increase for the schools is recommended in keeping with the increased costs of operation.

It is apparent from the requests of these institutions and the report made by our engineers that many of the buildings are badly in need of repairs. The 1945 Legislature allocated a portion of the post-war construction funds for the repair of these plants. I recommend the reappropriation of these funds. These funds alone are entirely inadequate to provide all the repairs and replacements which are urgently needed. Governor Griswold recommended a fund to supplement the post-war construction funds for that purpose. I have deleted Governor Griswold's recommendation with the thought in mind that you would make provision in the contemplated long range building and repair fund.

Old Age Assistance

Our budget recommendation contemplates a total of \$19,300,000.00 of state funds to be available for the assistance program. It is estimated that the present sources of revenue will provide \$16,800,000.00, while the unexpended balance carried over will be approximately \$2,500,000.00. This amount, when matched by approximately the same amount of federal funds, will provide a total fund of approximately \$38,000,000.00 for the assistance program. Competent authorities advise us that the case loads will increase during the next biennium. It is believed, however, that if the existing sources of revenue and the present surpluses are not disturbed, adequate funds will be available for the coming biennium. Elimination of any of the existing sources of revenue will throw the program out of balance and you must give serious consideration to replacing revenues lost by any such change.

Highways

The best estimates available indicate that presently established revenues, if continued for the next biennium, will produce approximately \$16,500,000.00 for highway construction purposes. We recommend the reappropriation of all unexpended highway department funds estimated at \$2,515,000.00. In view of the shortages in labor and material which slow down the highway construction program, it appears that the funds available will be sufficient to match all federal funds during the coming biennium and to carry on the type of highway program with which you have presently charged the highway department with responsibility. Here again, if your body changes the source of revenue available for highway depart-

ment purposes, the program will be out of balance unless a replacement source is provided.

School Retirement

In an opinion by the Attorney General dated June 27, 1945, it is stated . . . "We believe it was the intention of the Legislature to maintain the service annuity fund on an actuarially solvent basis and not on a mere pay-as-you-go basis."

The consulting actuary of the Nebraska School Retirement System in the first annual report of that system dated June 30, 1946, points out that if Nebraska is to meet the costs of this system on a pay-as-you-go basis, the sum of \$463,944.00 is required for the next biennium. On this basis, your body would have to appropriate that amount. The actuary notes that if this fund is to be established on an actuarial basis, then the appropriation required for the ensuing biennium would be \$1,291,648.00. I am informed that copies of these reports have been placed in your hands. If not, they will be provided.

Because this entire matter must be carefully reviewed by you, I have assured its inclusion in the working budget by recommending merely \$1.00. The ultimate amount to be appropriated is dependent upon the policy you establish.

State Parks

Nebraska has several fine state parks. In recent years funds have not been available for their proper maintenance. As a step in that direction I have increased Governor Griswold's recommendation from \$41,000.00 to \$54,500.00. I recommend that you review Nebraska's park system to the end that the program may be conducted in such a manner as to provide the maximum recreational advantages consistent with our ability to support them.

Library Commission

I have joined with the outgoing Governor in his proposal for an increase in the funds made available to the Library Commission. In the final analysis, education is largely a matter of self instruction. A large portion of our population is removed from adequate library facilities, and in order that these people may have an opportunity to educate themselves, I feel that we must strengthen and develop the library facilities of the state. This is an important step in that direction.

In addition to the activities which it has long carried on, the

Library Commission has requested funds to establish demonstration libraries in various parts of the state. This marks such a fundamental departure that I have felt that it must be referred to you for decision.

Miscellaneous Department

Eight agricultural improvement and promotional programs have requested appropriations for the next biennium. Statutory provisions require appropriations to three of these organizations. Accordingly, I am recommending funds for them. The requests of the other organizations are referred to your body in order that you may establish the policy of the state.

Federal Grants in Aid, Duplication and Overlapping

Through its grants in aid programs, the federal government reaches into nearly all phases of state activity. While we must admit that much social progress has been achieved by these programs, it is true that they have brought with them a degree of dictation over our affairs and have stimulated extravagance in government. In attempting to match all federal monies in sight, the states and municipalities have too frequently overspent and overtaxed. In this budget we have not attempted to match all federal funds available.

I cannot escape the feeling that we have now reached a place where, with respect to most of the grants, if not all, the federal government, the state, and the taxpayer would be better off if the program were severely curtailed. Obviously no single state can refuse to accept federal grants in aid.

It seems to me that the Santa Claus philosophy that has grown up that federal funds cost the taxpayers nothing and must be matched by the state or municipalities should be exposed. The federal government has no means of inventing money out of thin air but extracts it out of the pocket and sweat of the citizens as does the state and other units of government.

It also occurs to me that it is extremely wasteful, in the sense that unnecessary overhead is waste, for the federal government to collect taxes in Nebraska, process them through many hands and then ship them back to Nebraska through another regional office or two to eventually be returned to Nebraska citizens and maybe the taxpayer who paid the original dollar. I do not know what this handling cost amounts to, but assume that it would range anywhere from 10 per cent up to 30 or 40 per cent. Whatever the cost, it is largely waste.

As an example of the duplication and overlapping and consequent inefficiency with which federal-state relations are sometimes carried on, let me mention the Veterans' Administration On the Job Training Program under which it maintains approximately 80 field agents in Nebraska who contact veterans to determine the progress they are making, but requires the state to make inspections in the very same shops to determine if the employers' training program and facilities qualify them to participate in the program. There seems to be no valid reason why the same inspectors can't perform both functions. Any private business that operated on this basis would be bankrupt and deservedly so. This illustration can be multiplied many times over.

It goes without saying that hindsight is easier than foresight. The post-war building program which your body established is splendid and you are to be commended for its creation. However, it would appear that during the so called prosperous era of the last few years, provision should have been made for the accumulation of larger funds to meet the building needs of Nebraska institutions.

In the last few years accumulated balances and surpluses have been used to finance current government expenses, thereby reducing the tax levy. Further, little provision was made for future needs. Now, after a period of prosperity, we find no surpluses or reserves remaining. Also, the delinquent taxes which for a few years were pouring into the treasury are now paid up. These factors make our problem more difficult and mean that when the large appropriation which you will be forced to make to meet the increased costs of government is translated into a tax levy next August it will be the highest in the history of the state. There appears to be no escape.

Governor Griswold has recommended to you on several occasions the advisability of an amendment to our Constitution empowering the Governor to veto items in the appropriation bill. Governmental authorities are agreed that such a provision makes for good government. The literature concerning this is available to members and I will not labor you with repetition of the arguments here. I recommend the proposal to you and believe that its adoption would be beneficial.

I believe in the separation of powers and am in thorough agreement with the philosophy that underlies it. You determine the policies of government and appropriate the funds necessary to implement those policies. I am charged with the administration of the law and the funds which you appropriate. We are charged with differing obligations, but our mutual responsibility to the people is better met when we cooperate to promote the welfare of the

state. On my part, I pledge you the fullest cooperation. I am certain that I will have yours.

Respectfully submitted,

(Signed) Val Peterson
Governor of Nebraska.

BILLS ON FIRST READING

The following bills were read the first time by title:

LEGISLATIVE BILL 245. By Charles F. Tvrdik of Douglas, Harry A. Foster of Douglas and J. V. Benesch of Douglas.

A bill for an act to amend sections 48-124, 48-126, 48-128, 48-133, 48-137, 48-138, 48-139, 48-145, 48-148, 48-151, 48-152, 48-163, 48-165, 48-169, 48-173, 48-179 and 48-182, Revised Statutes of Nebraska, 1943, and sections 48-121, 48-122, 48-156 and 48-159, Revised Statutes Supplement, 1945, relating to Nebraska Workmen's Compensation Law; to provide procedures under Nebraska Workmen's Compensation Law; to provide schedule of compensation; to define dependents and wages; to provide for additional disability compensation; to provide for "Second Injury Fund" and payments therefrom; to provide for notice of cancellation or termination of policies of workmen's compensation insurance; to clarify the wording of Nebraska Workmen's Compensation Law; to fix salaries for judges of Nebraska Workmen's Compensation Court; to provide for the preparation and distribution of forms; to provide for transcription of testimony at any hearing of the Nebraska Workmen's Compensation Court; and to repeal the original sections.

LEGISLATIVE BILL 246. By C. Petrus Peterson of Lancaster.

A bill for an act relating to banks and banking; to make provision concerning the revocation of credits given by a bank for deposits therein of checks, drafts, and other instruments providing for the payment of money, drawn on or payable at such bank; and to declare an emergency.

LEGISLATIVE BILL 247. By C. Petrus Peterson of Lancaster.

A bill for an act to amend section 75-201, Revised Statutes of Nebraska, 1943, and section 3-109, Revised Statutes Supplement, 1945, relating to aeronautics; to provide that the Department of Aeronautics shall exercise general control over aeronautics within