

Mr. Babcock asked unanimous consent to add the name of Mr. Vogel as introducer on L. B. 277 and L. B. 278.

Consent was granted and it was so ordered.

### **Governor Discusses Blizzard Conditions**

Preceding his Budget Message, the Governor informally discussed weather and road conditions in the western part of the state. He explained the part the state and others were playing in trying to bring relief to the areas hardest hit by the storm. He made no request for a special appropriation from the Legislature but indicated such might be the case if the funds would bring the necessary relief.

## **BUDGET MESSAGE**

**OF**

**VAL PETERSON, GOVERNOR**

**Delivered to the Sixty-first Session of the Legislature**

**of Nebraska, January 24, 1949**

**MR. PRESIDENT, MR. SPEAKER AND MEMBERS OF THE SENATE:**

In the accompanying budget we have faced our problems as squarely as possible, considering carefully the needs of the state's expending agencies, but always bearing in mind the ability of our taxpayers to meet the cost.

We do not pose as economic prophets, but careful scrutiny of all signs and innumerable conferences with seasoned observers lead us to the conclusion that we are in a period of gradual leveling off.

What the future will bring is difficult to determine, and is dependent, of course, upon factors over which we have no control. Actually, what happens in Nebraska and in the world rests in a great measure upon what is done in Washington. Today's economy is supported in a large degree by heavy spending for re-armament and foreign relief, by shortages resulting from the war, and large capital investments.

It takes no prophet to see what has happened to farm commodity prices in Nebraska in recent months. Drastic and painful drops have been registered, and the favorable margin enjoyed by our farmers in prices received over prices paid is rapidly narrowing.

Two years ago, to meet the minimum needs of Nebraska, you

were forced to vote, and I signed, the largest appropriation bill in history. On July 1, 1947, when that act became effective we did not know how economic events would unfold during the coming two years. It is pleasant in reflection to note that while the cost of living increased steadily from July 1947 to this fall, the prices received by Nebraska farmers for thirteen major farm items consistently registered higher percentage increases over July 1947 than did the cost of living.

It is well, in considering budgetary matters, to think not alone in terms of dollars. During this period of marked inflation, values expressed in terms of dollars have not been too meaningful. A more accurate way to think of costs is in terms of the commodities or services which we have to sell.

I am reminded of a rancher friend of mine who remarked some months ago when buying a new automobile, that this was the cheapest automobile he had ever purchased. He went on to explain that it took fewer cows than any he had ever bought.

Similarly, it has taken fewer bushels of corn or wheat; fewer pounds of beef, pork or poultry; fewer eggs; less cream, butter, or anything else that we produce in Nebraska, to pay taxes and to support our governmental activities. In view of declining commodity prices, it may be that my friend purchased his car at just the right time. The future may see automobiles selling for fewer dollars but requiring more commodity units.

For reasons that are apparent to all students of state finances, the General Fund is the only fund where definite figures can be established. Federal funds are dependent upon future action by the Congress and Washington administrative agencies which we cannot anticipate, while several factors cause Cash Funds to fluctuate.

During the past year, we have gathered in the Tax Commissioner's office more accurate information on Cash Fund receipts and disbursements than we have previously had at any time in the state's history. This has permitted us in the formation of this budget to bring about a better distribution of costs between General and Cash Funds. We have placed the fullest possible load on Cash Funds and have insisted that they must be managed with the same care as monies resulting from the property tax.

While it is true that when total state expenditures are placed on a per capita basis and compared with the other states of the Union, Nebraskans are receiving a great bargain in state government, it is also true that when property tax collections of the several states

are compared, Nebraska ranks third highest in per capita property taxes in America. With this in mind, and feeling that we have about reached the maximum load which we can place upon property, we have made every effort in this budget to hold the line on state property tax expenditures in order that higher levies may not have to be placed upon the Nebraska taxpayer.

The outstanding feature of the budget herewith submitted is that increases from the General Fund have been held to \$2,124,446.96, or to an increase of 5.67 percent for the coming biennium over the current one. It is believed that this budget is adequate, provided there are no sharp fluctuations in economic conditions in the two years lying ahead. We cannot provide for all eventualities; and should there be a sharp upturn or downturn, the state budget would have to be readjusted by you in a special session. It may be possible that in the four or five months which will elapse before you adjourn, the economic picture may become clearer and that you will be able to adjust the budget upward or downward to make it fit the pattern.

Today, over one-fourth of our total national income is absorbed by taxation. The load is becoming burdensome upon our economy, and is a definite factor in slowing down productivity by discouraging investment in plant and heavy machinery expansion.

While three out of every four dollars of tax burden is exacted by the Federal Government, and state levies are low in comparison with the taxes levied by other local government divisions, yet it is incumbent upon us to hold our state costs at the lowest possible point consistent with good government. This we have attempted to do.

This budget is prepared on the basis of existing law. If Your Honorable Body determines to expand existing activities, to add new responsibilities, to classify jobs and adjust compensation, or to increase benefits, then it must, of course, provide revenues to meet the added costs. This is elemental, yet fundamental, and sometimes overlooked, when new activities are contemplated.

Two years ago I called your attention to the Nebraska School Retirement System, and urged that Your Honorable Body determine whether it was to be operated on a pay-as-you-go or an adequately established reserve basis. You appropriated on the pay-as-you-go basis thereby fixing the legislative policy. To maintain the fund on a pay-as-you-go basis will require for the coming biennium the sum of \$826,182. Therefore, I have included that amount in the budget rather than the amount that would be necessary to put it upon a reserve basis.

Attention should be called to the fact that during the current

biennium approximately 50 percent of the teachers eligible for retirement have elected to remain active in school employment and will not claim their retirement annuity until a later date. This means that of the amount which you appropriated two years ago, about \$250,000 will remain unexpended at the end of the biennium. To establish the system on a sounder basis, I recommend that the unexpended balance be transferred to the Annuity Reserve Fund, Auditor's Account No. 870.

I appreciate that you may elect to subtract this unexpended balance from the amount needed to continue this system on a pay-as-you-go basis for the next two years. In my judgment, however, this fund, which is of the utmost importance to thousands of our deserving citizens and which will eventually become one of the larger activities of our state government, should be on a more business-like basis in order that all claims may be paid fully and promptly when due.

Your Honorable Body must give careful consideration to the future of the Milford Trade School. Its present enrollment is made up in a large measure of veterans attending under their G. I. privileges and vocational education sponsored students, each of which groups is paying high tuition charges. These fees are exceedingly high for students not enjoying federal benefits.

When government-assisted students have cleared the institution, it appears that there will be a drastic drop in enrollment unless the fees are sharply reduced. When such a reduction is effected, large state appropriations will be required to keep the school operating.

The school now has an improved and expanded plant and greater capacity for service. America's participation in the war, with its demands for trained mechanics, and the G. I. program since the war, have resulted in this institution being supported in a large measure by the federal government ever since it was created in 1941.

That support is soon going to end and, accordingly, Your Honorable Body will have to establish policies for its future operation in keeping with your estimate of what the state can afford.

Two years ago it was my privilege to work in the closest cooperation with Senator John Callan, who I am glad to note is again chairman, and with other members of the Budget Committee. I anticipate that similar friendly working relationships will characterize our activities this session. I am pleased to see on the Committee two members from last year—Senators Norman and Wood—and the several fine new members who have been added.

All the facilities of the Tax Commissioner's office and my office

are at the committee's disposal. All agencies under my supervision are directed to leave no stone unturned in assisting the committee with its important labors. I welcome all suggestions for improvement in the conduct of state administration that may be made by this committee, all committees, and by each member of Your Honorable Body.

Ours is the common objective of rendering the greatest possible service to the people of Nebraska at the lowest possible cost to the taxpayer. I know you join with me in the determination to so perform our duties that we may prove worthy of the great trust placed in us by the people of Nebraska.

Respectfully submitted,

Val Peterson  
Governor.

**Unanimous Consent—Re-refer Bills**

Mr. Pizer asked unanimous consent to withdraw L. B. 170 from Judiciary and re-refer it to the Committee on Miscellaneous Appropriations and Claims; also L. B. 196, L. B. 197, L. B. 212 and L. B. 219 from Government to Miscellaneous Appropriations and Claims.

Consent was granted and it was so ordered.

**Comments on Budget Message**

Mr. Callan commented briefly on the Governor's Budget Message and asked the members to give careful consideration to the proposed budget.

**Visitor**

Mr. Lee introduced Mr. Will Oursler of New York City, who is sponsored by the American Legion and will write an article for the Legion National Magazine about Cornhusker Boys' and Girls' County Government. Mr. Oursler made a few comments to the Legislature.

**Bills Referred to Standing Committee**

L. B.	Committee
249 .....	Miscellaneous Appropriations and Claims
254 .....	Miscellaneous Appropriations and Claims
259 .....	Miscellaneous Appropriations and Claims
263 .....	Miscellaneous Appropriations and Claims