

Misses Tony Burke and Sandy Burke, and Miss Phyllis Scharrel, of Bridgeport, Nebraska.

MOTION—Committee to Escort Governor

Mr. President: I move that a committee be appointed to escort the Governor to the legislative chamber. (Signed) John P. McKnight

The motion prevailed, and the President appointed the following members to serve on said committee: McKnight, Chairman; Burney and Metzger.

The committee withdrew and escorted the Governor to the rostrum, where he delivered the following:

BUDGET MESSAGE

OF

VAL PETERSON, GOVERNOR

Delivered to the Sixty-second Session of the Legislature
of Nebraska, January 22, 1951

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

Two years ago when I presented my Budget Message to you, I was greatly concerned with the decline taking place in farm commodity prices in Nebraska and the gradual leveling off of our economy. Many of us were beginning to think about farm surpluses and to wonder if our economy was about to "go through the wringer" as it did back in the 1920's. Many thoughtful persons were looking toward the economic storm cellar.

Such concern continued until one typical June Sunday in 1950 when Moscow-inspired North Koreans moved into South Korea in an act of aggression which the United Nations and the United States determined to resist. Since then, prices have risen, some by leaps and bounds. Today, America is in a period of partial mobilization and ahead lies the possibility of war and a full-blown war economy.

So once again we are dealing in shrunken dollars—little dollars which so far as we are able to see today will become smaller from week to week and month to month as the preparation for war in-

creases in tempo. We are faced with the stark reality that today's dollars simply will not buy the goods and services of those preceding World War II, and as we diminish the purchasing power of the dollar it takes more and more dollars to render the services which the people of our state demand.

None of us can read the future. Possibly America's drive to strengthen herself militarily and productively may cause the Communistic world to hesitate in its drive for World domination. If so, we may have a period of peace and for this all rational men will pray.

But, in spite of the troubled times in which we find ourselves, we want to go forward wherever possible. We want to create for ourselves and our children the advantages which lead to better living. We want to develop our resources to the maximum. We want to make progress as rapidly as possible consistent with orderly and sound fiscal considerations.

We must bear in mind, however, that the first responsibility resting upon us is that of meeting the costs of building a strong America. Our country is equal to the task that faces us but will not accomplish it without burdensome taxation and tremendous sacrifices by us all. The price of survival will be a constantly lowering standard of living as we divert our productivity from civilian goods to those of war.

We must do without many things individually and as states and upon all levels of government. Recognizing this, I have asked Your Honorable Body to freeze state institutional building effective immediately, and I recommend to you that we undertake no new activities requiring the expenditure of manpower and material, except those that advance the mobilization effort, until the foreign situation has clarified.

We must not delude ourselves into believing that we can build America's military strength to the demanded level and at the same time carry on life as usual. We must choose, and our choice must be the right one.

While the total over-all budget recommended to you is slightly under the appropriation of two years ago, the significant fact is the increase of 12.9 per cent in the amount required from the General Fund. Of the \$6,031,564.10 which this per cent of increase represents, \$3,000,000.00 is recommended for the University of Nebraska,

and \$2,782,237.29 for State Assistance.

General Fund requirements for the Assistance Department jump from \$16,007,262.71 to \$18,789,500.00. Little discretion is afforded in determining this figure, as the problem is largely one of making as accurate an estimate as possible of the total number of cases to be served during the coming biennium and multiplying it by the estimated average monthly payment. While the totals involved are tremendous and account for 25 cents of every dollar which will be spent by the state, yet no one would be inclined to argue that the average monthly payments are unreasonably high. In fact, there are many who feel that they are too low.

Of the big-spending agencies from the General Fund, the Board of Control is the lone exception to the demand for increased appropriations. It, in fact, is requesting \$927,271.95 or 9 per cent less money from the General Fund than was appropriated to the Board in 1949. This cut of nearly one million dollars has been an important factor in keeping the General Fund appropriation at the level which will be required. The Board certainly is to be commended in view of the mounting inflationary pressures. Noteworthy, too, is the fact that the number of persons for whom it must provide is steadily increasing, as are the facilities which it must equip and maintain. New buildings, fine as they are, require additional personnel and increased costs.

SCHOOL RETIREMENT SYSTEM

In submitting my 1947 budget, I called the attention of the Legislature to the difference in the funds required to maintain the Nebraska School Retirement System on a pay-as-you-go basis as compared to an actuarially sound basis. I asked the Legislature to establish the policy to be pursued. That session appropriated on a pay-as-you-go basis as did the Sixty-first Session, and apparently those actions fixed the Legislative policy.

I am informed by the Director of the School Retirement System that to place the system on a funded basis for the coming biennium, \$3,376,868.00 would be needed. If you were to appropriate to pay all of the benefits for the next biennium to everyone who has reached the maximum period of service and attained the age of 65, an amount of \$939,717.00 would be needed. However, the actuary has found that teachers, due to the employment conditions presently existing, are retiring on the average some five years later than the date upon which they qualify, and on this basis, he calculates that \$637,537.00 would be required during the coming biennium.

Teachers have not been retiring at the time of their qualification date and, therefore, we acquired a surplus in the fund during the 1947-49 biennium of \$295,000.00. It is estimated that during the 1949-51 biennium, we will acquire a surplus of \$565,000.00 for a total of \$860,000.00. Because I feel it is important that the state pile up reserves against the day when the employment situation may be reversed and teachers will be taking advantage of their retirement privileges as they become eligible, I am recommending that you appropriate for the coming biennium the same sum as that for the last biennium, \$826,200.00.

According to the actuary, if all members were to retire at the earliest possible date, the state right now has an obligation of \$22,221,428.61. To me, prudence requires we do not attempt to handle this problem strictly on a pay-as-you-go basis but that we must accumulate reserves in order that the state may never default on this obligation. In my judgment, the proper procedure would be to put this fund on an actuarially sound basis.

UNIVERSITY OF NEBRASKA

The University of Nebraska has requested that its General Fund appropriation be increased from the \$8,000,000.00 made available to it in the present biennium to \$13,582,639.12 for the coming biennium. This would be an increase of 70 per cent. I am recommending that you increase its General Fund appropriation to \$11,000,000.00 or 37.5 per cent.

This increase should permit the University, among other things, to increase the salaries of all personnel, professional, skilled and unskilled labor, connected with the University and place those salaries on a competitive basis with similar institutions in our area. To have a great University we must maintain a strong faculty and this requires the payment of salaries on a level equal to that paid by our neighbors.

The allocation of the appropriated money is the responsibility of the Board of Regents and the University authorities. This is, of course, the way it should be. When Your Honorable Body votes appropriations, the Board of Regents assumes full control over the allocation of those funds to the various colleges and schools in the University. This has always been the practice in Nebraska. It should be continued.

Because of adverse criticism, some Legislators have been con-

sidering the advisability of ear-marking University funds for specific purposes. This should not be done. To do so would mean that the Legislature would assume the authority now vested in the Board of Regents and if the policy were extended, it would mean eventually that the Legislature and not the Regents would be running the institution and the school would be injected into politics.

In the past two bienniums, appropriations from the General Fund to the University increased 67 per cent. It is also the beneficiary of over \$1,000,000.00 a year of building levy funds and during the ten-year period for which the building fund was established, there will accrue to the University approximately \$11,000,000.00 for building purposes. This constitutes the greatest endowment in its history and should result in much good, not alone for the University but for all of the people of our great state.

If you adopt my recommendation, the total increase to the University from the General Fund will be 130 per cent over 1945-47. When you add to the \$11,000,000.00 recommended the \$2,000,000.00 which will be received from the building fund, it will receive \$13,000,000.00 during the next biennium and this represents an increase in state appropriations of 171 per cent over the 1945-47 biennium. Certainly these increases should permit the University to render fine service to Nebraska.

The effect that the emergency and possible war may have on the University enrollment and costs may be clearer by the time you are ready to enact the appropriation bill. I trust that such may be the case and that you will make adjustments accordingly.

I am pleased to inform you that the Council of State Governments is undertaking a study of higher education in America and by the time the next session of the Legislature convenes, or in the event Your Body should meet in special session in 1952, you should have available much valuable information regarding comparative University costs in the United States. This information should help you determine the financial support which Nebraska should provide to secure the type of University it desires.

HIGHWAY SCALES

During the 1949 session, Senator Dwight Burney introduced a bill providing for a number of highway scales to be utilized by the Safety Patrol in enforcing weight limitations on vehicles operating over our highways. The purpose, of course, was to prevent over-

loading with its consequent destruction of our highways. The Legislature, believing that private scales could be utilized, eventually determined to provide funds for just two scales.

Experience has shown that owners of scales are very reluctant to permit the Safety Patrol to utilize them for purposes of law enforcement, feeling that to do so places them in the position of incurring the displeasure of potential customers.

Accordingly, I want to recommend strongly as a means of protecting the tremendous investment which our taxpayers have made in highways in this state, your approval of a bill which has been or will be introduced in this session by Senator Burney, providing for the construction of ten more scales. We simply must protect our highways against those who do not respect the law.

PERSONNEL PROBLEMS

Salaries

I am certain that the great majority of those in the employ of the people of the State of Nebraska are hard-working, efficient, worthy public servants. Those who do not measure up to their responsibilities should be eliminated. But, no one should make the error of condemning all who serve the state simply because of the deficiencies of a few.

Let me mention to you some individuals who have rendered outstanding service to Nebraska. The first is a janitor in the Governor's suite, Roy Merrill, who is one of the finest public servants in this entire country.

Roy went to work for the State of Nebraska in 1920, and 26 of his 30 years of employment have been spent taking care of the Governor's office, the offices of the Tax Commissioner and the Secretary of State. With a sense of pride in his custodianship of what are undoubtedly the finest public offices in America, Roy has in that entire period of time taken meticulous care of every feature and detail therein.

Most of the time he has worked a split shift, reporting for work at 6:00 in the morning and remaining until 10:00 a.m., returning in the afternoon at 4:00 and staying on the job until it is done, normally at about 10:00 p.m. He started work at the rate of \$85.00 per month, was raised to \$100.00 per month and was cut during

the depression years to \$85.00. Presently, he is paid \$175.00. For 20 of those years he worked without either a vacation or sick leave, and in 30 years he has had two weeks of leave.

Today he is a man of 64 years and, obviously, he has had little opportunity during a lifetime of employment with the state, to acquire a competence upon which to retire. I challenge anyone to find a finer record than Roy Merrill's. I have never seen in him the slightest deviation from strict attention to duty and have never heard the slightest criticism of him by those for whom he has worked. Rather, in fact, they have been lavish in their praise.

Certainly, with the broadening of the Federal Social Security Act to include state employees, the State of Nebraska owes to Roy Merrill, and the many others who have served the state well, the benefits of this retirement program.

In 1926, Nebraska employed L. M. (Roy) Gates in its Bureau of Plant Industry and he eventually became Chief of the Bureau and State Entomologist, a position which he held until he resigned in 1948. Roy's salary reached \$180.00, but in 1932 it was reduced to \$125.00, following which it eventually was raised to \$275.00. He was known over a large part of America as an outstandingly competent man in his field and his resignation was a distinct loss to Nebraska. He resigned in order that he might develop a small acreage in southeastern Nebraska and to provide a refuge for himself against approaching old age.

Then there is the case of W. L. Klatt, who became Chief of the Division of Noxious Weeds, in the Department of Agriculture, after the creation of this position by the 1937 Legislature. He went to work at \$170.00 per month, eventually reached the figure of \$275.00, which is \$3,300.00 per year. He was nationally recognized for his ability, and in 1947 resigned to accept a position with the Department of Agriculture in South Dakota at the rate of \$4,500.00 per year, in a state with one-half the agricultural income of Nebraska. He is now in private employment after organizing the weed program in South Dakota. Nebraska could not afford to lose the services of either Mr. Gates or Mr. Klatt, but did because of low wage rates and the lack of a retirement system.

Nebraska has now become a very important state in the field of insurance. Insurance companies in Omaha and in Lincoln give employment to thousands of our people and bring large sums of money into our state for investment. It is a business which requires

the highest type of supervision by competent individuals. This has been particularly true in recent years when the federal government has been threatening to encroach upon the responsibility of the state for supervision.

The Director of the Insurance Department is paid the sum of \$5,000.00 a year to head the activities of the Nebraska department, and I am happy that just in recent days I have prevailed upon him to remain in his position at least for a few months. I assume I had no right, in terms of his welfare, to request him to stay, but I did.

The Director of Health in Nebraska is paid \$5,500.00 per year, when it is a matter of common knowledge that small-town practitioners are enjoying incomes much more substantial, and that is referring to the matter with restraint.

There is no need for recounting all of the salary inequities that exist in the state government and exist, I believe, to the detriment of public service. They are clear to you. There should be an adjustment, and the responsibility for that adjustment rests squarely upon your shoulders. Remember that the laborer is worthy of his hire and that cheap help is usually the least efficient and consequently the most expensive.

Job Classification

Two years ago I called the attention of the Legislature to the need for classifying all positions in the state employ and for the establishment of salaries in keeping with that classification and the current wage scales. The members of that session did not accept my recommendation. I assume they did not, either because to meet it meant general salary increases, or because they were hopeful that a possible leveling of our economy might eliminate the necessity for doing so.

I think that my statement on this subject was clear and to the point. Accordingly I am going to quote from it with the hope that this session will give the suggestion the consideration which the welfare of our state demands it have.

“Democracy cannot function efficiently and effectively with inferior tools any more than any other organization. To do so is to handicap it severely and to jeopardize the public interest.

“New positions and salaries have been created in Nebraska with-

out sufficient thought to fitting them into a correct pattern, in order that they might fall into the proper relationship with other positions demanding equivalent training, experience and similar responsibilities. When jobs have been created in bad times, low salaries have been established. Jobs created in high times have been better paid.

"Today it is practically impossible to get men with proper background and competency to accept state employment. . . If this were just true in one instance in the state administration, it would not be serious, but for two years (now four) I have found that it has been consistently the case. I do not care to embarrass any of the good people presently serving or I could name positions, dates and persons.

"In my judgment, all positions in the state service should be classified according to training, experience, responsibility and other pertinent considerations, and remuneration established accordingly.

"The fact is that there is today little, if any, reason for folks to accept state jobs and many simply will not. The federal government and Lincoln business firms offer employment at salaries much higher than those the state is able to pay. Further, contrary to the federal government and general business practice, the state affords no retirement benefits.

"It is no answer to the problem to advance the argument, 'If they don't like working for the state, let them quit.' Services rendered by the state government have been established upon the demand of the people, and they cannot be performed efficiently, effectively, and economically unless trained, competent, and reasonably satisfied individuals can be employed. I would suggest that Your Honorable Body create a committee to study this problem and to consider the advisability of making such a classification as I have proposed."

Classification of state employment, as I have suggested, is not an unduly difficult task, and the services of competent persons are available. The Tax Commissioner has information concerning the problem, which can be placed at the disposal of the appropriate committee and interested members.

Retirement

Private industry generally, and the federal government, have found it desirable to create employee retirement systems. Workers

today consider retirement benefits as one of the most important factors of their employment. There is a universal desire for security in old age and such a program is particularly valuable to persons who fall in the relatively low-income brackets, such as do most of those who are employed by the state.

I know of no good reason why our state employees should not be included under a retirement program, and many why they should. Therefore, I recommend the enactment by Your Honorable Body of legislation placing all state employees, legislative, executive and judicial not now covered by a retirement plan, under the Old-Age and Survivors Insurance program of the Federal Social Security Administration. It is estimated that the cost to cover state employees would be less than \$200,000.00 per year. Employees of county and municipal government also should be included.

HIGHWAYS

Naturally, I was greatly disappointed when the highway program, which was enacted by the 1949 session of the Legislature, was not sustained at the polls last November. I thought that we had created a well-balanced road program under which the needs of rural people, city people and all of those who travel upon our state highways were well filled. By a very narrow, but nevertheless decisive, margin the people failed to sustain the program.

The problem we set out to meet still exists, and in my judgment we will face a crisis in our state highway system sometime in the next 5 to 8 years. Possibly it may come sooner. Nevertheless, we do not have sufficient funds to prevent the disintegration of our roads. The obsolescence and deterioration factors will cause disintegration more rapidly than our limited funds can overcome. However, the people have spoken. It is our duty to accept the verdict gracefully and graciously and to do our very best with the means at hand. That is our aim. That we have been doing and will continue to do.

I have pledged my complete cooperation with any and all persons and organizations who have a constructive program through which to meet this important Nebraska problem. My door is always open and I refer you, as evidence of my willingness to consider any constructive proposal, to the comments which I made before the Sixty-first Session, of which many of you were members, on April 19, 1949, as recorded beginning on page 1061 of the Legislative Journal for that session.

MURAL COMMISSION

Under the term of L.B. 26, Sixty-first Session, I appointed the following persons as members of a Mural Commission: Dwight Kirsch, Mrs. Paul Gallagher, Harry Cunningham, Mrs. Henry Ley, Samuel C. Waugh, and Mrs. Edna Donald. Ex-officio members are James Lawrence, President, Nebraska State Historical Society; R. G. Gustavson, Chancellor of the University of Nebraska; and Eugene Kingman, Superintendent of Joslyn Memorial.

The members have done an excellent job and I call to your attention the fact that they did not spend a dime of the money you appropriated to them, but rather absorbed the costs themselves as a public service. I commend them for their service and for their public spirit.

They have made a special report directly to you and have recommended the appropriation of \$141,000.00 to begin the program of painting murals in the prominent positions in the rotunda and north vestibule, which were designed for murals. It is my understanding that the committee wanted to spread the work over a period of years and it is a matter of great personal regret to me that, in view of the present world situation, I do not feel justified in recommending an appropriation for this work at this time. Should the world situation clarify before you adjourn, to the point that it would be advisable to undertake this work, I certainly hope that you will see fit to make provision for it.

STATE BUILDING COMMISSION

Under the terms of L.B. 546, Sixty-first Session, I appointed the following people to the Building Commission: W. C. Fraser, Gus Prestegaard and Thomas Wake. Ex-officio members of this committee are the Governor and the State Engineer.

The commission has held innumerable meetings and has attempted to find some means of stopping the leaks in the terrace promenade and other parts of the building. The terrace has been a source of annoyance nearly from the time the Capitol was completed. The commission was very hesitant about committing public funds in the attempt to stop these leaks without a reasonable guarantee of success. To date, it has been unable to secure such a guarantee, and has restricted its activities to an experiment covering approximately one-fifth of the terrace surface. If this experiment is successful, the commission would like to go ahead next spring and

complete the remainder of the terrace by the same process, and we have included in the budget of the Capitol Custodian a sum of money to permit the commission to do this and to repair other portions of the building. I am pleased to report that this commission, too, has refused to accept expense money from the state.

MILFORD TRADE SCHOOL

Two years ago I called your attention to the necessity for careful consideration of the future operation of the Milford Trade School. I noted that it had been supported largely by fees paid by students who were attending it under the GI Program, that the tuition charged the GI's was higher than that which could reasonably be expected from other students and that when they had cleared the institution, the state would undoubtedly be called upon to make larger appropriations to offset the declining student fee income. That situation is now present and is reflected in the recommendation of a larger sum to be appropriated from the General Fund for the Trade School. I renew my recommendation for a survey of this institution and suggest if it is to be continued, there would seem to be no reason why the tuition rate charged students learning the trades should be any higher than those enrolled in the liberal arts and other collegiate schools.

We have long enjoyed good government in Nebraska. We enjoy it today. In no other state do the taxpayers get as much value received for the dollar spent. Frugality, economy and efficiency mark our state government. I know that those of you who have served in the Legislature in past sessions join with me in this pride. You are, in a large measure, responsible for the good government which is ours. Those of you who are beginning your service as Legislators will, I am sure, join with us in searching for every way possible to improve our state institutions and governmental procedures. Progress should constantly be our aim. I could point out to you innumerable instances of efficiency and economy in our government. In fact they are the general rule rather than the exception and it might be well if occasionally we paid attention to that fact, rather than placing great emphasis upon the occasional deficiencies which come to our attention.

Let me mention two instances of good government in which those of us in positions of responsibility take pride. In the eight years from January 1, 1943, to December 20, 1950, the Division of Motor

Fuels in the Department of Agriculture has collected gasoline taxes in the amount of \$135,441,212.43, at a cost to the state of slightly less than one-half of 1 per cent. One hundred per cent collections were effected and we doubt that any state in America can match this low cost. I call your attention, also, to the fact that our Cigarette Tax Division, which was organized on June 1, 1947, has since that time collected \$13,253,887.11, at a cost of about one-half of 1 per cent, the figure being .00503 per cent.

I might add that the cost of administration of the division which makes gasoline tax refunds to farmers has been reduced from 5% in 1941 to 2% in 1950, which means a very substantial saving to farmers using refund fuel.

Deferred construction and improvements and the little dollars with which we are now dealing, have caused taxes to rise sharply in the last four years. Of course, speaking strictly of state taxes, it is true that we have required during that time the lowest percentage of the total income of our citizens for the support of state government ever required in a similar period.

We cannot deny that taxes have risen, but we can take great satisfaction in the fact that on a comparative basis, Nebraska's state taxes have remained extremely modest. In two of the past four fiscal years we have had the lowest per capita state taxes in America, in one we ranked third and in one, sixth. It would appear that our ranking in the current fiscal year will place Nebraska in the lower one-half dozen states in the union in per capita state taxes.

Let us remember, too, that each year has seen a growth in government at the demand of the citizens, and, obviously, as government is expanded, the costs of government are going to rise.

I have suggested many times in the past that there are only two effective ways of cutting the costs of government: One, by increased efficiency, and for that we must always strive; secondly, and this is the only way in which material cuts can be made in the cost of government, we must either stop adding to government or subtract, or both.

Personally, I hope that Your Honorable Body will scrutinize every activity of our government, evaluating it in terms of these questions: Why was this activity set up? Does it serve an essential purpose? Is it a legitimate activity on the part of our state? Can it be done better through some other means? If the answers are

not satisfactory, eliminate it and eliminate it regardless of the pressure groups, and you may be certain that when you attempt to eliminate anything in the state government you are going to be subject to merciless pressure. Don't assume for a minute that because something is existing that it needs to continue to exist. It may have out-lived its usefulness. It may never have been a proper undertaking on the part of government.

Let's get over the idea in Nebraska that the way to cut the cost of government is to refuse to pay decent salaries to those in positions of responsibility. Rather, let's bear in mind that the real areas in which to save money are those which I charted by my questions a few moments ago.

Don't think for a minute that in the consideration of this budget you can please both the taxpayers and the tax spenders. The appetites of the tax spenders are insatiable. Some taxpayers want all governmental services possible, but want to pay for none. Neither of these divergent elements can be pleased. Rather, we must channel our energies and activities toward that broad middle group which wants good government, better governmental services, is willing to pay for them, but wants value received for each dollar spent. The budget is always the toughest single problem before the Legislature because it encompasses everything in our state government.

I do not want to pass the opportunity, on this occasion, to pay my respects to a great Nebraskan who served as Chairman of the Budget Committee during my first two terms as Governor. A member of the opposite political faith, he was always absolutely fair with me and with everyone with whom he dealt. He had a consuming passion to gain for the people of his state the most efficient and economical government possible. Senator John Callan served far beyond the call of duty and, in my judgment, added immeasurably to Nebraska's tradition for fine public service.

I want to salute, too, the other fine men who have served on the budget committees during the time I have been Governor.

I welcome the present distinguished Chairman of the Budget Committee, a seasoned legislative veteran, Senator Arthur Carmody, and his committee, as they take over the responsibilities of preparing the budget for the coming biennium. I assure them of my willingness to cooperate with them in every respect and pledge to them the efforts of everyone in the departments under my control to further their important task.

Ours, gentlemen, is a difficult task, an important task. Let us meet it squarely, and may God grant us the wisdom to so perform our duties that the best interests of the people of our state are served.

Respectfully submitted,

Val Peterson
Governor.

SUSPEND RULES—Refer Bills

Mr. President: I move that the rules be suspended for the purpose of referring bills. (Signed) Harry L. Pizer

The motion prevailed with 34 ayes, 0 nays and 9 not voting.

Visitor

Mr. Hoyt introduced former Senator William A. Metzger.

Mr. Lee Presiding

GENERAL FILE

LEGISLATIVE BILL 33. Read and considered.

Advanced to E and R for review.

LEGISLATIVE BILL 36. Read and considered.

Advanced to E and R for review.

LEGISLATIVE BILL 32. Laid over.

LEGISLATIVE BILL 17. Read and considered.

Mr. Wellensiek offered the following amendment, which was adopted.

Amend L. B. 17 by striking the "s" on the first word "*crossings*" in Section 1, line 22.

Mr. Prohs offered the following amendment to the Standing Committee Amendment found in the Legislative Journal for the fourteenth day, which was adopted.