

**MOTION—To Approve Report**

Mr. President: I move the approval of the committees.

(Signed) C. C. Lillibridge

The motion prevailed.

**MOTION—Committee to Escort Governor**

Mr. President: I move that the President appoint a committee of five to escort the Governor to the Legislative Chamber for the purpose of delivering his budget message. (Signed) Karl E. Vogel

The motion prevailed and the President appointed the following members to serve on said committee: Vogel, Chairman; Dooley, McHenry, Coffey, Diers.

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-fifth Session of the Legislature of Nebraska,  
January 7, 1953

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

Those of us who serve the public in government, whether in your capacity as legislators or in that which has been mine for the past six years, are frequently impressed with the insufficiency of our wisdom. No duty that I have had to perform as the chief executive of this state has impressed this upon me more than that of the preparation of four budgets. It is a humbling experience in this period characterized by world tensions and strains with their consequent effect upon economic conditions to attempt to foresee costs of goods and services and to estimate the ability of our people to meet the costs of government thirty months in the future.

Several months before I became Governor, recognizing that Nebraska's physical plant had become badly run down because

of many years of neglect forced by drouth, depression and war, and conscious of the shrunken purchasing power of the dollar, I was worried about the fact that it was likely that I would be caught, as Governor, in a business recession—if not depression—with the biggest budget in state history. I knew that should this occur, speaking politically, there would be no acceptable explanation. Those of you who have been members of each of these sessions I am certain were of the same opinion.

Thus far that recession, while there have been indications that it had started on one or two occasions, has not occurred. The outbreak of the war in Korea in June of 1950 ended one decline and started us on another inflationary spiral, the end of which is not yet in sight. Today, as a result of all of the years of war since the Japanese first entered upon their course of aggression in China and, particularly, since December, 1941, costs have risen and risen until at this point the cost-of-living index in America is the highest ever.

Whether we will have more inflation or less depends, of course, upon whether the Korean war expands into an "all-out" World War III. In any event, because of the threat of Communism and our necessity to prepare to meet this aggression, high prices and the low purchasing power of the dollar characterize our economy. Inflation, which forces us in government to spend more dollars to buy needed goods and services just as it does in private life, will continue at high levels. It appears this will be the case through the next year and possibly through the next biennium.

It is true, however, that while Nebraska has again been blessed, since you were last here in regular session, by some good crops and is in a generally prosperous condition, nevertheless nature has given warning that we cannot always expect rainfall adequate to produce excellent crops. Further, the favorable relationship which existed during the war years, and for a time thereafter, between prices paid and prices received by farmers has been dissipated. Prudence requires that we keep these warning signals in mind as we consider the budget requests of the several state institutions.

After careful consideration of the requests made by the state agencies which total \$173,583,666.82, I am recommending to Your Honorable Body a total appropriation of \$170,830,874.47, which compared to the \$173,383,571.08 appropriated in the 1951-53 bien-

nium represents a decrease of \$2,552,696.61 or 1.5 per cent. To meet the amount which I am recommending will require an increase from the General Fund appropriation of \$1,160,295.72, or 2 per cent. You appropriated for the current biennium \$58,081,519.60 while the figure I recommend is \$59,241,815.32.

Due to fortunate balances the new General Fund money required to meet this budget is \$54,506,163.28, or \$584,889.66 less than the \$55,091,052.94 which you appropriated in new money for the 1951-53 biennium. This is a decrease of 1 per cent.

The fortunate balances to which I referred are the result of two factors: First, an estimated \$3,271,097.29 which will be unexpended in the assistance account at the end of this biennium, and second, the order which I issued to all departments under my direction on November 1, 1951, that they were not to expend more than 95 per cent of the money appropriated to them without special permission.

The effect of the saving which has been made by the Assistance Department and its request for a lesser General Fund appropriation for the new biennium is to lower the amount of newly appropriated money required by that department to \$13,845,500 or a figure \$6,521,997.29 less than the amount you appropriated for the current biennium. The saving made in the current biennium and the lesser figure required for the new biennium can be attributed primarily to the expansion of the Federal Old Age and Survivors Insurance Program, to better administration by state and county authorities, and to the enforcement of the Relative Responsibility Act. The effect of all this is to cut the need for the General Fund appropriation for the next biennium by about six and a half million dollars.

In addition, the order which I issued to my departments will effect a saving by the end of the biennium of approximately one and a half million dollars in the General Fund which, of course, affords a further opportunity to cut the General Fund new money appropriation. A further result of my order is the saving of approximately one and three-fourths million dollars in Cash Fund appropriations, and it should be remarked here that if all Cash Funds in Nebraska were deposited into the General Fund, as in my judgment they should be, and were not earmarked, the one-and-three-fourths-million-dollar saving could also be used to cut the General Fund levy.

## EDUCATION

One of the most interesting features of this budget is revealed by the table in the front of the budget on page vii which carries the pie charts labeled "Where The Money Will Come From" and "Where The Money Will Go." Education passes welfare and highways to receive 27 per cent and the highest portion of the state tax dollar. Welfare is second with 26 per cent, and highways third with 21 per cent. In the 1951-53 biennium education ranked second, receiving 25 per cent while welfare received 29 per cent and highways 22 per cent. I believe this marks the first time in modern Nebraska history, if not in all of its history, when education has received the highest percentage of the state tax dollar. Many, I believe, will feel that for the state to spend more upon the education and training of its youth than it does for any other service marks a step forward.

## HIGHER EDUCATION

### The University of Nebraska

The University of Nebraska, buffeted by the results of years of neglect due primarily to drouth and depression and by the inflationary forces rampant today, finds it extremely difficult to maintain itself on a competitive basis with sister institutions in our neighboring states. It has, of course, no choice other than to be competitive if it is to be a living and dynamic institution rendering the service to which our people are entitled and which they demand. Accordingly, it has submitted a budget request to be met from the General Fund in the amount of \$16,350,000, which is an increase over the amount appropriated for the 1951-53 biennium of \$3,800,000, in round figures.

The increase requested is divided into two parts: \$2,200,000 to permit it to continue to render to the people of the State of Nebraska the same quality of service which characterizes its operations today, and \$1,600,000 to expand and improve the service which it renders to our people through (a) The College of Medicine and the University Hospital; (b) The College of Agriculture, Agricultural Experiment Station, the Agricultural Extension Service; and (c) All other colleges and divisions, both instructional and administrative.

I am recommending in the budget which I submit today an increase of two million dollars from the General Fund. This should permit the University to maintain its present program

at a very high level. I have not provided for the expansion program requested, desirable as it undoubtedly is. I have not done so because I feel that you as the elective representatives of the people must, after consultation with your constituents, determine whether you want to expand the activities of this great Nebraska institution. The cloth must be cut to your pattern.

After careful consideration of the requests made by the University authorities, I am of the opinion that if this institution is to make its maximum contribution to our state, some expansion is in order. This is true in each of the broad fields for which requests were made. It appears to be particularly true with respect to the College of Medicine and the School of Nursing. It is possible and probable that unless the College of Medicine and the University Hospital are greatly strengthened and improved, our medical school may lose its recognition and rating. Such an occurrence would be a catastrophe for our state, particularly in view of the fact that more than half of all of the doctors in Nebraska are trained at the University of Nebraska College of Medicine and there would seem to be no other source of medical men for many of our smaller cities and communities.

The shortage of doctors and nurses is not a Nebraska problem alone, but is one which faces the entire nation and will become progressively more acute. It is estimated that in 1960 the population of the United States will be 171 million, and we will need some 22 to 45 thousand more doctors. If Nebraska is to get its share of medical men, it apparently will have to assume the responsibility for training them. The problem, of course, is not one of quantity alone, but also, and equally important, one of quality. University authorities say they need for the next biennium \$763,170 for improving the program at the College of Medicine.

In addition, University authorities and a delegation of doctors have informed me that development of a plant adequate to the need of the College of Medicine and School of Nursing will require the expenditure of 6 million dollars for new buildings at the Omaha institution. This 6 million dollars is in addition to the portion of the 1.1 mill building levy which the University now shares.

The operation of a College of Medicine of which the University Hospital is an integral part is in this modern age extremely costly. We are in the business in Nebraska and it appears that we

cannot get out if we want adequate medical service for our people. You may postpone the decision for a few years but basically you must decide whether to operate a first-class medical school or close it. Accordingly, Your Honorable Body will want to give serious consideration to these requests.

Ever since I have been Governor I have repeatedly raised the question of the functions our taxpayers could afford to support in our State University. I have urged the Board of Regents and the Chancellor not to add colleges to the University until they have thoroughly explored the possibility of entering into regional agreements for such new proposed activities. As an example, while Nebraska needs veterinarians and needs them badly, I am of the opinion that money can be saved our taxpayers by our University entering into agreements with institutions such as Iowa State College at Ames, the Colorado Agricultural College at Fort Collins, or the Kansas State Agricultural College at Manhattan for the training of Nebraska boys in veterinary medicine. We, of course, expect to pay the additional costs of the enrollment of our boys in these schools. In my judgment after we have paid the other states fully, we would still save a great deal of money over the establishment of a new college at our University. I am happy that the Chancellor and Regents agree.

Regional cooperation in the field of higher education is being successfully practiced in the South and in the West, and in my judgment makes for better training and lower costs. Nebraska, with 1,300,000 people can never afford to support a Harvard University or, if you please, a Sears Roebuck catalogue of higher education. Rather than attempt to cover the higher education waterfront, we should do some things in a first-rate manner. In fact, we should support no activity in our University at other than the highest possible level. Those things that we are not doing as well as some of our neighbors or that we feel we cannot afford, we should eliminate and provide for our children through regional agreements.

Personally, I want to see a strong University of Nebraska, operating on the highest possible level of scholarship. We cannot afford everything in the educational world; neither can we afford second-rate teaching or research.

#### SAFETY PATROL

At your direction, the state is constructing 12 scales for

the purpose of checking on the weights of the trucks which use our highways. It is hoped by this means that we can discourage overloading and consequently protect the tremendous investment which we have in our highways from damage by those who violate the law. Several of these scales are now in operation and they are, by the way, returning handsome funds through fines to the schools in the counties in which they are located.

Colonel Sanders informs me that to man these scales properly he needs 30 more patrolmen. I join with him in feeling that such an increase is a "must" if we are to gain the maximum benefit from the sizeable investment which we have made in the scales and to accomplish our purpose in protecting our highways. Further than that, I recommend the addition of 31 men to the Safety Patrol, 12 of whom will permit us to replace men who have been lost from our authorized strength of 131, and 19 to permit us to render better service in the state generally and particularly in certain areas where our force is now much too thin. This 61-man increase would give us a total force of 180 men and permit us to place two men in the following towns where we now have one: Ainsworth, Chadron, Wayne, Nebraska City, Auburn, Ashland, Beatrice, Exeter, Blair, Lyons, Broken Bow, and Ord, and to restore men to Bridgeport and Albion.

Nebraska has one of the finest Safety Patrols in America. I do not believe there is a better disciplined, more efficient or more effective organization of its type to be found in this country. Colonel Sanders and his men have met every demand upon them and each man is available at all hours, day and night, to protect life and property. No group of state servants puts in more hours of work. Each man is required to work 10 hours a day, 6 days a week, and is on call any hour of the night or day. During the last year the entire organization averaged 203 hours per man overtime above and beyond the 60-hour week. I think you will agree with me that this organization is entitled to some additional help, and, further, that safety on our highways can be improved, and God knows it is needed, by the addition of a few more men.

I would not want to mislead anyone into believing that this increase will not take real money. In fact, it will require \$810,000 for the biennium, and I am recommending that increase in this budget. I believe it will be money well invested for Nebraska. I believe, further, if you want to put it in terms of money, that more than enough lives will be saved to offset this increased cost.

## SCHOOL RETIREMENT

The Director of the Nebraska School Retirement System has requested \$826,200 for that fund for the coming biennium. This will permit the system to operate on a pay-as-you-go basis, and as has been our custom in the past, permit the accumulation of some surplus. I am recommending this amount. As on previous occasions, I call your attention to the fact that the State of Nebraska year by year is facing a pyramiding financial responsibility under this program. In fact the actuary for the fund has reported in the study which he made for the Legislative Council, that if the system were to be completely funded at this time it would require an immediate contribution by the State of \$14,891,800.47.

Once again I want to recommend to Your Honorable Body that good financial practice requires you to put this program on an actuarially sound basis. If not, we run the chance that some day in the future, not alone will we be unable to pay our retired school teachers, but our taxpayers will face a really overwhelming burden, should it be necessary to meet the mounting cost in a relatively short period. I am delighted that your Legislative Council has studied this problem, and that you have in your hands for study and consideration the report of the consulting actuaries.

## CAPITOL MURALS

Over thirty years ago, ground was broken for our magnificent and world famous Capitol Building. To date we have never completed the murals which were planned for several prominent spaces in the interior of the building. To that extent the building is not completed. In my judgment, there is no reason why we should not proceed with the painting of the murals, and it would seem particularly appropriate we undertake that now, in order that the building might be completely finished at the time of Nebraska's Centennial Celebration which will be held in 1954.

The 1949 Legislature authorized the appointment of a Capitol Mural Commission to study the problem for completing the decorations in the Capitol. This committee made a complete report, and two years ago the commission was directed to "cause the panels and murals in the State Capitol to be completed as expeditiously as funds are made available by the Nebraska State Legislature." There are three panels in the North Vestibule; three in the Rotunda; six in the Foyer; and eight panels in the Memorial Chamber at

the top level of the Tower; a total of twenty panels, some of which are very large, that remain to be done.

The general plan of decoration and the subjects of the paintings were worked out by the late Hartley Burr Alexander in collaboration with the architect, the late Bertram Grosvenor Goodhue, and will continue the symbolic plan of the entire building. The only change from the original plan which the Mural Commission proposed is to change the theme of the Memorial Chamber from war to that of world-wide peace, toward which all men of goodwill work.

The estimated cost, which includes the paintings and their mountings in place was worked out after extensive inquiry by the Capitol Mural Commission and is based upon current prices paid for comparable work by the best painters in America.

Therefore, I have included in the budget the sum of \$141,900 to complete the twenty mural paintings in the spaces provided in the Capitol Building. This appropriation will cause to be completed our great Capitol Building, which is universally recognized as one of the great conceptions of architecture in this country. We should not longer delay the completion of this structure, of which we are all so justly proud.

#### STATE BUILDING COMMISSION

I am happy to report that our Capitol Building has been water-proofed from the top of the Sower to the ground. Windows have been caulked, all stones have been pointed, and the building today, with the exception of the terrace, is as water tight, if not more so, than at any time since its completion. This work has cost us \$85,000.

The terrace, which has leaked regularly from the day it was completed, has presented a most difficult problem. The Building Commission is composed of the Governor, the State Engineer, and three members appointed by the Governor, who are presently W. C. Fraser of Omaha, Thomas Wake of Seward, A. Q. Schimmel of Lincoln, who was appointed recently to take the place of the late Gus Prestegaard of Lincoln. This group has held innumerable meetings, and engaged the services of leading Nebraska architects, and sought the advice of building engineers over the entire nation, in an attempt to find the best, most practical, and most economical way of stopping the leaks in the terrace. The Commission has learned that opinions differ radically in the judgment of what should be done to the terrace. One

experiment on a portion of the building has been attempted, and proved unsuccessful.

Today, following extensive study and research, our State Highway Department, with the active assistance of an outstanding Nebraska firm of architects, has devised a plan which it believes offers the best approach to the problem yet devised. Bids were asked for reconstruction of the terrace utilizing this plan, but the bids were rejected because it was felt they were too high. Bids will be taken again to permit the work in the spring. I am recommending to Your Honorable Body that it make available to the Commission the sum of \$140,000, which is included in the budget of the Capitol Custodian.

It is my hope that work on the terrace can be successfully concluded in the next building season, in order that this famous building may be in the finest possible condition.

#### GOVERNOR'S MANSION

As you may have learned through the newspapers, and will be informed by a committee of the Legislative Council which has been studying the matter, the family of the late Frank Woods has most generously offered the lovely home and grounds of Mr. Woods to the State as a residence for Nebraska's Governors.

I am informed by the Attorney General that the Governor is authorized under our laws to accept such gifts. However, the operation of this home would require somewhat more money than is presently expended to operate the existing Mansion, and would bring into the light some expenses of the operation of a Governor's Mansion which are presently hidden because of the close proximity of the Mansion to the Capitol Building. Further, it might be necessary and desirable to make some alterations of the Woods home before it is occupied as a Mansion. All of this entails matters of appropriation, which are your concern, and I have felt the decision as to the acceptance or rejection of this offer should be made by Your Honorable Body. The hidden expenses to which I refer are heat, power, and yard maintenance. All of these are legitimate charges of operation and maintenance, which, from a strictly budgetary standpoint, would be more appropriately charged to the Governor's account. Such, however, has never been the case in the past, and to have done so would presumably have cost the State more money if for no other reason than to purchase meters.

From an economic standpoint the State would certainly gain by acceptance of the offer made by the Woods family. It would gain a most valuable piece of property at a very desirable location, would retain ownership of the present property, and save itself the \$100,000 which was appropriated for the purchase of ground and the construction of a new Mansion. In my judgment, our people will be very hesitant to appropriate the sum of money which would be necessary to purchase sufficient ground and construct an adequate Governor's Mansion under prevailing prices. Certainly this could not be done for the \$100,000 appropriated, but would require several times that amount.

### BUILDING PROGRAM

I think it is appropriate to remark that the wisdom of the 1.1 mill levy, and the building program which it has made possible, is each day becoming more and more apparent. The effects of the program are to be seen all over Nebraska. Never before have our buildings been in better repair, or more adequate to carry out the purpose for which our several institutions were created.

We must remember, however, that the construction of new buildings in many cases also means greater operating costs. We take great pride in the fact that the waiting list at the Beatrice Home has been eliminated, and we will be happy when the same can be said of the waiting list at our mental institutions. However, as we open these new buildings we care for a larger patient population, we require more personnel and equipment, and we, of course, incur greater financial responsibility. Assuming that our programs are sound and that the services rendered are necessary, the increased costs, while a burden, yet permit us to do a job which we have undertaken as a people.

### PERSONNEL PROBLEMS

I am happy to report to you that your action in placing state employees under the Old Age and Survivors Insurance Program of the Federal Social Security Administration, has resulted in an increase in the morale of our employees. Many have taken advantage of its provisions, and are now enjoying a well earned retirement. Others who have spent years in the service of the State are looking forward to the day when they, too, may receive its benefits. Your action marked a step forward in our State personnel relations.

On other occasions I have pointed out to you that our state salaries are in many instances utterly inadequate to attract into State service men of the caliber needed to render efficient and economical service. Thus far you have not seen fit to take steps to remedy this situation in an adequate manner. Because I feel that this problem is of the utmost concern to the State, as well as to the employees of the State, I take the liberty of quoting remarks which I have made to you on two former occasions.

"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 without 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 six) 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.

"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."

The problem today is more acute than ever.

### BUDGET MAKING

I believe that the last six years has seen progress made in the construction of the budgets which are submitted to Your Honorable Body. Particularly, the budgets have been more realistic in the sense they have contained better estimates with respect to balances which will be on hand in the various agencies at the end of the biennium, and also better estimates of cash receipts received by the departments and agencies.

In my judgment one of the greatest steps which could be taken to improve our budgetary procedures, with consequent savings to the taxpayers, would be the requirement that all cash funds go into the General Fund, and be appropriated therefrom. Such appropriations would be made on the basis of definite budget requests. Such a program should be accompanied by an allocation reserve fund, to be made available upon justification to an administrative body. New York State has substantially such a system. In my judgment, this is the best way to tighten budgetary practice and squeeze the water out of some budgets. There should be no such thing as private public funds (earmarked funds). When organizations and activities use state authority to accomplish certain objectives, they should be subject to definite legislative fiscal control. I know that this recommendation is sound, as I also know that some agencies who are beneficiaries of the present system, will object.

### REVENUE

Nebraska's basic revenue problem is that of securing a realistic and honest assessment of the property in the state, both real and personal. It is true that we have made as much or more progress in the past six years in the improvement of the system than has been made in any other similar period. But the fact remains that the system still stinks. This was clearly demonstrated

at the time of the last meeting of the State Board of Equalization, and demonstrated beyond any argument by the fact that farm lands in Nebraska were assessed at 69 per cent of the twenty-year average selling price per acre. In 1952 farm land assessments in the counties varied from a high of 82 per cent in Johnson County to a low of 34 per cent in Grant County. Many other classes of property are as bad as farm lands, and some are worse.

This problem is not beyond solution, and our failure to solve it can only reflect our indifference to gross misrepresentation and downright dishonesty in the most basic aspect of government. That aspect is the assumption by each citizen of his honest share of the cost of government. To the extent that we impose upon some citizens a greater burden than is their just share and we permit others to escape carrying their fair share of the burden, we are destroying the foundation of our Democracy. I recommend that Your Honorable Body take action, drastic though it may have to be, to see that the burdens of government are equitably assessed upon our citizens.

I understand it is being proposed by some that the property tax in Nebraska be reserved to local governmental units. The idea of this proposal of course is to get away from equalization between counties. Such a proposal unquestionably requires the institution of new forms of taxes. Without discussing the merits of such action, I want to point out that if this proposal is made law, Your Honorable Body should see that the other forms of taxes, whatever they be (fees, excises, sales and income) be reserved to the State. If not, we will probably experience in Nebraska the development faced by other states who have not made such a reservation; that the local units of government soon turn to the State with demands for State Aid from State revenues. History indicates that such demands for State Aid will eventually be successful and as a result the state funds from the new revenues will be depleted to the point of inadequacy, thus making more acute the State's fiscal problems.

#### FEDERAL GRANTS-IN-AID AND STATES RIGHTS

At the state level, we frequently lament our loss of power to the federal government. That loss is a very real one, and unless we desire to see our states become mere administrative branches of the federal government, it must be stopped and revised. There is some indication at present, in view of the recent election and stirrings in the states, and in our society generally, of a desire to reverse the trend and to preserve and strengthen

our state governments. This means, of course, the states must accept added responsibilities, and as they assume functions now carried on by the federal government, must raise larger sums through taxation.

Some of the growth of the federal government has been necessary because of the conditions under which our modern society operates. Rapid transportation and communication have made it necessary for the federal government to enter into some fields which were formerly more properly the responsibility of the states. No one can quarrel with these developments, which are of course a fact accomplished. Other expanded powers of the federal government are the result of Supreme Court decisions.

It is true, however, that the state governments took the greatest step toward the eventual loss of their sovereignty when they accepted the first Federal Grant-in-Aid. It is by the dollar-matching technique that those who see in centralized government the answer to everything, have been able to break down state government. It will only be after we get away from the Grants-in-Aid that we can return power to our states. I want to quote briefly from the first budget message which I made to Your Honorable Body because I think what I said on that occasion is equally pertinent today.

"Through its grants-in-aid programs, the federal government reaches into nearly all phases of state activity. While we must admit that such social progress has been achieved by these programs, it is true that it has brought with it a degree of dictation over our affairs and has stimulated extravagance in government. In attempting to match all federal monies in sight, the states and municipalities have too frequently over-spent and over-taxed.

"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 but extracts it out of the pocket and sweat of the citizen as do 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."

I am happy to report to you that all of our state institutions have been improved in the past several years. The quality of service we are rendering to the people measures well when compared to our neighbors and other state governments in America, and is, in my judgment, at as high or a higher level than we have enjoyed previously in the history of our state. This is not to say that our institutions are perfect, or that improvement cannot be made. To the contrary, we must ever be alert to make such changes as are necessary to bring about the highest degree of efficiency and economy.

I would like to suggest, however, that while it may not make as many headlines as charges of deficiency, or of mismanagement, the fact nevertheless remains our state institutions render yearly thousands upon thousands of wonderful, and in some instances, miraculous services to our people. I am reminded of a visit in my office some weeks ago of representatives of the great Elks organization, and of our State Assistance Department. They brought to me the picture of a young man, portraying his development from the time he was a hopelessly crippled boy until, through the efforts of the Elks and the State of Nebraska, through the Assistance Department and the Orthopedic Hospital, this young man became one of our public school teachers. Today he is a perfectly healthy, normal, self-sustaining member of society, making a real contribution, rather than being a charge upon our society. Countless instances of similar services in various state institutions are at hand to be seen by any who care to, and they emphasize again that the people, through their government, accomplish many fine purposes.

Let us not, in our desire to correct deficiencies and wrongs in our government, or in our desire to grab the headlines, overlook the fact that possibly 95 per cent or 96 per cent of the activity of government is purposeful, is fine, and is efficiently and economically conducted. I do not for a moment wish to be a party to the elimination of criticism. I call only for balance in our outlook.

I want to point out again to you that while Nebraska is spending large sums of money for the support of its state government, the largest sums in fact in our history, and while I recognize the burdens of government, including the state government, are great, the fact nevertheless remains that on a comparative basis, and nearly everything in life is relative, Nebraska during the past six years for which many of you, and I, have been responsible, has taken for the support of state government the second lowest percentage of the total income of its citizens of all of the states in America.

The services which we render to our citizens generally measure up very well with those of the other states in the Union. We have increased those services in the last six years, and yet the cost to Nebraskans is the lowest in America, save that borne by the people of New Jersey. I know of no major cost of state government borne by other states which is escaped by Nebraskans, with the very material exception of State Aid to Elementary and Secondary Education. This exception makes it possible for us to keep our costs lower than those states making a substantial contribution in that field.

I want to emphasize again that when I point out how low our taxes are on a comparative basis, I do not mean to imply for a moment that improvements cannot be made. I am certain they can be made, and I applaud anyone in or out of state government who makes constructive suggestions for such improvements.

It seems so elemental that one should not find it necessary to make the suggestion, but I want to call attention again to the fact that to be meaningful, a comparison of expenditures by the state government by bienniums must also include a comparison of services rendered by the state government in those bienniums. As an example, previous to 1935, there was no State Assistance Program in Nebraska. Today it requires 29 cents out of every dollar the state government spends, and yet an administration as late as that of Honorable Charles W. Bryan had no responsibility for such a program. Today, under the Department of Vocational Education, a very sizeable amount of money is spent for a Veterans' training program. There was no such responsibility on the state government as late as the administration of Honorable Dwight Griswold. Today, and for the future, the cost of Nebraska's Teacher Retirement System is an important factor in the state budget, and will become increasingly so. Yet there was no such service rendered by Ne-

braska as late as the administration of Honorable Roy Cochran. It must be clear to anyone that fairness in measuring the costs of administrations, or costs of government by bienniums, requires cataloguing not alone the expenditures but the services rendered. Further, such comparisons are not meaningful, as neither are they accurate, unless consideration is given to the purchasing power of the dollar.

I should like to call attention again to the elemental fact that the growth in government is nearly always at the demand of the citizens of our state, and obviously, as government is expanded, the cost of government rises. The time to be concerned about taxes is not the day that one steps up to the County Treasurer's window to pay the bill, but rather it is the day that legislative proposals for adding to our government are being considered. As I have suggested many times in the past, I know of only two effective ways to cut the cost of government: One, by increased efficiency, and for that we must always fight; and the second is to stop adding to government, and to start subtracting from it. The second, of course, is really the effective way of cutting government costs.

"Personally, (and I quote from a former message to you) 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 outlived its usefulness. It may never have been a proper undertaking on the part of the government."

We have long had good government in Nebraska. We can continue to have such government just so long as we carefully scrutinize all governmental activities and insist on doing no more than we can afford, and do those things in a manner second to none. We have the wealth in Nebraska, and the ingenuity to do those things which government can do best for the people. Let us determine carefully what we believe to be the functions of government.

It has been a distinct privilege and pleasure to work with you in budgetary matters, and I want to thank the budget committee

members with whom I have been associated in the past six years. They have been universally courteous and helpful to me. Our relations have been most friendly, and I trust they have been beneficial to our great state.

I wish for you every success in the consideration of Nebraska's budgetary and fiscal problems. Sometimes rather dry matters, they are nonetheless the most important in each session.

Respectfully submitted,

(Signed) Val Peterson  
Governor

The committee retired and escorted the Governor from the Chamber.

#### Visitor

Mr. Person introduced Mr. E. S. Schiefelbien of Wahoo, Nebraska.

#### MOTION—Rules

Mr. President: I move that the Rules Committee be instructed to study some method of reducing the number of bills introduced in each session of the Legislature, or recommend some method of screening or giving the more important bills first consideration. (Signed) Hal Bridenbaugh

The motion lost.

#### BILLS ON FIRST READING

The following bills were read the first time by title:

**LEGISLATIVE BILL 1.** By Glenn Cramer of Boone.

A bill for an act to amend section 84-314, Revised Statutes Supplement, 1951, relating to state officers; to provide for the method of fixing the salary of the deputy auditor of public accounts; to provide when a change in the salary of such deputy shall become operative; and to repeal the original section.

**LEGISLATIVE BILL 2.** By John E. Beaver of Cuming, Earl J. Lee of Dodge and Glenn Cramer of Boone.