

Delegate at Large—Skarda
Alternate at Large—Ruhnke

ENROLLMENT & REVIEW—Brandt, Chairman

(Signed) J. O. Peck, Chairman

MOTION—Adopt Report

Mr. President: I move that the report of the Committee on Committees be adopted. (Signed) J. O. Peck

The motion prevailed.

BILLS ON FIRST READING

The following bill was read the first time by title:

LEGISLATIVE BILL 1. By William Moulton of Legislative District 10.

A BILL FOR AN ACT to amend section 53-177, Reissue Revised Statutes of Nebraska, 1943, relating to liquors; to increase the distance from prescribed institutions within which no license for the sale at retail of any alcoholic liquors shall be granted; to repeal the original section; and to declare an emergency.

Committee Appointed

Speaker Thompson appointed the following members to assist with the inaugural ceremonies: Burbach, Orme, Kjar, Nelson, and Stryker.

Committee to Wait Upon Governor

Speaker Thompson appointed the following members to wait upon the Governor and escort him to the Legislative Chamber: Claussen, chairman; Fleming, Stalder, Staubitz, Craft.

Ease

The Legislature was at ease from 9:55 until 10:02 a.m.

Governor Escorted

The committee escorted Governor Dwight W. Burney to the rostrum where he delivered the following:

BUDGET MESSAGE

In my sixteen years of service to the people of the State of Nebraska, I believe this to be my greatest opportunity and my gravest responsibility. The budget that I have prepared will not be fully satisfactory to most of the Departments, and yet I am asking that the taxpayers dip a little deeper than they did two years ago. I shall not go into each section of the bill because there will be no great variation from an average increase in most. Just let me say that I used the budget that you voted two years ago as a guide in my adjustments of the requests so that if you were high in some areas, then so also will I be now and vice versa.

I have endeavored to use common sense in my adjustments, whether they be up or down. I shall, however, point out a few areas where I have made special requests. One is in the storm emergency fund under the Governor. I have proposed a figure of \$100,000.00 in place of the previous \$50,000.00. This could forestall a special session of the Legislature in case of disaster. Another is in the Division of Pardons and Paroles. We are paroling more and more inmates from both the Penitentiary and the Reformatory before their full term is out with the thought that by sending them out under a term of supervision they have a much better chance of adjusting and becoming useful citizens than when we keep them until their term has expired and then send them out whether or not they have jobs, a place to go or anyone to sort of lean on. In order to be paroled they must first have employment and when released must report regularly to the parole officer for the term required. We now have just one such state officer. My budget request is for two additional parole officers.

I have also asked for \$25,000.00 for the Murals Commission, which I have recently reactivated. There are nine large and several smaller frames in the Capitol that have no pictures. I feel that with this beautiful building we should endeavor to complete that work.

In the Insurance Department we were told that if the State does not increase personnel for statistical studies the Federal Government will take over that work, and it was my judgment that the State should keep control as much as possible, and I have figured their budget accordingly. This increase will amount to approximately \$20,000.00.

Naturally I have advocated a considerable increase in the Resources Division. This Division has expanded as a direct result of the special session of last summer and this expansion will cost more money.

It is good to be able to report that the Cigaret Tax Collecting Division is asking for less money as evidence that not all departments will cost more.

The Motor Vehicle Department, being a rather new department, comes in for some special attention. I have approved more than an average increase in order that they may improve their filing system.

In the Department of Public Welfare, the suggested figure is less than that of two years ago, but if your august body sees fit to implement the new Federal program for medical aid to the aged you will necessarily alter this figure to agree with that legislation. This Assistance Department is one of the four big users of state tax dollars.

In the field of higher education I have employed a variety of yardsticks by which to measure my recommendations. To the University I have figured a flat ten percent raise in tax funds with the thought that perhaps they should spread their salary increases over a longer period. Then, too, I have taken into account the fact that their budget of two years ago was increased quite substantially in order to increase salaries. To grant them their entire request would have used up all of the increase that I think equitable for the entire budget. In the case of the Normal Schools, the percentage increase is somewhat more than the ten percent increase. This I have recommended, because in the last two-year budget their increase percentage-wise was rather small.

To the Board of Control, another of our major areas of State Government, I have figured a flat ten percent increase. While some institutions are decreasing in volume of work, others are increasing and I feel sure that this increase will take care of some new personnel and a moderate general salary increase.

The Department of Roads, or Highways, is another of our big spenders, but the Governor has no problem in figuring their budget. He simply allots to them all of the funds provided by law from the motor vehicle license funds and from the seven-cent sales tax on motor fuels. I feel that we can be proud of the progress we are making on our highway system under these taxes. No property tax is used on our state highway system. We do levy property taxes to finance our Safety Patrol, which is under the Highway Engineer, and I have approved some added increase for them to provide more personnel. This, however, is not a radical increase; from approximately \$4,000,000.00 to \$4,500,000.00.

From this brief outline you can observe that I have recommended increases that will average somewhere near a ten percent figure all up and down the line. In doing so, I have had to cut

some requests rather drastically. However, in allowing for these moderate increases the question is, "Why any increases at all?" My answer is that faithful employees are entitled to some increase in salary and, further, there are some added services that seem to me to be good business. Then the question arises, "Where do we get the money?" It is my sincere belief that most Nebraskans feel that we are already burdened with an over-large property tax. It is my further sincere belief that a change in our taxing system is long overdue. Nearly every other state in the Union has adopted some other form of taxation to pay the cost of state government. Every state bordering on Nebraska has at least a two percent sales tax. Thirty-three of the fifty have a two percent or higher sales tax. No one tax system used alone can be equitable and fair. A variety of taxes can come more nearly reaching that goal. With the property tax to be the mainstay for local governments, the income tax for the Federal Government and the sales tax to defray State costs, plus a part of the local costs, we could have a system that would reach everyone and yet not punish anyone.

Our total cost of state, county, city and school districts in property taxes for the year 1958-59, the last year of record was over \$140,000,000.00. A two percent general sales tax, as estimated by the Nebraska Citizens Council, would produce between \$35,000,000.00 and \$36,000,000.00. This would equal twenty-five percent of the amount raised by the property tax.

I mentioned the seven cent tax on motor fuels. With gasoline selling at thirty-two cents per gallon at the pumps, we first deduct the four cent federal tax, and then the seven cent state tax, making the fuel worth twenty-one cents per gallon. Our seven cent tax is one-third of the twenty-one cents, so that our state tax on gasoline is a tax of thirty-three and a third percent of the original cost of the fuel, yet no one seems to curtail his driving. The tax on cigarets of four cents per pack is about a sixteen and a third percent sales tax. People in Nebraska paid a sales tax of \$3,000,000.00 last year on liquor, a sales tax of \$5,725,000.00 on cigarets and \$40,000,000.00 on motor fuels, and yet we seem afraid of a two percent general sales tax that would collect about \$36,000,000.00. The property tax paid to STATE government last year was approximately \$28,000,000.00. With a sales tax yield of \$36,000,000.00, we could have a surplus of some \$8,000,000.00 that could help in our local subdivisions. With an assessment base of \$3,200,000,000.00 last year, the tax raised by a two percent sales tax, \$36,000,000.00, would equal eleven plus mills of our property tax load.

Some will say that we will spend more. Let me say that we ARE spending more. Each two years our budget is higher and will be higher as long as prices and labor costs go higher. Then, too,

nearly every piece of legislation you pass will affect the budget in some way.

The last Legislature met in special session and much has been said and written about the need for new industries in Nebraska so that we can keep more of our young people here in Nebraska. Governor Brooks in his message to that special session bemoaned the fact that too many were leaving the state, and he was fully justified. Why do they leave? Because there are more and better jobs elsewhere. We should be doing everything possible in order to get industry here, and for that reason we should take a good, long look at our taxing system.

I have shown that a two percent sales tax would equal an eleven mill levy on our present assessed valuation. I recently asked the Citizens Council to get me the tax picture of a few of our existing industries, which they did. Industry #1, a relatively small establishment has a total mill levy of fifty-five plus mills. The eleven mills replaced by the two percent sales tax would equal twenty percent of the total. Item #2 has a total mill levy of fifty-seven plus mills, and their replacement would be nineteen percent. Item #3, with a total of about the same mill levy would be in the same bracket. Item #4, a somewhat larger industry, has a mill levy of twenty-four plus, so that the eleven mills replaced by the proposed two percent sales tax would equal about forty-five percent of their total. In this case, the saving to the company would amount to over \$14,000.00. Item #5 is a large industry whose overall mill levy is thirty-five and a fourth mills. Relief of eleven mills would be thirty-one percent and in dollars and cents would be nearly \$194,000.00 per year. With these added incentives, industry should be more interested in Nebraska as a place to come.

I know that organized labor has generally objected to a general sales tax, yet labor must have industry in order to have jobs. More industry means more and better jobs. Michigan with a high sales tax has many major industries. California has a three percent sales tax, yet people go there, partly because of the climate, but many more because of the jobs they are able to find. We must have a tax climate favorable to industry if we expect to attract it.

Some say, "Why not an income tax?" First, I say that the Federal Government has preempted that tax to the utmost, almost beyond reason, and second, an income tax does not encourage the development of industry.

My program would be just one new tax system. It should replace enough of the property tax to help industry. Just one new collecting system, without too much inconvenience to the public, and with the same watchfulness in our budgets. A sales tax

reaches everyone, and since it is collected in small amounts it never becomes a burden. Our experience with the motor fuels tax, the liquor tax, and the cigaret tax, all sales taxes, should remove all doubt as to its workability.

I realize that many and varied danger signals will be strewn along your way and many ifs and ands will enter the discussions, but if you are to do anything for our great State, yours is the opportunity. Small differences must be laid aside, larger ones ironed out, and action taken at this session. We have here in Nebraska the finest people, the purest water, the greatest variety of wide open opportunities of most any place we can go. Let's get together and do this thing that most of us will admit MUST be done and institute a tax system that will attract industry. It will not be perfect but can later be amended when experience dictates. Then, after it is done and your neighbor complains, you have my permission, and I welcome that opportunity, you have my permission to tell him that Burney is to blame. I shall be happy to visit with any of you about this matter.

It has indeed been a great moment in my life that I have had this opportunity to speak to this Honorable Body in this capacity this day.

The committee escorted the Governor from the Chamber.

Visitors

Speaker Thompson introduced Mr. Floyd Miller and eight visiting teachers from eight different countries over the world.

Ease

The Legislature was at ease from 10:22 until 10:33 a.m.

Flowers

Speaker Thompson received a floral tribute from Esther, Jerome and Charles Warner.

Announcement

The Clerk announced that a meeting will be held this afternoon in the East Senate Chamber at 2:00 p.m., for reviewing the Legislative Rules.