

The motion prevailed and the President appointed the following to serve on said committee: Marvel, McGinley, Russillo, Adamson, and Kjar.

The committee retired and subsequently returned and escorted Governor Frank B. Morrison to the rostrum.

BUDGET MESSAGE
OF
GOVERNOR FRANK B. MORRISON
TO THE LEGISLATURE OF NEBRASKA
January 21, 1963

Mr. President, Mr. Speaker, Senators of the
Seventy-third Session of the Nebraska State Legislature:

At the time I made my last budget recommendations to you two years ago I suggested that the message was only advisory and should not be regarded by you as binding and conclusive, partially because of the short time and lack of staff available to a new Governor who had not had experience in dealing with state budgetary problems. At that time I certainly felt that two years later I would be in a much better position to make meaningful recommendations in all budgetary matters.

Since then, I have spent many long hours in an effort to serve the people in a way that would promote the public interest. Today, as Governor I am faced with making new budget recommendations to you for the ensuing biennium. My experience as Governor has given me an insight into the complexity of the many departments directly under my jurisdiction, the problems of our great educational institutions, and those of the many boards and commissions functioning as part of our state government.

The Budget Committee of the Legislature has recognized this problem of intelligently analyzing the financial needs of government by spending many hours studying the budget with the aid of a full-time staff. The Budget Committee is still in a much better position to analyze many of the fiscal needs of the state because of the interim study made by a fiscal analyst. No corresponding staff has been available to the Governor for such a study, and for that reason I hope that you do not regard this budget message as final authority on the needs of various agencies of state government, but only to be considered by you along with all other pertinent evidence and testimony available to you in the course of your deliberations.

In order for a Governor to properly carry out his responsibility in the area of analyzing the needs of these departments, boards, and commissions and recommend procedures for improvement and econ-

omy, it is absolutely essential that additional personnel be provided in the Tax Commissioner's office to carry out this function. For this reason I have recommended the full budget request of the Tax Commissioner and also that an additional amount of \$30,000.00 be appropriated to that office so that in the future the recommendations of the Governor's office for a budget can be considered as much more authoritative than is now possible in view of the limited staff in the Tax Commissioner's office available for budget analysis.

As stated in my inaugural address, Nebraska enjoys the lowest per capita tax rate of any of the fifty states. We hope to keep it this way, even though the programs I have recommended and hope to see inaugurated for the benefit of Nebraska so that it may grow will cost money. The areas in which I have recommended these additional expenditures are the areas in which I consider we are making investments in the future—investments that will return many dividends to the State of Nebraska. There is a difference between expanding the operational costs of government itself and investing money in the development of the material and human resources of the state to produce additional wealth in the future. The state must invest in the future just as any organization or business must if it is to realize its full potential.

The expenditures set forth in my budget recommendations before you will amount to an increase for the next biennium. Many of these additional expenditures are in specialized areas to be paid for by income from increased service fees. For part of these expenditures I have already recommended specific tax increases for added revenue.

It is estimated that there will be a three per cent increase in the assessed valuation of the state. This in addition to the improvements that I hope will be brought about by legislation to get more of the tangible and intangible property on the tax rolls will enable us to keep any increase in our state tax levy extremely low.

I wish to say at the outset that I hope no increase in the property tax levy will be required, but I do not wish to see the areas in which we are making an investment cut in such a way as to damage our forward movement. To do other than this would be a failure to live up to the responsibilities vested in me as your Governor.

In making my recommendations I have given special consideration to those areas in which I felt we were making an investment in the future instead of an expenditure for housekeeping functions.

In this area Education ranks at the top of the list. This is our most important activity and one in which the entire future of the state and nation depends in large degree.

With reference to the recommended budgets for higher education, particularly the University and Teachers Colleges, we have recommended approximately a twenty per cent increase over the last biennium. We regard this as an absolute minimum which cannot be reduced without damage to the state. We must attract some high-ranking scientists to enable us to obtain foundation grants and endowments. Some of the colleges are badly in need of new equipment to modernize them. Classic examples are the Dental College at the University and the Scientific Laboratories at Kearney Teachers College. We are badly in need of additional full-time staff at the College of Medicine. Spasmodic biennial approaches to budgeting in our long-range educational needs in my opinion is not the proper procedure. A ten-year improvement program for higher education in Nebraska should be set up, realizing that over the next ten years it is going to be necessary to double our budget for higher education. There should be closer coordination and cooperation between the University of Nebraska, the Teachers Colleges, and other tax-supported institutions of higher learning. With proper planning, cooperation and coordination between all of these educational institutions and the legislative and executive branches of government, this goal can be achieved. At this time I can see no plateau in the foreseeable future of either budgets or programming for higher education, but it is going to be a constant climb. I am prepared to fight for this ten-year program and centralized administration of our higher educational complex. We must build this, not competitive with the Big Eight, but as good as anything in America.

This budget recommendation provides additional funds for faculty and facilities at the Milford Trade School, and in addition to that I hope that you will consider the possibility of state-subsidized technical programs in the junior colleges and in addition thereto, in assessing the budgets for the Teachers Colleges, particular emphasis be given to expansion of the technical training program and facilities of each of the institutions which are now offering some excellent technical training and creating employment opportunities both by inspiring the student to undertake founding his own small industry and also training him in both teaching and service in existing and potential industrial establishments within our state. The state has entered into a manpower training program which will not require during the coming biennium any contribution of state funds but should contribute materially to expanding our trained labor force.

There is a need to have more vocational and technical training available in our high schools to those students who are not going on to college. I recommend to you a Legislative Council study to determine to what extent the state should subsidize such training in our high schools in the future.

Since these technical programs will take some time to develop, I have recommended that the Vocational and Technical School at Milford be given a sizeable increase in its budget over the last biennium to meet the demands being placed upon that school. This should place the buildings now in existence at the Milford School close to their capacity for training students. I do feel that the Milford School should be developed to its full capacity along with the other educational institutions in the state before we get into the area of developing entirely new institutions.

Highway safety, as I pointed out in my inaugural message to you, is a perplexing problem and we recommend the following:

(1) A budget sufficient to add an additional 60 patrolmen to our present force.

(2) The establishment of a driver education program in the high schools of the state under state aid to be financed through an increase in the drivers' license fees. A bill with these provisions will be introduced in the near future.

As pointed out in my inaugural message, we need a full-time safety director responsible to the Governor's office. In the event you establish a Department of State Promotion, the extra assistant in the Governor's office, whose time is now largely devoted to tourism, could be replaced with a State Safety Director operating under the same budget.

You will be and are presently faced with requests for salary increases for state officials. May I say at the outset I have no personal interest in the salary changes you will consider. Law prohibits a change of salary for the department heads during the term for which they were appointed, so the recommended changes will not occur during this present administration.

I ask each of you to take an objective look at all salaries set forth by statute. In order that the next Governor of Nebraska can get capable people to serve for him or to retain those now in office you should make it possible for him to offer salaries in keeping with responsibilities. I wish to express the same feeling for the salaries of elected officials so that we will continue to have capable, well qualified candidates file for every elective position.

I would like to cooperate with you in taking an overall look and re-evaluating our whole salary schedule. The present salary schedule has developed somewhat at random and in a haphazard way.

Most large private business concerns and industries have adopted comprehensive retirement plans. In order to become competitive with private enterprise in attracting and retaining competent per-

sonnel, many states have adopted state-wide retirement systems. It is becoming increasingly evident that we must approach this problem. I direct your attention to the report of the Legislative Council committee on this subject which recommends the introduction of the bill contained in that report. Under the plan proposed, the cost to the state would require an additional general fund levy of about one-eighth mill plus cash and federal funds now available to the various state agencies.

In my inaugural message to you I referred to a report to the Legislature by the Budget Committee in which recommendations were to be made for a professional study of accounting systems and practices of state agencies. The expansion of the electronic data processing is also vital. I also endorse the recommendation for a professional study of personnel classification. The Budget Committee has been diligent in its investigation of these areas. I commend its members for this. The findings of these studies on accounting procedures, electronic data processing, and the establishment of a permanent personnel division should certainly be implemented.

I respectfully request that the division of the present Institutional and Military Department Building Fund receive careful consideration to determine if it is now being properly distributed or whether a new distribution might be in the best interest of the state.

A little history on this matter should be considered. In 1957 the distribution allowed the then Board of Control twenty per cent for the institutions under its jurisdiction. Since that time the fund has been redistributed, leaving the present Department of Institutions with eleven per cent. In reality this is a reduction of six per cent, since the School for the Deaf and the School for the Blind were given a separate fund of three per cent.

I do not know why other departments of state government were increased at the expense of the unfortunate persons committed and living in our state institutions. During the past year, under new administration, the spotlight has been returned to the dire needs of our state institutions. The most serious, of course, is at the Beatrice State Home. There is no question but that the amount allocated the Department of Institutions should be increased to meet the backlog caused by the unfortunate reduction of the levy to the state institutions.

In a recent meeting of the Capitol Building Commission a space utilization study was authorized. This study is to provide a complete report on the utilization of the space now available in the Capitol, the amount of space that will be needed over the next

ten years, and what should be done in the way of a future office building. Matters which will need to be considered by your honorable body are the cost of renting space outside the Capitol and the time lag between the decision to build and the completion of an office building. The suggestion made by Senator Thompson that this might be a worthy project for the Centennial Commission in the construction of a Centennial Building which would also serve as an office building should certainly be given serious consideration.

The number one need as visualized by me is the creation of a separate Department of Economic Development to better promote industrial expansion, state planning and tourist promotion. In my budget submitted to you I have recommended an amount of \$230,000.00 for tourist promotion in the Game, Forestation and Parks Commission budget and \$318,300.00 in the Resources Division budget for industrial development and planning. In establishing a separate Department of State Economic Development all funds herein set forth in the Game, Forestation and Parks Commission budget for tourist promotion and the entire Resources Division budget should be considered as the budget for the new Department of State Economic Development.

I have previously recommended the establishment of a Motor Pool. This will most likely take an original investment by the state, but will result in an overall savings. At the last Capitol Building Commission meeting, I as Governor was directed to explore the possibility of having private enterprise construct and operate a motor pool for state vehicles on a fee basis. As soon as this information is available I shall supply you with it.

The Nebraska Research Institute which was established by the last session of the Legislature is badly in need of funds. Research institutes in other states have become self-supporting after the initial investment was made. In this light I recommend to you that the income from an abandoned property law would be very appropriate for financing this institute. The income from such a law would be rather sizeable the first year and then would rapidly decline. This would fit the needs of the Nebraska Research Institute.

The budget recommendation for the Soil and Water Conservation Committee is an absolute minimum. I consider this area one of those which is an investment. Therefore I would earnestly request no reduction in it by your body.

I believe that the development of Educational Television is vital to our state and that it should be adequately financed. For this reason I recommend that a levy of .33 mill be provided to implement the program.

In order to finance the Kerr-Mills bill I am informed an appropriation of \$1,200,000.00 will be needed for the biennium to match federal funds for a program that would give assistance to approximately three per cent of those people over 65.

There is a need for the state to offer assistance to cities over 5000 population, just as is now being done for the smaller towns, in the improvement of the highways through the towns. I would like to have your honorable body give careful consideration to an increase in the license fees of motor vehicles to finance this program.

Your Capitol Building Commission during the past two years has had studies made with reference to the cost of air conditioning the State Capitol. I commend for your consideration a report made to the Capitol Building Commission by the engineering firm of Henningson, Durham and Richardson. The estimated cost of air conditioning the Capitol Building is the sum of \$1,000,000.00. By the end of this biennium there will be approximately \$700,000.00 available for this purpose, which would mean an additional \$300,000.00 should be appropriated for this purpose. The Capitol Building Commission has directed me as Governor to request that you set forth in your budget this sum of money to enable us to complete the air conditioning of the Capitol Building. The resulting increase in efficiency of state employees during the summer months and the necessity of keeping working conditions in conformity with private enterprise make it necessary that this program be undertaken. In addition thereto, individual rooms within the building are being air conditioned by units which damage the beauty and aesthetic appearance of the Capitol Building, and a progression of this policy is something that cannot be tolerated.

The study made of air conditioning indicates that while some money might be saved by the installation of cooling towers on state property adjacent to the Capitol Building, the additional cost of piping the chilled water from the State University would soon be offset by a savings in cost of operation of the cooling towers in the vicinity of the Capitol Building. Taking into consideration the loss of valuable ground adjacent to the Capitol, together with spoiling the aesthetic beauty of the adjacent area, we highly recommend a joint arrangement with the University of Nebraska for piping chilled water from the University campus to the State Capitol Building. In the construction of the pipes, consideration should be given to additional capacity for the air conditioning of any office facility constructed by the state for state office purposes in the Capitol area.

In 1967 Nebraska celebrates its 100th anniversary. It is fitting and proper that we observe this great year in our history. To that end I have requested an appropriation of \$65,000 for the next bi-

ennium. The observance of our centennial can and must develop into an occasion of national significance.

SUMMARY

The total amount of the general fund budget submitted to you by me for the biennium amounts to \$91,548,709

Other programs not included but recommended by me in this message are:

State Retirement System	\$ 800,000	
Educational Television	2,000,000	
Kerr-Mills Program	1,200,000	
Tax Commissioner's office	30,000	
Driver Training Program	1,600,000	
		5,630,000

For a total of 97,178,709

I am proposing additional revenue be raised as follows:

Increase tax on cigarettes	6,500,000
Increase tax on liquor	2,000,000
Increase tax on pari-mutuel betting	1,300,000
Increase in drivers licenses	1,600,000

Estimated total special tax increase 11,400,000

Which, subtracted from the budget figures set forth, leaves a balance of \$85,778,709

Less the total amount estimated to be available from cash funds 37,500,000

Leaves a balance of 48,278,709

One half of which equals the amount to be raised annually by tax levy 24,139,354

This full budget recommendation can be adopted without any appreciable increase in the state property tax levy. I am hopeful that some of the loopholes in our present tax structure can be plugged. If this is done there is a possibility that no increase in the levy will be needed. We feel that this can be done and we will still be preserving Nebraska's reputation for fiscal responsibility and retaining Nebraska's position as the state with the lowest per capita tax levy of any of the fifty states.

The total general fund budget increase requested by me amounts to about \$20 million increase over two years ago. Of this amount,

the University of Nebraska increase amounts to approximately one-fourth of the total increase allotted to all agencies of government, including the new areas of educational television, retirement system for state employees, driver training programs for the public schools, and the enactment of the Kerr-Mills medical care bill. If we eliminate these new programs and consider only existing agencies, the University increase would amount to about a third of the increase allotted to all state agencies from the general fund.

As pointed out in my inaugural address, I believe that Education is the most important business in which we are engaged, and an analysis of these budget recommendations shows that we have allotted over half of the increases called for over the last biennium to Education. These increases for education over the preceding biennium are as follows:

University of Nebraska	\$5,000,000
State Teachers Colleges	1,500,000
Drivers Training	1,600,000
Educational Television	2,000,000
Nebraska Vocational Technical School	197,000
State Department of Education	207,349
	10,504,349

You will note that the total recommended for increases in the field of education amount to a sum considerably in excess of \$10 million.

We do feel that this investment in education is not a house-keeping cost of government, but is an investment in the future which will repay itself many times over.

I shall be available from time to time to testify or to explain these various recommendations to your Budget Committee or any other agency of the Legislature. Nebraska has always operated under the principle of a balanced budget and I hope it always will. Your state government cannot borrow against the future and I hope it never will. It is my ambition, as I know it is yours, to make Nebraska the most progressive state in the Union in all areas that are really vital and at the same time preserve fiscal responsibility. We have a tradition of conservatism in fiscal responsibility, but liberalism in social, economic and cultural progress. This reputation we intend to preserve and protect while at the same time accelerating and mobilizing all the forces of the state in achieving ever greater progress in the cultural, industrial, educational and economic progress of a great people.