

provide for the manner of submission and form of ballot; and to provide the effective date thereof.

**President Sorensen Presiding**

**NOTICE OF COMMITTEE HEARINGS**

**Miscellaneous Subjects**

LB 152	Thursday, February 4, 1965	2:00 p.m.
LB 159	Thursday, February 4, 1965	2:00 p.m.
LB 208	Thursday, February 4, 1965	2:00 p.m.
LB 238	Thursday, February 4, 1965	2:00 p.m.

**Ease**

The Legislature was at ease from 9:55 a.m. until 10:00 a.m.

**Governor Escorted**

The committee escorted Governor Frank B. Morrison to the rostrum where he delivered the following:

**BUDGET MESSAGE**

**OF**

**GOVERNOR FRANK B. MORRISON**

**TO THE LEGISLATURE OF NEBRASKA**

January 26, 1965

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

As I stated in my Inaugural Address, our watchword must be, "meeting our responsibilities with prudence." We cannot buy back yesterday. And it will be costly to remedy yesterday's mistakes, but the cost of remedying today's mistakes would be astronomical. Through this budget, we intend to meet the increased responsibility for our state and its people in the most economical and realistic manner possible.

The executive and legislative branches of state government must work shoulder to shoulder in developing intelligent and economical programs to provide for a better tomorrow.

In large part, our needs arise from changes that have evolved in recent years, such as the ever-enlarging numbers of students on all

levels necessitating an enlarged educational complex; and population growth which necessitates more and improved institutional facilities; and a change to a more complex, industrialized society.

My overall budget is \$421.5 million, of which \$120.0 million is projected to come from the general fund. After extensive review and considerations of the budgets submitted by the departments of state government, I believe this to be the minimum expenditure necessary to meet our responsibilities in the coming biennium.

For years the pay scales of state government have lagged behind comparative scales of private industry, resulting in the loss of many of our more competent and highly trained people. I am proposing salary increases and will support a unified personnel plan that can offer employees competitive salary schedules and a career system consistent with governmental economy and efficiency, such as that proposed in LB-174. I have included in this budget an unallocated fund of one and three-fourth million dollars, to be used as directed by the personnel system to effectuate salary adjustments on a unified and systematic basis. In the interest of providing uniform benefits for all employees, I have instructed the agencies and my budget staff to include group life insurance in all budget recommendations.

This is the first Executive Budget organized by programs. This is an ideal system to help both the Governor and the Legislators evaluate the budget. I commend the 1963 Legislature and particularly its Executive and Budget Committees for their important role in securing this needed improvement to State fiscal management techniques.

Several budgets were submitted so late that meaningful analysis was severely limited. I am in favor of the proposal limiting all agencies who submit late budgets to 90% of the previous appropriation.

## EDUCATION

I have repeatedly emphasized education as an investment in the future. If we are to avoid decay or paternalism, we can do it only by improving the capacity of our people for self support. My determination to create an atmosphere to insure maximum development of our people continues.

To improve quality of instruction and take care of anticipated enrollment increases at the University, I have provided a 27% increase in the instructional budget. This budget provides for a \$10.4 million dollar operating budget increase for the University.

In my last budget message, I recommended that a ten-year improvement program in higher education be instituted which would double the University budget in 10 years. This budget is in line with that philosophy.

The capital construction budget of the University was received January 18, 1965, more than four months late. One reason for the delay is the advent of the National Science Foundation program, which could make available significant funds for essential scientific growth at the University. We cannot afford to ignore the advantages accruing to us as a result of these funds. While shortness of time prevents my giving you a detailed analysis I am in total agreement with the science-engineering complex implementation.

No more important task is before you than a detailed study of the proposal for a science-engineering complex at the University. This should have been submitted years ago, but the possibility of supplemental funds from the National Science Foundation makes essential its consideration at this time.

Brace Hall, Grant Memorial and the Geography Building should have been replaced or renovated 20 years ago. The chemistry laboratories are totally inadequate, the science libraries are fragmented. The need for consolidation and for an informational retrieval center as a prerequisite to efficient research is vital.

Aside from accommodating radically increasing enrollments, we must give quality to the technical fields where 90% of the contributors to all information developed from the beginning of time are producing new facts today. The present programmatic objective of the Regents meets these requirements while concurrently improving the quality of education by expanding the number of subjects taught in any given discipline and by treating all subjects with greater imagination and skill.

This state cannot afford mediocrity. We can and must have excellence. It is our key to a better tomorrow. With a goal of excellence, we can only hope to make a major stride toward that goal by meeting the stated objective. In addition one must realize each department has a unique base upon which to build and the achievement of excellence will require a single giant step for some disciplines, while others will require two or three such steps.

Nebraska's determination to attain scientific excellence can greatly be augmented by grants from the National Science Foundation. To take advantage of these grants requires that the University meet not only the minimum requirements of a sound program but to make a presentation which demonstrates an existing educational base upon which a significant university environment can be

achieved through the investment of federal funds here rather than at some other institution competing for these funds. I believe the present proposal accomplishes this objective. There is no doubt in my mind that the building program is required, reluctant as I am to expand brick and mortar. The present situation is similar to that of a race driver arriving at the starting gate of the Indianapolis 500 mile competition in a Stanley Steamer because his garage would not accommodate the new equipment needed to remain in competition with current programs. You also have a tough time today finding capable drivers willing to guide a Stanley Steamer with much enthusiasm. Your choice is to vigorously support this effort or to continue to stoke the steamer in order to have Nebraska appear on the program as an educational institution.

I want Nebraska to lead the heartland in scientific research which has industrial significance. We must develop fields of excellence integrated with industry and the economy of the state. This is essential to creating employment opportunities and checking the out-migration of our brain power and young leaders.

I recommend that you implement this science engineering program with a special levy so that every taxpayer will have a stake in its development; pride in its ownership; and know exactly how it was financed.

Also in regard to the University, I recommend that the state high school at Curtis be discontinued and that the facilities be converted to be a part of the College of Agriculture giving college level work and thus relieving the pressure on the East Campus at Lincoln.

Our State Colleges are an essential part of our educational program—we are on the threshold of dynamic developments in this area. Our State Colleges within their respective scope of interest are as important as the University. We can expect an increase in enrollment of about 35% in our four state colleges in the next biennium.

With these thoughts I am recommending increases in State College operating budgets of 50%.

While college trained individuals are essential to the future of our state, vocationally trained individuals are every bit as important. The demand for technical and vocational training is becoming greater each day. As I have pointed out in my inaugural address this demand can be met only by using existing facilities. I urge you to make use of three factors in order to maximize our educational dollar and to maximize the benefits to the state and local communities. These factors are the utilization of federal government

facilities which are being deactivated, the utilization of local educational plants, and the utilization of the resources of the local communities.

Local facilities should be utilized to full capacity and compromise fractionalization should not be tolerated. Accordingly, I am recommending a budget which will make maximum use of the facilities at Milford. In addition, existing facilities, such as the fine industrial art facilities at Peru State College, should be fully utilized. We should also review our educational approach. At one end, we should be giving a limited amount of college level work in connection with our vocational schools. At the other end, we should perhaps institute short vocational courses. And above all, we should strive to maximize the use of all of our facilities and resources.

As contemplated now, our entire system of Educational Television will be completed within the scope of this budget. I urge you to provide for its completion. A compromise at this time will destroy our past investment in the future. Piece meal implementation would be uneconomical, would reduce the efficiency of the entire system while raising the cost, and would penalize the students not reached. This, in turn, would penalize the state and the future.

The State Department of Education, along with our Educational Television system, represents the major portion of the state's responsibility to the local school systems and the individual local student.

In this budget I have emphasized assistance to the schools for the handicapped, but have effected certain housekeeping economies in the Department of Education.

### INSTITUTIONS—WELFARE

In the aggregate the Department of Institutions is making outstanding advances within the dollar framework which has been appropriated. The consolidation of the penitentiary and reformatory, and opening of the unused areas of the Hospital for the Tuberculous at Kearney are significant among institutional management improvements. You will note that the budget for improving mental health recognized proven programs of treatment. Our institutions are now admitting more people than ever before. But, through improved treatment techniques, the rate of discharge has never been as great. We have provided in this budget a substantial amount of money to continue the inspiring trend which modern medical science now offers. In every aspect of mental health, this administration is encouraging maximum federal participation and doing all in our power to strengthen and expand the advances which have been made.

We must recognize, too, the needs of the other dependent members of our society. Accordingly, I have recommended some substantial increases in the budget for the Welfare Department. These increases emphasize the need to provide for our young dependents and to relieve the discomforts on those whose age or other circumstances warrant our assistance.

### STATE OFFICE BUILDING

We have reached the point where a state office building is essential. A number of agencies now rent space in scattered locations, which is neither efficient nor economical. The temporary use of corridors for office space, unfortunately, has become semi-permanent. This is neither efficient nor attractive. A more tangible effect of the space shortage is the expenditure of some \$84,000 a year by state agencies for rental of office space.

It is my opinion that we should wait no longer to plan and construct an office building. I propose that the Legislature take action to start with construction no later than the spring of 1966, and more ideally by late fall of 1965.

Financing of the building may be accomplished in several ways. The first method, and the one which I would prefer, would be to issue revenue bonds and charge cash fund agencies rental for office space. I have requested that the Attorney General write an opinion on the legality of this proposal and, if it is not proper, to tell us what remedial legislation would be necessary to accomplish it.

Another source is the estimated three to ten million dollars of surplus in the State Treasury. Under our present accounting procedure we do not know the amount of surplus. It is estimated that it would take about two to three months to determine this figure. These funds will be identifiable under the new financial management system when the state adopts a full accrual system of accounting. It may be advisable to explore this area at once.

Another alternative would be to use three funds that are available. The Department of Roads was appropriated \$1.8 million dollars for a new building on which construction has not been started. Then there is the  $\frac{1}{4}$  of a mill levied through 1964 for construction of a dental college building. Continuation of this levy for the next biennium would yield over \$1.8 million dollars. Then there is the surplus levy required by section 77-514. This would yield over \$1.6 million dollars in the coming biennium. These three funds total over \$5 million dollars.

We need an office building and we need it now. To delay longer will only cost us more as construction costs rise and as we continue to pay out rent, which soon will reach \$100,000 per year.

### AG. RESEARCH & NEBRASKA INDUSTRIAL RESEARCH INSTITUTE

The Ag research program created by you is well under way. Significant progress was cited in my inaugural address, and will be further detailed in your committee hearings.

The Ag research program works hand in hand with the Nebraska Resources Division for substantial progress in the economic development of our state. We have one more step before our apparatus for state development is complete. This step is the funding of the Nebraska Industrial Research Institute which was created by you in 1961. This institute would conduct basic or applied research and development on a nonprofit basis for individuals, industrial, commercial or financial firms, or for any governmental agency, and would serve as a clearing house for basic and applied research information. By charging a fee for its work this Institute should ultimately become self-sustaining. This Nebraska Research Institute would combine with the activities of Ag Research and the Resources Division to form a solid triangle for the future of Nebraska. The possibilities of this Institute are tremendous and exciting. Coordination, utilization and support of the University and our state college system is alone sufficient to justify the funding of this program.

I purpose that the Nebraska Industrial Research Institute be funded by devoting 50% of the current mill levy for Ag Research to the Research Institute.

### TOURISM

Nebraska has made considerable progress in its tourism program, financed from a small general fund appropriation. Favorable public reaction, however, combined with a newly established federal matching fund program of recreation-oriented land and water conservation indicates the advisability of a departure from general fund financing in favor of a more dynamic system.

I recommend the enactment of an excise tax on meals and lodgings which will provide sufficient revenue to meet the state's share of matching funds for park and recreational development as well as to finance the expansion in the tourism program which I am recommending.

While all systems of taxation have inequities, it is far more logical to finance our parks and recreational development and our tourist promotion projects from a tax on meals and sleeping accommodations. This would place the tax on the users and direct beneficiaries rather than the property owner.

### ROADS—SAFETY PATROL

Considerable progress has been made on all segments of the highway system. We continue to convert as we can each year from gravel to dustless surfacing. Our farm-to-market roads, as well as our more heavily traveled highways, are being improved as fast as our funds will allow. We now have 215 miles of the Interstate Highway open to travel, which is 45% of our total Interstate mileage. The national average is 40%. An additional 95 miles of Interstate highway are projected to be completed within the next two years.

Further emphasis will be given to highway safety. In the years ahead, we will concentrate on a number of high-accident areas and re-design and improve many sections of highways.

While we can make physical changes in roads that will relieve some accident conditions, the main burden of highway safety enforcement will fall to the State Highway Patrol. It seems to follow that the miles of road and the increased vehicle density per mile results in more, but avoidable, accidents. I have come to the conclusion that, in addition to driver education programs and all of the other means of appeal for safety, we must increase the Patrol budget.

I am recommending an increase of 24% which calls for 50 additional troopers and improvements in the communications system. The most critical area, however, is the pay scale for our troopers. The Patrol pay schedules must receive priority attention from the personnel system.

### SOIL CONSERVATION

State government must take the leadership in managing its soil and water resources. Optimum development of these resources will be required to meet the future needs of our people. Long range comprehensive planning by the State of Nebraska should be initiated now. Failure of the state to exert leadership will result in the Federal Government taking over where we have defaulted.

Resource development is an investment, not an expense of operation. Appropriations by your honorable body should be con-

sidered an investment, not an expenditure. I am recommending a budget that will: (1) accelerate watershed planning at a rate equal to incoming applications from local sponsors; (2) field a skeleton state river basin party; (3) make available additional technical services for the "laying out" of land treatment practices on the farms and ranches of our state; and (4) assist local watershed sponsors in obtaining needed land easements and rights-of-way.

Waste of precious water and soil is depleting our basic wealth and weakening the future fabric of our state. We cannot afford not to have an adequate soil and water conservation program.

### REVENUE

In every budget there are revenue considerations. In that regard I have some comments and recommendations to present to you.

The burden of property taxes arises at the local level and is caused primarily by local school systems. If real relief is to come to the property owner from the inequities of local school taxes it can only come by a state or federal aid to education program. As the state financing agency you must concede this situation. No amount of prudence in state government can offset a lack at local wisdom—this is the people's responsibility.

Well over 50% of our property tax dollar goes to support local school systems, over 30% of our property tax dollar goes to support city and county government, while 15% of the property tax goes to support state government. And within state government the property tax ranks third. In 1963 the relative sources of State expenditures were over 32% from the Federal Government, a little less than 27% from special sales taxes levied by the State and 15% from the property tax.

As to revenues in the coming year, we anticipate that taxable property valuations will continue to increase at a minimum rate of 2.7% per year.

I suggest that you increase taxes on cigarettes, other tobacco products, beer, spirituous liquors, wines, and pari-mutuel wagering. In addition motor vehicle search fees should be increased to raise an additional \$250,000 per biennium. I strongly recommend the excise tax on meals and lodgings which would replace the .3 of a mill levy of the State Park Fund. These new sources of income should be implemented so as to produce an amount sufficient to implement the budget you eventually adopt without any increase in property tax levies excepting only the Science-Engineering complex levy herein suggested.

## REVENUE

## Suggested Excise Taxes and Normal Growth in Property Tax.

<u>Category of Tax</u>	<u>Projected Dollar Increase in Millions</u>
Cigarettes	9.0
Other Tobacco	1.4
Beer	4.6
Spirituos Liqueurs	1.9
Fortified Wines	.3
Light Wines	.1
Pari-Mutuel Wagering	3.4
Motor Vehicle Dept. Search Fees	.3
Increase in Insurance Tax through volume	.4
.3 mill levy from State Park Fund	2.2
Collections from increased assessed valuations	1.8
Total	25.4

The committee escorted the Governor from the Chamber.

## GENERAL FILE

**LEGISLATIVE BILL 96.** Read and considered.

Advanced to E and R for review with 33 ayes, 0 nays, and 16 not voting.

**LEGISLATIVE BILL 97.** Read and considered.

Advanced to E and R for review with 34 ayes, 0 nays, and 15 not voting.

**LEGISLATIVE BILL 187.** Read and considered.

Advanced to E and R for review with 33 ayes, 0 nays, and 16 not voting.

## Ease

The Legislature was at ease from 10:50 a.m. until 10:58 a.m.

## GENERAL FILE

**LEGISLATIVE BILL 51.** Read and considered.