

Fred Hall

Governor Fred Hall, Budget Session Kansas Legislature January 11, 1956

Ladies and Gentlemen:

In the general election of 1954, the people of Kansas adopted an amendment to the Constitution which provided for a budget session of the legislature. This amendment is incorporated into the Constitution as Section 25 of Article 2, and provides as follows:

"Beginning with the year 1956, budget sessions of not to exceed thirty calendar days in duration shall be held, commencing on the second Tuesday in January, and each even-numbered year thereafter, at which the legislature shall consider only the governor's budget report, appropriation bills for the succeeding fiscal year, revenue bills necessary therefor, and such bills, resolutions or motions as may be necessary to provide for the expenses and conduct of the budget session."

You are here to perform not only an important and responsible legislative function under this amendment, but you are also here as the first legislature to meet under this amendment.

The Constitution and laws also provide that the Governor shall outline to you the condition of the state and recommend to you a budget as he may consider necessary and essential to meet the needs of the people, to insure the continued progress of the state and within the ability of the people to pay.

The budget and revenue problems before this legislature are not new or different from any of the other states.

In my message to the Kansas legislature last January, I said,

"The state of Kansas cannot continue its present activities and services to the people or expand them without additional revenues. Some savings can be made in the operation of the government but not in terms of millions of dollars."

"I am very much opposed to any piece-meal attempt to patch up the revenue system. I earnestly request that the legislature re-examine our entire tax system during this session. I do not believe that the problem can be solved in this session, and I am asking the legislature to give me a special commission which may work in cooperation with the legislative council to study the entire revenue system of our state so that we can present to the legislature at the next annual session, January 1956, our recommendations on the matter of revenue. Frankly, we are confronted with more than just a normal increase of operating expenses, and the addition of some new programs such as high school aid. We are confronted with over-all expansion in education to meet the growing load on our schools. We are confronted with growing loads on our highways, with the growing needs of our elder citizens, and an antiquated prison system. The only sound way to approach all of these problems is to approximate where we must go within the foreseeable future, and provide the necessary revenue. I believe we would be wise to hold to the line, which I have suggested for this year, with the exception of the high school aid program."

I further said,

"I know we will not solve our revenue problem or many inequalities in our tax system until we have improved both the administration of our tax program and the variations in assessment ration among the counties. I would certainly give this problem a top priority. We cannot make a sound appraisal of our revenue situation this year or next until these problems are met."

"I believe the legislature should re-examine our many tax laws to correct some apparent loopholes in the revenue system. As Governor, I shall counsel with the tax department in an effort to secure better enforcement. Better enforcement will result in increased revenues." Last January the legislature adopted substantially these recommendations. It created a Governor's Advisory Commission on Taxation and Revenue and directed the legislative council to commence a study of this important problem. The legislature also created a Governor's Committee to study the prisons, and directed the legislative council to make a study of future needs in education, prisons and other important functions of state government.

The task of organizing these various studies has not been easy. These studies are all now organized and a great deal of progress has been made during the past year.

Both the legislative council and the Governor's Advisory Commission on Taxation and Revenue have made reports. These reports are on your desks.

The Governor's Committee and the Legislative Council Committee studying the prisons have made budget recommendations which have been included in the Governor's budget. Their studies are not completed and their report is not expected for several weeks.

The Legislative Council Committee studying educational needs, together with the Governor's Conference on Education, have prepared a series of reports which outline the future needs of education in the state. Some of these reports are available, but the studies of the Committee are not completed.

During the past year we have commenced all these comprehensive programs. I have examined like programs in other states, and I honestly believe that in Kansas, we have the most comprehensive study programs for future needs of any state in the union.

The fact that these studies and analyses of our future needs have not been completed is a very important fact to be remembered during our budget session. More time will be required in order to fully advise the legislature.

On December 27, 1955, I said,

"There is no question but that greater revenues will be necessary for the future, but in solving our financial problems we must walk before we run. None of us has really had time to fully analyze the future needs of the state. We will all be in a better position to do this in another year. 1957 will be our big year."

In the preparation of the budget I was influenced by the general economic conditions of the state. The people of Kansas simply cannot afford to pay more this year.

I was also influenced by the intent and purpose of the law which established the budget session.

Before the adoption of the Constitutional amendment, appropriations were made by the legislature on a two year basis. With the continued growth and complexities of our state government, it became more difficult to anticipate the needs of the State for such a long period of time without an adequate opportunity for fiscal review.

The general purpose of the budget session as it was presented to the people was to review the financial situation of the state government each year, and thereby provide a more sound basis for appropriations. In fact, the idea was to save money and not to spend more. The purpose was not to give every state agency an extra opportunity to expand its program or to ask for more money. I believe I have carried out this purpose in the budget I recommend.

In this, the first annual budget session of the legislature, it is important that we understand the budget report. Under the fiscal reorganization law passed by the 1953 legislature, the budget report was changed in content. From a document dealing primarily with new appropriations of the general revenue fund, it became a comprehensive program budget dealing with several

hundred operating funds of the state government. Under the former method of discussing the state budget we would be talking about a state budget of \$46.2 million for 1957, the total recommended new appropriations from the general revenue fund. However, we would be forgetting that expenditures from the general revenue fund would be \$47.7 million and that the state spends more from both the sales tax fund and the highway funds than from the general revenue fund.

The budget is the best estimate possible of what the state will expend and receive during a period of time. It is the work program of the state translated into dollars. Many of the expenditures included in the state budget are not requests of the legislature for funds but reports to the legislature of what it is anticipated will be available for expenditure during the next fiscal year. It includes estimates of federal funds, shared revenue with local units of government and many other expenditures that are dependent upon factors that can only be estimated.

The totals used in the budget summary are presented as statistical guides; they can be understood only by reviewing the detailed budgets for each agency.

The total estimated expenditures for any one fiscal year can vary from budget estimates for the following reasons:

1. Many expenditures from special revenue funds are not limited by the legislature. Thus, if more revenues are collected than estimated, expenditures can increase.
2. Federal funds are not limited by the legislature. Each budget must, by law, include an estimate of the federal funds that will be received and expended although the actual allocations by the federal government are often not made until after the congress meets.
3. Even on limited special revenue funds, the finance council or the next legislature is authorized to increase the limitation on expenditures.
4. Capital improvements from the general revenue fund and the building funds are reappropriated without limitation. Projects originally planned for construction in one year may actually be contracted in the next year.

The budget I am recommending to you will require only \$9,610,564 in additional revenues for the fiscal year 1957, and a total of \$14,415,846 for the eighteen month period ending December 31, 1957. This is considerably lower than had been estimated by the legislative council and others several months ago.

This revenue recommendation of \$9,619,564 is made without the present ad valorem levy of 1.99 mills. The state will collect \$8,189,417 from the 1955 general property tax. I have taken the state general property tax levy out of the budget. I am opposed to the tax, and I am recommending other sources of revenue to the legislature to raise the \$9,610,564. By continuing the state general property tax levy, the state could almost meet its additional revenue requirements for 1957, but I am opposed to the continuation of the state general property tax levy except as an emergency balancing factor. The eleemosynary and building education levies are enough. The state should look to other sources and leave the general property tax to the counties, cities and school districts.

The budget session amendment to the constitution provides for revenue measures necessary for the next year. The budget is balanced on the minimum amount required for the budget. Every administrative improvement possible in the collection of existing taxes will be made in the next fiscal year.

All of the requirement of additional revenues of \$9,610,564 for 1957 and the \$14,415,486 for the

eighteen month period ending December 31, 1957, could be raised during the first six months of the fiscal year 1958. In other words, the entire revenue problem could be left for the 1957 legislature. But to wait until then would mean raising the entire \$14,415,486 revenue in a six month period and this is not sound. A more realistic approach is to raise two-thirds of the amount during the fiscal year 1957. If the \$9,610,564 is raised in 1957, the ending cash balance for the state general revenue fund on June 30, 1957 would be increased from \$7,291,065 to \$16,901,629. An additional revenue of \$4,805,282, being one-third of \$14,415,486, should be provided to the general revenue fund for the first six months of 1958 which would balance the budget and provide a cash balance of \$2 million in the general revenue fund at the end of the first six months of the fiscal year 1958 as required by law.

The revenue estimates used in the budget are the best estimates possible of the receipts from existing revenue sources. Administrative improvements in the collection of the revenues might yield returns in excess of the estimates, but a budget plan should not be based on such expectations.

I recommend the following revenue measures to provide the necessary \$9,610,564 for the fiscal year 1957 and the necessary \$14,415,846 for the eighteen month period ending December 31, 1957.

	Yield 7-1- 56 to 12-31-56	Yield 1-1- 57 to 6-30-57	Yield 7-1- 57 to 12-31-57	Total 18 months
<u>Recommendation:</u>				
Repeal the sales and use tax exemption given contractors on governmental educational, religious and charitable construction projects, yield at 2%	\$1,000,000	\$1,000,000	\$1,000,000	\$3,000,000
Provide for payment of interest on the State's inactive cash balances yield at 1%			392,500	392,500
*Extend the sales tax base to include services on hotels, motels, laundries and dry cleaners, and retail sales of beer (cereal malt beverage), yield at 2%	625,000	625,000	625,000	1,875,000
Extend the tax on		1,000,000		1,000,000

insurance
 premiums to cover
 Kansas
 insurance companies,
 yield at 2%

Increase state income tax
 rates 50%, yield
 (a) On individual net
 income

(b) On corporate net income	6,740,000			6,740,000
	1,875,000			1,875,000

Reduce discount on
 cigarettes
 to wholesalers from 8% to
 4%

111,000	111,000	111,000	333,000
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Amend sales tax law (79-
 3602)
 to include as taxable the
 sale
 of wrapping material,
 twine,
 paper bags, sealing tape,
 bottle caps, cartons or
 similar
 articles to retailers.

250,000	250,000	250,000	750,000
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TOTAL: \$1,986,000 \$11,601,000 \$2,378,000 \$15,965,500

* The State Commission of Revenue and Taxation estimates \$550,000 per
 six months for a total of \$1,650,000 instead of \$1,875,000.

These revenue recommendations are taken from the legislative council and Governor's
 Committee reports with the exception of the proposed amendment to include as taxable the sale
 of wrapping material, twine, paper bags, sealing tape, bottle caps, cartons or similar articles to
 retailers. This change is recommended by the State Commission of Revenue and Taxation and is
 in keeping with the decision of the Kansas Supreme Court in *Kansas Service Grocers, Inc. vs.*
State Tax Commission in 146 Kansas 716, which held that the sale of these articles to a retailer is
 a taxable transaction.

The yields from these changes have been projected by the budget department and have been
 double-checked by the State Commission of Revenue and Taxation.

I do not recommend an increase in the general sales tax.

I do not recommend the continuation of the state general fund ad valorem levy outside the

existing educational and eleemosynary building funds.

These adjustments in existing tax laws will raise sufficient revenue to finance the recommended budget for 1957 and carry us into 1958 with a satisfactory balance.

Since the federal government has preempted the income tax as its major source of revenue, I do not believe it should become a major source of state revenue. But our rates are much lower than they ought to be. The increase recommend will bring our state income tax of Kansas in line with the thirty-four other states which levy the tax.

The legislative council and Governor's Advisory Committee on Taxation and Revenue have also suggested many other possible sources of revenue. These various sources and others are available to you as alternatives to my recommendations. I have chosen those which I believed were adequate and equitable to meet the revenue needs for 1957 and the eighteen month period ending December 31, 1957.

The General Budget Summary

The estimated expenditures requested by the state agencies totaled \$277,339,077 for fiscal year 1957. I reduced this to \$262,873,891, a total reduction of \$14,465,186.

The budget estimates of expenditures in fiscal year 1956 are \$252.7 million. The revised estimate for the fiscal year 1956 compares with an estimate made by the budget division in May, 1955, after the last legislature, of \$238.8 million for the fiscal year 1956. The budget director has made the following explanation of this revised estimate:

"There are, of course, many individual variations in the several hundred state funds which have been included for both years that are both increases and decreases but the level of expenditures has been affected primarily by a few major factors.

1. In the governor's budget report for 1956 the total expenditures for the highway function were estimated at 66.9 million during the fiscal year 1956. Afterwards, the federal government placed greater emphasis on matching money for highway construction with the result that the revised estimate for highway function expenditures increased for fiscal year 1956 by \$6.6 million and this increased level has been projected for fiscal year 1957.

2. The estimate of expenditures by the Employment Security Division for fiscal year 1956 was \$11.5 million. The revised estimate of expenditures in 1956 is \$14.9 million and this increased level is projected into fiscal year 1957. All of the expenditures of this agency are from federal funds. The 1955 legislature (Senate Bill No. 260) \$28 per week to \$32 per week. It also increased employment security coverage to employees of 4 or more persons. A part of the increased level of expenditure federal moneys was caused by these changes but the major increase is because of unemployment in excess of the projections made at the time the 1956 budget was prepared. These changes increased the level of estimated expenditures by \$3.4 million from federal funds in fiscal year 1956 and the increased level has been projected into fiscal year 1957.

3. The federal money available to the Board of Health increased the estimate of expenditures by the Board of Health during fiscal year 1956 from \$2.4 million to \$3.3 million—an increase of \$.9 million. A major part of the increase was federal money for the polio program which was

unanticipated when the last budget was made. The increased level of estimated expenditures has been projected in the budget.

4. Capital improvements anticipated to be let for contact in fiscal year 1955 are in many cases now anticipated for fiscal year 1956. For example, one of the major shifts has been in buildings for the state hospitals. The original budget for fiscal year 1956 for capital improvements for the Health and Hospital function was an estimated expenditure of \$2.8 million and the revised estimate of expenditures is \$4.7 million—an increase of \$1.9 million in fiscal year 1956. These expenditures are for projects that it originally was anticipated would be contracted in fiscal year 1955.

5. Certain changes have been made in the accounting of funds at the institutions under the Board of Regents. Many funds formerly held in local banks were deposited in the state treasury and are now reflected in the state budget. This change increased the amount of expenditures reflected in the state budget. At the same time service clearing accounts were established to eliminate expenditures being duplicated in both general revenue and special revenue funds. These changes resulted in a net increase of approximately \$.3 million in fiscal year 1956 and these expenditures are projected for fiscal year 1957. In addition, expenditures from restricted funds at the Medical Center are increased in fiscal year 1956 by \$.3 million paid from collections for medical services at the center and the increased level of activity is projected for fiscal year 1957.

6. Certain supplemental appropriations are recommended in the budget for the fiscal year 1956 which total \$.5 million—major amounts are \$.2 million recommended for replacement of a barn at Kansas State College; \$.1 million for a building at the Kansas State Fair; and \$.1 million legislative expense."

The General Revenue Fund

The requests for expenditures from the general revenue fund for the fiscal year 1957 totaled \$57,467,672. I reduced the recommended expenditures of the general revenue fund by \$9,787,036 and I am recommending an expenditure from the general revenue fund of \$47,680,636 for the fiscal year 1957.

General revenue fund expenditures and encumbrances increased from \$36.9 million in fiscal year 1954 to \$41.6 million in fiscal year 1955, an increase of \$4.7 million. The budget that I submitted to the 1955 legislature was a frugal budget and even with the additions to it made by the 1955 legislature and the supplemental appropriations recommended in this budget, the general revenue fund expenditures estimated for fiscal year 1956 are \$42.6 million — an increase of \$1.0 million over the actual expenditures in fiscal year 1955. The recommended expenditures for fiscal year 1957, \$47.7 million, are an increase of \$5.1 million over estimated expenditures for fiscal year 1956 and \$6.1 million over the fiscal year 1955 expenditures. If the state general revenue fund expenditures had increased as much each year as they did between the fiscal year 1954 and 1955 the budget for fiscal year 1957 would be \$51.0 million, instead of the \$47.7 million I recommend. The rate of increase of general revenue fund expenditures has been reduced during the fiscal years 1956 and 1957.

The Kansas Educational Building Fund

The 1955 legislature added .25 mill to the levy of the Kansas Educational Building Fund to provide for a State Dormitory Fund. In addition, the 1955 legislature appropriated for the fiscal year 1957 on all projects requiring two years to complete so that these projects could be contracted in 1956. I am recommending that additional appropriations of \$1,159,874 be made for the fiscal year 1957.

Even though the citizens of the state have provided this property tax fund for the improvement projects of our educational institutions, each year the college improvements are supplemented by appropriations from the general revenue fund. In this budget, I am recommending \$346,865 new appropriations for capital improvements from the general revenue fund for fiscal year 1957 and the schools requested \$1,303,783. I believe that eventually we must stop this practice and provide for capital improvements entirely from the building fund.

One of the problems that we face in our schools of higher education is that of establishing a policy on the purchase of land at the state educational institutions. I recommended to the last legislature that the definition of the Kansas Educational Building Fund be expanded to include the purchase of land. The legislature did not act on this recommendation. The schools requested \$400,000 for the fiscal year 1957 from the general revenue fund for land purchases. I do not believe that in the budget session at a time when additional revenues are required we should include in the general revenue fund requirements for a non-recurring expenditure of this magnitude.

I again recommend that the definition of the Kansas Educational Building Fund be expanded to include the purchase of land.

The Kansas Charitable Institution and Mental Hospitals Building Fund

The 1955 legislature increased the levy for the Kansas Charitable Institutions and Mental Hospitals Building Fund to .75 mills per year. I am recommending appropriations of \$4,236,293 for the fiscal year 1957. There is no necessity for carrying a year's cash balance on hand at all times in this fund. The Kansas Educational Building Fund has always been appropriated against taxes receivable.

The 1955 legislature provided planning money for major treatment buildings at Osawatomie State Hospital and at Topeka State Hospital. These buildings are the first major buildings to be appropriated from the building fund and are estimated to cost \$2,250,000 each to build and equip. Only one of these buildings could be completely financed during the fiscal year 1957. A total appropriation could be made for one building during the fiscal year 1957 but not more than half of the money could be spent on construction during the year and construction on the second building would be delayed for at least one year. I believe that the early completion of both of these facilities is essential to the continued progress of our mental health program. I, therefore, recommend that appropriations of \$1,000,000 be made for each building for the fiscal year 1957 with commitment authority to enter contracts for the entire building costs subject to the appropriation of \$1,250,000 for each building for the fiscal year 1958.

Sales Tax Fund

The agencies and programs supported from the Sales Tax Fund have been reviewed with the same attention that was given to the general revenue fund agencies. Revenues to the sales tax fund are estimated at \$54 million in the residue sales tax year 1956 and at \$56 million in the

residue sales tax year 1957. An unallocated cash balance of \$3,496,115 has been provided on June 2, 1957 to cover any fall off in revenues from the estimates during the budget period. It is recommend that \$8 million be transferred from the sales tax fund to the general revenue fund during the fiscal year 1957.

State Emergency Fund

Only \$22,382 has been transferred from the state emergency fund leaving a balance of \$977,618. I believe that this will be a sufficient balance to cover emergencies until the 1957 legislature. There are supplemental appropriations of \$522,745 recommended from the general revenue fund in fiscal year 1956. Should the legislature decide to make supplemental appropriations from the state emergency fund, transfers of an amount equal to the supplemental appropriations should be made to the state emergency fund.

The budget makes no provision for the laundry at Topeka State Hospital, because this building was destroyed by fire after the budget was prepared. It is recommended that the legislature study the possibility of establishing laundry services as a prison industry.

There is one matter in connection with the state emergency fund that I would like to call to the attention of the legislature. As governor, I have felt that our definition of the uses to which the emergency fund may be put are too restricted, making it virtually impossible to come to the assistance of disaster stricken areas of the state and to comply with the requirements of U. S. Public Law 875. An example of the effect of this restriction was the inability of the state to pay more than administrative costs of state agencies in connection with disbursing the federal civil defense grants to Udall. Unless the state law is changed, federal funds may not be available. In most cases, provision has not been made in the budget for expenses in connection with the move of agencies to the new office building. I recommend that the finance council be authorized to use the state emergency fund for any expenses that may become necessary prior to the 1957 session of the legislature and that all other adjustments be made by the 1957 legislature.

Budget Recommendations

In the detailed section of the budget document you will find information on every state agency and some suggestions concerning their programs. Since these suggestions have been incorporated in the detailed budget, I will limit my budget message to comments on each function of our state government and the general recommendations that I have made on the budget.

1. General Government:

Several of the regulatory general government agencies supported from special revenue funds have fees insufficient to provide and adequate program. These regulatory agencies make a contribution to the health and safety of the citizens of our state and we cannot afford to have them inadequately staffed and financed. I am recommending that the charges made by the Board of Barber Examiners and by the State Hotel and Restaurant Board be reviewed by the legislature. The State Corporation Commission has full power, authority and jurisdiction to supervise the public utilities and common carriers doing business in the State of Kansas and to assess charges for inspections, supervision, examinations, and audits necessary to properly perform its duties. However, the statute specifies that the total amount assessed against public utilities shall not

exceed \$150,000 a year. Public utility operations in Kansas have greatly expanded since this section was enacted and the regulation of these utilities are a vital concern to the citizens of our state. The State Corporation Commission must have professional personnel to provide the specialized information needed in the examination of utility matters and an expansion of the present staff is desirable. I recommend that G. S. 1949, 66—1503 be amended increasing the total amount that can be assessed public utilities per annum to \$250,000.

The Executive Council will have the responsibility of reassigning space in the capitol building when the new office building is occupied. To provide funds for planning, I recommend a supplemental appropriation of \$10,000 to the Executive Council in the fiscal year 1956.

In 1953, the legislature created an Antidiscrimination Commission. Since that time the commission has been so poorly financed that its work in carrying out the Kansas Act Against Discrimination has been greatly hampered. The purpose of the law is to provide a state commission having power to discourage discrimination in employment because of race, religion, color, national origin, or ancestry either by employers, labor organizations, employment agencies or other persons. The primary purpose of the program is research and education. It is imperative to the welfare of all our people that we eliminate discrimination among people of our state and of the nation and a comprehensive educational program based on research into the areas and nature of discrimination in our state is essential to progress in this area. I am recommending to the legislature a modest budget of \$24,413 for the fiscal year 1957 which will enable the board to more adequately perform this research and educational program.

A labor management relations act was passed by the 1955 legislature. At the time of the passage of the bill, it was estimated that sufficient balances remained from previous appropriations to the State Labor Department to finance the new operation during its initial stage and prior to the first budget session of the legislature and, therefore, no additional funds were provided for the operation of the new law. I recommend that a supplemental appropriation of \$28,289 be made for the fiscal year 1956 to finance the new activity from February 1 until the end of the fiscal year. I am recommending a budget of \$58,668 for the fiscal year 1957 for the operation of this activity.

The legislature has made the State Architect responsible for drawing plans, specifications, supervision in construction and service for all state buildings erected at state expense. In addition, this agency must examine and approve all plans for public school building to insure that they conform with the standard of the National Building Code. As our government has become more complex so have our building problems become more complicated and greater in scope. Each year approximately seven million dollars of revenue will be collected from the Kansas Educational Building Fund and the Kansas Charitable Institutions and Mental Hospitals Building Fund. In addition are the appropriations made from the general revenue fund for improvements in our penal institutions, at the Boys' and Girls' Industrial Schools, the Receiving Home for Children, the Norton Sanatorium for Tuberculosis and other institutions not included in the building funds. With the present staffing of the architect's office, the state has been unable to keep up with the expanded building program, and, as a consequence, many buildings for which appropriations have been made have not been constructed. This is a problem of major magnitude and some action must be taken. I have recommended an expansion in the staff of the architect's office to increase the design section during the fiscal year 1956 and to add, during the fiscal year 1957, an advanced planning section to assist the agencies in planning the state building program on a long range basis and to prepare advance sketches and preliminary plans for the use of the legislature in making appropriations.

As I have indicated, at a time when the state is faced with a need for revenue it is imperative that the existing taxes be enforced. Both the Committee on Assessment and Taxation of the Legislative Council and the Governor's Advisory Committee have emphasized the need for additional personnel in the Commission of Revenue and Taxation. Increased emphasis in the administration and enforcement of the sales tax, the compensating tax, the inheritance tax, the ad valorem section and the income tax will require increased expenditures by the State Commission of Revenue and Taxation. The budget submitted for the fiscal year 1957 anticipates the addition of 19 employees. The compensating tax, which is now administered as a part of the sales tax division, will become a separate division and the ad valorem tax division will be expanded to adequately carry out the additional duties of chapter 398, Kansas Session Laws of 1955. It is anticipated that additional enforcement will bring increased revenues from the existing tax laws.

2. Public Welfare:

Vocational rehabilitation provides for the physical restoration, vocational counseling, education and training of physically handicapped persons with the purpose of preparing them for remunerative employment. President Eisenhower has emphasized this program as being of vital importance to the national well-being. I am recommending that the 1957 State general revenue fund appropriations to the Board of Vocational Education be increased to match additional federal vocational rehabilitation funds to provide a 38% increase over the program of the fiscal year 1955 and 18% over the fiscal year 1956 program.

The budget that I have recommended for the State Department of Social Welfare anticipates increases in the average payment for old age assistance, aid to dependent children, aid to the blind, and aid to the totally and permanently disabled in fiscal year 1957 as well as additional expenditures for general assistance and aid to county administration. So that an unexpected change in program costs would not hamper the operation of this vital function of our state's government, an unexpended balance has been recommended in the social welfare administration fee fund on June 30, 1957 of \$1,119,250.

The administrative offices of the Kansas Soldier's Home and Mother Bickerdyke Annex are located in one of the original buildings of Fort Dodge and, while the building is of considerable historical interest, its design and construction restrict efficient space utilization. In addition, the home lacks space for community and recreational activities. Space for a library and for religious services need to be added at the institution. Because of these problems, I am recommending the construction of a multiple purpose building during the fiscal year 1957 at the cost of \$127,500.

3. Education and Research:

In my budget message to the 1955 legislature I said that I had held expansion in our institutions of higher education to a necessary minimum for the fiscal year 1956. I said that we could do so for another year but that we must look forward to increasing costs in the colleges and universities. In the budget for fiscal year 1957, I have provided for this expansion. Provision has been made in each budget for new positions required by the estimated increase in enrollments. A 2% deduction from the gross salaries and wages requirement from non-restricted funds to offset savings from turnover, delay in recruiting, and so forth, was taken in order to arrive at the net amounts needed to maintain the positions requested by the colleges for the fiscal year 1957. This adjustment in total money requirements was the only reduction taken in the requested expansion approved by the Board of Regents for present programs of the colleges. I have recommended many new projects for the fiscal year 1957 for our schools of higher

education. I have not recommended all of the projects requested.

On August 28, 1955 the animal husbandry barn at Kansas State College at Manhattan was destroyed by fire. I am recommending an appropriation of \$204,281 be made available for fiscal year 1956 for the replacement of this building. At the governor's budget hearing, Kansas State College at Manhattan requested an appropriation of \$350,000 from the General Revenue Fund for the construction of a hospital. No provision was made for this project in the budget. It is recommended the legislature consider the use of the Riley County Hospital for the hospital services to the college with the present hospital building being used for a clinic.

The Municipal University of Wichita requested a state appropriation approximately \$1,200,000 and Washburn University requested a state appropriation of approximately \$400,000 or not more than one-half of the amount of revenues from local taxes and tuition and fees for each institution. These universities made a similar request to the 1955 session of the legislature. At that time I made no recommendation in the governor's budget. While I again make no specific recommendation on these requests, I believe the legislature ought to give the requests the highest consideration. These universities are performing an educational service to the benefit of the state and are in need of financial assistance. State aid to municipal universities is a policy question to be determined by the legislature.

Last year I recommend that \$50,000 be granted to the League of Kansas Municipalities to match an equal amount paid by the political subdivisions of the state for local government research. The 1955 legislature made this grant and financed the payments by withholding \$50,000 from the county share of the sale of cigarette revenue stamps and transferring this amount to the general revenue fund. I have recommended that this financing be repeated in the fiscal year 1957.

At the Boys Industrial School I am recommending the construction of one student cottage costing \$100,000 and at the Girls Industrial School, the construction of a student cottage costing \$100,000 from the General Revenue Fund in fiscal year 1957.

The budget of the State Department of Public Instruction includes the allocations for elementary school aid and for high school aid. For fiscal year 1956, \$18,600,000 was transferred from the Retail Sales Tax Fund to provide a 100% distribution of elementary school aid. The revised estimate of the amount needed for fiscal year 1956 is \$17,538,322 based on the actual distribution of \$8,738,222 as the first half year payment made in December, 1955. The revised estimate of the amount needed for fiscal year 1957 elementary school aid distribution is \$19,000,000 — a reduction from the \$20,000,000 anticipated in chapter 424, Session Laws of 1955. It is recommended that \$18,100,000 be provided for fiscal year 1957 for the state high school finance fund. Because of the revision made by the 1955 legislature in the formulas for providing money for special instruction to mentally retarded, homebound and exceptional children, it is recommended that additional moneys be transferred for these programs: for fiscal year 1956, \$6,489 to the homebound children fund; for fiscal year 1957, \$51,208 to the mentally retarded children fund, \$42,275 to the homebound children fund, and \$23,466 to the exceptional children fund. All of the above transfers have been provided in the recommended transfers in the Retail Sales Tax Fund.

4. Public Safety:

The last legislature failed to adjust the charges of the Brand Commissioner. The budget recommended for fiscal year 1957 finances the agency's salaries and wages from the General Revenue Fund. I recommend that the legislature increase the charges in connection with the Brand Law.

In my message to the last legislature I observed that the penal institutions had become the "step-children" of the State of Kansas. I recommended that a Citizen's Commission, in cooperation with the Legislative Council, study and make recommendations on the penal institutions. This study was provided and the Governor's Committee on Penal Institutions and the Legislative Council have made certain preliminary recommendations that would better the conditions in these institutions. At the time the budget was prepared not all of the recommendations had been made. This additional information will be available to the legislature and should be given your careful consideration. Where the recommendations were known they have been included in the recommended budget.

At all of the penal institutions (The Kansas State Industrial Reformatory, The Kansas State Penitentiary, and The Industrial Farm for Women) it is recommended that inmate earnings be increased from 4 a day to 10 a day starting July 1, 1956. In addition it is recommended that upon discharge if the accrued earnings of the inmate has not reached \$25 that he be given the difference between his earnings and \$25 for expenses until he is able to return to his home. It is recommended that the clothing allowance for discharged inmates be increased from \$12.00 to \$22.00. These changes are important to a rehabilitation program and funds have been provided in the recommended budget for them.

The Legislative Council and the Governor's Advisory Committee have recommended many changes at the Kansas State Penitentiary. The budget that I am submitting to the legislature incorporates many of these changes. Additional staff members are recommended to bring the total staffing of the institution to 223 positions for the fiscal year 1957.

Included would be an increase in the civilian kitchen staff, the addition of a full time physician, the provision for a system of inmate classification and the addition of personnel and equipment to establish an academic and vocational education program and an athletic and recreational program. In addition, the following major capital improvements have been recommended for the fiscal year 1957 in the budget; Modernization of additional guard towers; construction of security fencing at the entrance to the institution; installation of a communication system between guard towers; construction of a warden's residence; replacement of plumbing facilities in "A" cell house; a survey of lighting, utilities and construction needs for the future; fixed and moveable equipment for the educational facilities; construction of freight sallyport where outgoing and incoming vehicles may be inspected; an installation of a fuel oil storage tank, and remodeling of a number 1 dormitory. In addition, it is recommended that additional moneys be appropriated for the construction of a maximum security cell house. The original appropriation of \$87,000 made by the 1955 legislature should be increased to bring the total available money for this project to \$240,000.

Capital improvements recommended at the Kansas State Industrial Reformatory for the fiscal year 1957 are: construction of plant-starter house; a utility and storage building; a new hog brooder house; modernization of schoolrooms, installation of a modern paint booth and drying room; replacing doors, locks and a general remodeling of No. 3 cell house and construction of security fencing and a guard at the entrance of the institution.

The budget of State Industrial Farm for Women includes expansion of staff to provide improvement of the program for the inmates at the Farm. It is suggested that the legislature give consideration to making the Industrial Farm for Women a division of the Kansas State Penitentiary. This change would allow easier transfer of workers and materials between the two institutions. With the small inmate population at the Womens Farm overhead costs are high. I recommended that "A", "B" and "Perry" cottages be modernized and central locking devices be

installed. Additional rewiring, new roofs on the boiler room and the repair shop and repair to the library building foundation are also recommended.

The work of the Board of Penal Institutions has increased and I recommend that two additional clerical employees be added in 1957.

5. Conservation of Agriculture and Natural Resources:

Kansas and agriculture are almost synonymous. Agriculture is the basic industry of the state. Several of the agency budgets in this important function of our state government have been expanded in the recommended budget.

I have recommended supplemental appropriations to the Kansas State Fair during the fiscal year 1956 of \$100,000 for the construction of a new swine barn and of \$7,500 for the construction of rest rooms.

The budget recommends that the brucellosis program of the Livestock Sanitary Commissioner be expanded both in the fiscal year 1956 and in the fiscal year 1957. The recommended budget of \$150,000 for the fiscal year 1957 for brucellosis will provide funds for the state share of the brucellosis program for which the federal government has supplied additional funds under an agreement with the federal government entered in April, 1955.

The budget for the fiscal year 1957 of the State Water Resources Board is recommended at \$183,054 to staff this important board. The office will be organized to provide for an inter-agency coordination section to study and coordinate interstate and intrastate activities; a planning section to initiate and develop technical studies needed to develop a state plan for water resources development; a special report section to delineate the water requirements of agriculture, industry and the municipalities; and a hydrological section responsible for analyzing available basic hydrological data. In addition to the recommended budget for the board, in the budget of other state agencies several projects recommended by the board have been included. They are: (1) Kansas Geological Survey KU: accelerated ground water investigations \$5,000; accelerated topographic mapping \$9,356 (2) Kansas State College: irrigation research \$31,280; watershed development research \$48,000 (3) State Board of Health: accelerated water pollution abatement \$14,900; chemical analyses of ground water with special reference to the nitrate problem \$4,194.

6. Health and Hospitals:

Improvements in many of the programs of the State Board of Health are recommended for fiscal year 1957. The most marked program improvement is anticipated in the district field offices. Grants-in-aid to local health units has been recommended in 1957 for the amount from the state general fund approved by the 1955 legislature for the fiscal year 1956. The plans of the federal government for the coming fiscal year on the polio vaccine distribution program is not known at the present time. Should the federal plan for fiscal year 1957 for polio vaccine distribution program require financial participation or should the federal program be less than is desirable for Kansas, additional funds may be required by the Board of Health.

The budgets for the institutions under the Division of Institutional Management will require more funds during the fiscal year 1957. With a few exceptions, this increase in the cost of the mental health program represents the additional cost of the staffing pattern authorized by the 1955 legislature. I believe that the recommended budget adequately provides for the orderly growth of this important function of our state government.

A few new programs are recommended in the budget. More money had been provided for the

use of new drugs in the treatment of mental illness. The staffing necessary to open two constant supervision wards at Parsons State Training School is recommended.

The Mental Hospital Training Fund has been recommended at \$750,000 for 1957. In addition, a central Workmen's Compensation Benefit appropriation is recommended for the Division of Institutional Management for use in paying claims in the institutions. Previously appropriations have been made to each institution as a part of the salaries and wages budget. The recommended appropriation of \$30,000 for the fiscal year 1957 is \$20,000 less than would have been recommended had the previous procedure been followed.

This budget will be the first to provide for a full years operation of the Southeast Kansas Tuberculosis Hospital and the Kansas Treatment Center for Children Appropriations for these institutions have been recommended from the Central Revenue Fund.

The staff necessary to provide a second childrens unit at Topeka State Hospital has been recommended in the budget. The Treatment Center for Children will be able to treat children for no longer than one year. There is a need for additional facilities for the treatment of children and this expansion will aid in meeting this need.

7. Recreational and Historical:

I believe that we must preserve and promote the rich heritage of our state and I have provided for reasonable growth and protection of the historical parks of our state. I have recommended that the budget for the State Historical Society be increased slightly to provide for restoration of the quarterly magazine to its former size, to provide additional museum cases and to certain with air conditioning the Memorial Building.

I am recommending an appropriation of \$25,000 to the State Park and Resources Authority in fiscal year 1957 to provide operating expenses until revenue bonds can be sold. When bonds are sold, the unencumbered balance of the appropriation should be lapsed.

8. Highway and Other Transportation:

The estimated expenditures of the State Highway Commission are estimated at \$72,200,328 for the fiscal year 1956 and \$73,467,606 for the fiscal year 1957. These expenditures compare with \$66,126,988 expended in fiscal year 1955. The major increase has been in capital improvements on the roads of our state. In fiscal year 1955, \$38,841,946 was spent on capital improvements. It is estimated that \$43,520,611 will be expended for road improvements in fiscal year 1956 and \$44,636,707 in fiscal year 1957.

I am recommending that the budget of the Kansas Highway Patrol be increased to include equipment and expenses for 25 additional highway patrol units for fiscal year 1957. It is anticipated that 25 additional units will be requested for fiscal year 1958, making the total additional units 50. The request for the additional units does not include additional troopers, but only additional equipment and automobile operating costs to utilize existing strength more efficiently. It is planned to increase the number of one-man car patrols, and reduce the number of two-man teams using a single car.

9. Debit Service:

I am happy to report that the state is free of general indebtedness.

You and I have been elected by the people of Kansas to our respective offices. By virtue of our offices, we are entrusted with the success or failure of this first budget session under the constitution.

In this connection, I would like to sound a note of caution. The government of the state is solely for the benefit of all the people of Kansas. It is not operated for the benefit of state employees or any special interest.

We all have one common goal—to make Kansas that best and the greatest State in the Union. This can only be done by protection and promoting the economy of the state and the well-being of the people. We must not only work for the best schools, the best prisons, the best highways, the best hospitals, the best of every state service, but we must also provide for a sound and prosperous agriculture, industry, business and labor, so that we shall have the resources to tax and pay for these state services.

The Governor, the Legislative Council, the Governor's Advisory Committee on Taxation and Revenue, the Department of Administration and its Budget Division, as well as many other state agencies and employees, have worked long and hard for several months to prepare the budget and the revenue recommendations for 1957. We believe we have done a good job. It is the earnest hope of all of us that this legislative session will proceed in harmony for the best interests of the people of Kansas.

Transcribed from: Message of Governor Fred Hall to the Kansas Legislature, 1956.

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