

STATE OF WISCONSIN

Senate Journal

Seventy-Seventh Session

WEDNESDAY, February 3, 1965.

10:00 o'clock A.M.

The senate met.

The president in the chair.

Prayer was offered by the Reverend Gale A. Wolf.

The roll was called and the following senators answered to their names:

Senators Benson, Bice, Busby, Carr, Christopherson, Dempsey, Draheim, Hansen, Hollander, Kendziorski, Kepler, Knowles, Krueger, LaFave, Leonard, Leverich, Lorge, Lourigan, McParland, Meunier, Panzer, Rasmusen, Risser, Roseleip, Schreiber, Schuele, Smith, Sussman, Thompson, Warren and Zaborski—31.

Absent with leave—Senator Miller—1.

INTRODUCTION OF AMENDMENTS

Amendment No. 1, S. to Senate Bill 60 was offered by Senator Hollander.

RESOLUTIONS INTRODUCED

Senate Joint Resolution 21

A joint resolution relating to the life and public service of Harry A. Stuhldreher.

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By Senators Leverich, Panzer, Dempsey, Busby, McParland, Bice, Krueger and Benson.

The joint resolution was considered at this time, upon motion of Senator Leverich, with unanimous consent.

Was read.

The joint resolution was adopted by unanimous rising vote.

Ordered immediately messaged to the assembly

BILLS INTRODUCED

Senate Bill 77

Relating to insurance premiums.

By Senators Leonard and McParland, by request of Milwaukee Public Teachers Retirement and Annuity Association.

Read first time.

To committee on Labor, Taxation, Insurance and Banking.

Senate Bill 78

Relating to exempting from general property tax property used exclusively for providing elderly persons, on a nonprofit basis, with housing facilities and services.

By Senator Carr.

Read first time.

To joint Survey committee on Tax Exemptions.

Senate Bill 79

Relating to warning lamps on motor vehicles of certain co-operatives.

By Senators Rasmusen, LaFave and Krueger.

Read first time.

To committee on Highways.

Senate Bill 80

Relating to the restrictions on the location of auto junk yards.

By Senators Smith, Krueger, Meunier, Roseleip, Keppler, Warren, Lourigan and Hansen.

Read first time.

To committee on Highways.

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Senate Bill 81

Relating to railroad track motor cars.

By Senator LaFave.

Read first time.

To committee on Governmental and Veterans' Affairs.

Senate Bill 82

Relating to the use of studded tires.

By Senator LaFave.

Read first time.

To committee on Highways.

Senate Bill 83

Relating to a tax exemption for irrigation equipment.

By Senators LaFave, Leverich and Rasmusen; co-sponsored by Assemblymen Jahnke, McDougal, Myhra, Hutnik and Johnson.

Read first time.

To joint Survey Committee on Tax Exemptions.

PETITIONS AND COMMUNICATIONS

The State of Wisconsin

Executive Office

Madison 53702

To the Honorable, the Senate:

Pursuant to the provisions of the statutes governing, and by and with the advice and consent of the Senate, I hereby nominate and appoint Dr. L. C. Scribner, of Stevens Point, a member of the State Board of Health, to succeed W. T. Clark, for the term ending the first Monday in February, 1970.

Respectfully submitted,

WARREN P. KNOWLES,

Governor.

February 2, 1965.

The foregoing appointment by the Governor was referred to the committee on Public Welfare.

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To the Honorable, the Senate:

Pursuant to the provisions of the statutes governing, and by and with the advice and consent of the Senate, I hereby nominate and appoint Dr. Frank E. Drew, of Whitefish Bay, a member of the State Board of Health, to succeed Elizabeth Baldwin, for the term ending the first Monday in February, 1971.

Respectfully submitted,

WARREN P. KNOWLES,
Governor.

February 2, 1965.

The foregoing appointment by the Governor was referred to the committee on Public Welfare.

To the Honorable, the Senate:

Pursuant to the provisions of the statutes governing, and by and with the advice and consent of the Senate, I hereby nominate and appoint Dr. Byron D. Ising, of Oshkosh, a member of the State Board of Health, to succeed James Crow, for the term ending the first Monday in February, 1972.

Respectfully submitted,

WARREN P. KNOWLES,
Governor.

February 2, 1965.

The foregoing appointment by the Governor was referred to the committee on Public Welfare.

MESSAGE FROM THE ASSEMBLY

By James P. Buckley, chief clerk thereof.

Mr. President:

I am directed to inform you that the assembly has adopted and asks concurrence in

The action by which the assembly, upon motion of Assemblyman Soik pursuant to Joint Rule 26, has directed the

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Legislative Reference Bureau to prepare a suitable joint certificate of Commendation to the American Legion for its promotion of February as "Americanism Month". Americanism is best defined by the words of our 26th President, Theodore Roosevelt as "the virtues of courage, honor, justice, truth, sincerity, and hardihood". There particularly is an urgent need for these strong virtues in our nation today as we face the threats and provocations of a godless conspiracy which is bent upon enslaving the entire world, and has

Concurred in

The senate action, upon motion of Assemblyman Alfonsi, pursuant to Joint Rule 26, directing the Legislative Reference Bureau to prepare a suitable joint certificate of Commendation to Hazel B. Otto on the occasion of the proclamation by his Excellency, Governor Warren P. Knowles of January 28, 1965 as "Hazel B. Otto Day" in recognition of Mrs. Otto's 46 years in state government service which day is the day on which she retires and

The senate action, upon motion of Assemblyman Froehlich, pursuant to Joint Rule 26, directing the Legislative Reference Bureau to prepare a suitable joint certificate of Congratulations to the Honorable Judge Stanley A. Staidl of Appleton, Wisconsin, on the occasion of his retirement from his long and continuous service to the State of Wisconsin as a lawyer and County Judge, Branch 1, Outagamie County, Wisconsin, since April 1921 and February 16, 1953, respectively and for his many contributions to the legal system of the State of Wisconsin and positive action for the betterment of all society.

ASSEMBLY MESSAGE CONSIDERED

The assembly's action under Joint Rule 26 pursuant to motion by Assemblyman Soik was concurred in, upon motion of Senator Roseleip.

Ordered immediately messaged to the assembly.

MOTIONS

Upon motion of Senator Rasmusen, and in accordance with Joint Rule 26, the senate directed the Legislative Ref-

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erence Bureau to prepare a suitable joint certificate of Commendation to Mr. Frank E. Zemaitis on the occasion of his being honored at a testimonial dinner which was given him on Wednesday, January 27, 1965 at the Wisconsin Memorial Union in recognition of his outstanding service as a proponent of resource development for northern Wisconsin, as a leader in county government and as an advocate of improved forest laws and pioneer farmer.

The senate's action was ordered immediately messaged to the assembly with request for assembly's concurrence therein.

Senate Bill 30

Was recalled from the committee on Public Welfare and returned to its authors, upon motion of Senator Roselep, with unanimous consent.

Upon motion of Senator Leonard, with unanimous consent, the president appointed Senators Leonard and Zaborski as senate members to wait upon the Governor.

Upon motion of Senator Leonard, with unanimous consent, the senate recessed until after the Governor's message.

During this recess and the hour of 11:00 o'clock approaching the senate proceeded in a body to the assembly chamber to meet in joint convention with the assembly to receive the Governor's Budget Message, the Governor having expressed a desire to address the two houses at that time.

IN ASSEMBLY CHAMBER

IN JOINT CONVENTION

The lieutenant governor in the chair.

The committee appointed to wait upon the Governor appeared with His Excellency, the Governor, who delivered his biennial budget message as follows:

GOVERNOR'S 1965-67 BUDGET MESSAGE
TO THE LEGISLATURE

Ladies and Gentlemen of the Legislature:

The preparation of a budget which will provide essential services for the people of Wisconsin within a framework of cost-consciousness is an immense undertaking. And in some respects it is a lonely task, for under the laws of this State the governor is obliged to present *his* recommendations to the Legislature and to the people of Wisconsin regarding proper budgetary outlays for the forthcoming biennial budget period. No statutory committee, no council of advisors has this heavy responsibility; it is solely that of the governor.

I appear before you today to present my recommendations as to the course of action the State of Wisconsin should take in financing state operations and in providing a base of support for local assistance programs during the 1965-67 biennium. These recommendations have been developed only after extensive and intensive hearings and analyses conducted by me and my staff of fiscal specialists. They have come to fruition only after painstaking consideration of countless documents, charts, graphs, projections, and oral presentations by concerned individuals.

Implicit in my recommendations are the findings of the several task forces constituted by me to assist in a careful evaluation of governmental operations and services. Further assisting me in my own appraisal of state expenditures has been the new business management tool, program budgeting, which was initiated by the Bureau of Management for the forthcoming biennial budget period. Through program budgeting techniques I have had outlined for me—as no other governor has—both the broad sweep and intimate detail of state programs in clear, precise terms. My understanding and appreciation of budgetary needs within the major areas of state responsibility has been sharpened considerably. I have, through the cooperation of the various agencies of State government, gained a comprehensive knowledge of the complex problems which they face.

As a result of all the effort which has been expended in analyzing budget requests and in determining realistic budgetary goals, I must report very candidly that I am not going to be hesitant about presenting my recommendations

to you. My budget proposal is grounded in fact and evidence of a compelling nature. To equivocate in presenting these recommendations would be a shirking of my responsibility as governor. Furthermore, this State has a proud tradition of moving *forward*. It shall neither stand still nor retreat during my administration.

Pursuing that line of thought, I want to emphasize most vigorously that the budgetary proposals which will be discussed today represent my best judgment as to what is required to enable Wisconsin to meet its responsibilities in a prudent manner. The proposals reflect a blending of realism and idealism; they contrast what it would be "nice" to do with what it would be wise to do; they separate "wants" from "needs." They manifest my concern that a dollar's worth of service be obtained from a dollar expended.

Finally, they represent my conviction that a responsible, prudent advance must be made if the citizens of this state are to be provided necessary educational opportunities, appropriate welfare services at the state and local levels, and a trade and industry environment which will encourage industrial growth and harmonious labor-management relations.

In reviewing requests for budgetary support I have attempted to act as a careful surgeon, performing necessary cutting operations while maintaining a high degree of concern about the overall well-being of the patient entrusted to my care and supervision. No budget has been unconsciously slashed. By the same token, almost every proposal has been carefully pared.

The result of this judicious trimming has been a reduction of about \$60 million dollars from the amounts requested by the several state agencies. Such a reduction contrasts sharply with the \$9.5 million eliminated by my predecessor from the 1963-65 requests. While my recommended reduction therefore is more than six times as great as that recommended by the executive branch in 1963, it will not—in my judgment—cripple or seriously curtail any necessary state services.

Without a \$60 million reduction the 1965-67 budget could have soared to almost \$900 million. As a result of the extraordinary care taken in analyzing all available data and in pruning unnecessary expenditures, I am able to report to you honestly and candidly that an executive budget of about

\$832 million will be required during the forthcoming-bien-nium.

For state operations—including the University of Wisconsin and the nine regional State Universities, state welfare institutions, the three branches of government, regulatory agencies, and others—I am proposing expenditures of \$448 million.

For local assistance—including aids to school districts; aids for the blind, disabled, elderly, and for dependent children; for county mental hospitals and other health services, and for additional worthy local endeavors—I am proposing expenditures of \$385 million.

About \$53.6 million dollars of this budget will be financed from revenues which come from sources other than general taxes. Fiscal experts estimate that approximately \$7.7 million dollars will be available from the anticipated surplus on July 1, 1965, and that the state agencies will spend an estimated \$5.5 million less than their appropriation authorizations. Consequently, the budget from taxes to be collected in the next two years totals \$766 million. This amount would be considerably higher if it were not for the fact that our college students will be paying a total of \$55.2 million during the next two years to help pay the cost of their education. The total executive recommendation will call for an additional increase in revenue of \$110.7 million dollars—plus whatever additional sums are required by bills enacted into law by your legislative actions.

I know full well the seriousness of this situation and because of it, I emphasize again, that we must all tighten our belts if we are to get through this emergency period. I am aware that this is the largest budget ever proposed for the State of Wisconsin. I realize that criticism and abuse may be leveled at me, both by those desirous of additional cut-backs and those seeking increased levels of spending. You are all aware of the old adage: "you're damned if you do and damned if you don't," but I assumed the responsibility of my office on solemn oath and am willing to accept criticism from both the "plus" and "minus" factions. I sincerely believe that the budgetary program I propose today is based on a judicious appraisal of needs for state services and aids. The program reflects my concern for doing what is required coupled with my insistence that expenditures must be justifiable. Let me tell you why I believe that the proposed expenditures are justifiable.

If one were to sum up in a few words exactly why the proposed budget is of its recommended magnitude he would have to say, "the pressure of population, the sheer force of numbers."

It is no secret that the number of young people and elderly citizens in Wisconsin, most of whom are non-wage earners, continues on the increase. At the same time, our income producing population—that is, the taxpayers—remains at a relatively stable level, and in fact decreases as a percentage of our total population. Consequently, for the next few years the present income producing group will have to assume a greater burden of the cost of government until the post-war baby group completes its education and joins the income-producing part of our society. But these facts are not separate and without relationship. These are *our* children and *our* parents for whom the services are being provided, and in the finest tradition of our society we will not ignore their needs.

We are dealing with problems because of our concern for people. We can't simply recognize the problem without honestly facing up to the solution. This means more money.

Approximately 41,000 additional children will enroll in our local public schools during the approaching two-year period. About 25,000 additional high school graduates will be seeking admission to our University of Wisconsin and the Wisconsin State University campuses. The influx of these numbers produces a substantial impact upon the levels of state support and state aids, many of which are fixed by law in formulas which take into account enrollment changes. These statistics will be distributed to you in a budget-in-brief.

As a dramatic example of the effect of statutory formulas on the magnitude of the budget, let me report on my budget hearing for the Department of Public Instruction. At that one hearing I received a proposal for state spending approaching \$235 million, well over 25% of the total state budget. I learned from Superintendent Rothwell that 97% of the amount he was requesting, or \$229 million, would be allocated to localities as state aids to schools in accordance with existing statutory formulas.

This, then, is simply a matter of where the bill gets paid. If the state does not provide the \$229 million share of the cost necessary for educating our children, the local governments will have to—and instead of paying the cost by means

of the income and sales taxes—you will have to pay them by means of sizeable increases in the property taxes. To date, no one has preferred that alternative! We support from state funds approximately 27% of the cost of educating our children. As the number of children increases, the number of dollars necessary to provide their education increases. It's just that simple! There is nothing that you and I can do about this except change the formula, thereby placing a greater burden on the property taxpayer.

Mr. Rothwell also informed me that another one per cent would be used in operating the state schools for the blind and deaf, and two per cent would be utilized by the Department itself in discharging its heavy statutory responsibilities. This is a perfect example of the pressures of "built-in" budget demands.

As enrollments increase, formulas approved by state government automatically increase the outlays committed to the support of public education.

Population pressures are felt in higher education and public welfare areas, too. In higher education, particularly, the peak "baby boom" years immediately following World War II are upon us with heaviest impact during the next budget period.

The number of persons requiring special help continues to rise as well, and the State cannot turn its back on these people. Old-age assistance, aids to the blind, to the disabled, to dependent children must be provided. Additional state cost is incurred in the operation of county mental hospitals which are partially supported with state funds on an incentive basis. Thus, the State's participation increases as the quality of treatment and care improves through county initiative. This, too, is a graphic example of a "built-in" budget multiplier.

One further example. The needed building programs which have been authorized by previous Legislatures to cope with expanding higher education and welfare populations have a dramatic fiscal impact on this operating budget. The Legislature and Building Commission in past sessions have been generous in providing funds for new construction. Several new buildings were opened during this biennium which require cash outlays for operational, maintenance and expanded program requirements.

And even yet the problem is not resolved. The increased numbers seeking educational and welfare services and the

resulting need for physical facilities for instructional and personal treatment-care-confinement continues to increase to the extent that further expeditious action must be taken by the State during 1965-67. I am indebted to the State Building Commission for its searching and thoughtful consideration of building requirements needed by 1968. The Commission's careful recommendations to me are reflected in my proposal to you in meeting the requirements for corporate debt service and the statutory allocation for depreciation reserves.

I realize that those of us who are income-producers are being asked to shoulder heavy responsibilities for the very young, the very old, and the unfortunate who are not contributing to the tax resources of the State at the present. It is my unalterable conviction that we not only can, but must, and *will* meet those obligations, investing in the present for a future return of great consequence to the economic well-being of our state.

It is in the field of education where the major State Budgetary investment will be made during 1965-67. More than half (51.2%) of the \$832 million budget will be allocated for educational purposes: \$229 million for public school aids and services for handicapped children; \$175 million for our colleges and universities; \$14 million for vocational education, and about \$3 million for other associated educational services.

Most of you know my position regarding education, but to get firmly on record, let me say again as I have on many previous occasions that *education is the cornerstone of our growth, the passport to individual success, the key to individual freedom.*

This budget, more so than any of its predecessors, reveals a firm commitment to post-high school education for *all* our young people. I propose that the State broaden its efforts in education in the interests of our young people and of the economic future of Wisconsin. Greater state participation in support of vocational-technical education is of prime importance if diversified educational opportunities of quality are to be provided our high school graduates. We already know that by 1966-67 enrollments in technical training programs will have tripled in a 10-year period.

My budget proposal urges increased participation in this particular area on the grounds that the labor force of tomorrow will require more skilled and technical workers;

and further, that action now will lead to an improved economic outlook for Wisconsin in the future. I am convinced that justifiable expenditures now for all educational purposes will reap a rich harvest for Wisconsin in the future.

Let me emphasize what this budget *will* accomplish:

- A. It will provide support for needed state and local programs in a responsible manner and will preserve quality at a reasonable level.
- B. It will eliminate some programs which are no longer necessary.
- C. It will encourage greater efficiencies in existing programs.
- D. It will allow some modest progress in major fields such as education, welfare, and economic development—the latter area of vital concern in the plans of this administration to stimulate business and industrial expansion, development, and productivity.

In recent biennia the most severe pressures on the state for funding at a high level was felt in the area of local assistance where expenditures, as aids, exceeded expenditures for state operation. This was largely due to the phenomenal increase in attendance at our elementary and secondary schools by our children and the joint state-local responsibility to see that our children's education was properly provided.

In the budget brought before you today the situation has changed.

State operations will require slightly more than one-half of the recommended budget. This is largely so, again understandably, because the "baby boom" children which recently flooded our public schools have now reached our public institutions of higher learning. Soon they will be contributing to productivity and will be providing tax revenue.

Local efforts, coupled with state assistance, to meet school needs have been magnificent. Local school boards and citizens have every right to be proud of their progress in providing wisely and well for their young people. During the forthcoming biennial period much of this heavy responsibility will be shifting to the State. Wisconsin must be willing to shoulder this responsibility. The long-term benefits to Wisconsin derived from an educated citizenry can be anticipated in the resulting economic well-being of our State.

Now, here for your consideration is a more detailed discussion of the various budget areas.

State Operations

The state operations portion of this budget provides for the operation of our higher educational institutions, our mental hospitals and retardation colonies, the correctional institutions and camps. Also included are the state programs of agriculture, industry and trade, public health, public safety and defense, the regulatory agencies, and the operation of our courts, legislature and central administrative services of government—in other words those various programs which are entirely the responsibility of state government. If this were our only concern, I would come to you today with a very rosy picture indeed, for all of these programs could be financed totally from the taxes which we now collect, and in addition I would be able to recommend cutting taxes in the amount of \$50 for every man, woman and child in our state. It is because the State returns to the local governments approximately 70% of all the taxes it collects that we are presented with the serious fiscal problem we face today.

Yet, I hear the hue and cry to cut taxes across the board. We could do so, but to the detriment of the local units of government and with a resulting tax increase to the local property taxpayer.

HIGHER EDUCATION: In the field of higher education I propose that the 1963-65 expenditure level of \$123.5 million be raised to \$185.4 million, an increase of \$61.9 million. The bulk of this increase—\$59.1 million—will be dedicated to assuring the continuation of the present quality educational contributions of the University of Wisconsin and the nine regional Wisconsin State Universities. The remainder of the increase would be allotted to vocational education (\$1.8 million), the Department of Public Instruction (\$.8 million) and the Historical Society (\$.2 million).

A total of \$30.6 million will be required to support an additional 25,000 students in our universities at basically the same level of support we provided in 1964-65. To meet expenses which you previously approved by legislative enactment we must provide \$18.1 million.

I am not particularly pleased by the fact that because of our fiscal situation I have had to cut two-thirds of the re-

quests made by our universities for educational advancements in programs. I do feel that it is essential, however, to provide for modest progress in the improvement of our higher educational programs and I have, therefore, recommended \$7.8 million for that purpose during the next two years. In a spirit of "belt-tightening" I am asking the students themselves, who will benefit from these improvements most directly, to pay approximately 20% of their cost. This will necessitate some adjustment in the current fee schedules. On the other hand, to assure that higher educational opportunities will be available to all qualified Wisconsin high school graduates, regardless of their economic backgrounds, I hope to provide funds for additional scholarships during the next two years.

The University of Wisconsin, in line with its commitments to adult education and public service, conducts many adult education programs through its extension division. Many of us have participated in these courses, institutes, and programs and have benefited from them immensely. In the past the State has financed about 38% of their cost. Again, in a spirit of belt-tightening, I am asking in this budget that the participants assume more of the obligation and pay 75% of the cost of the services they are receiving as opposed to the current 62%.

During the last three biennia faculty salary increases averaging about six per cent per year have been authorized by the Legislature. These increases have done little to advance the University of Wisconsin and the State Universities in the competition with comparable institutions for academic talent, but they have—in my judgment—forestalled a dangerous erosion in our competitive position, since faculty salaries throughout the nation have been increasing at the rate of about six per cent per annum.

While I would like to do more for our dedicated faculties which, unlike state employees have no provision in our state budget system for merit salary increases, I am able to recommend only that the State continue its previous program of an approximate six per cent advance per year. Specifically, I propose that salary increases be granted on the basis of five per cent the first year and seven per cent the second year of the biennium. This program is, in my opinion, the minimum required to maintain our universities' current competitive positions.

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Should some of you believe my recommended increase for higher education to be high, let me point out to you that after careful scrutiny of all higher educational requests I reduced agency askings by \$25 million. I do not believe that the level of support, as proposed, should be lowered further.

Mentally Ill

I am pleased to report that in the finest traditions of progressive government Wisconsin has made considerable strides forward in the treatment of our mentally ill. Because we have been willing to expend funds for intensive treatment the average daily population in our institutions has declined in the past 10 years. The average stay of a patient today is less than three months. My budget recommends further that efforts in intensive treatment be undertaken for the chronically ill at Mendota, and at the same time directs that some staff be eliminated at a savings of \$63,000 to reflect the reduced workload resulting from fewer patients.

We have one particularly sad problem facing us in mental illness today—the upsurge of children suffering from mental illnesses. The rate of admissions in this age group has almost doubled in three years to a total of 502 in 1964. The need for an all-out attack on this problem is understandably apparent. I am, therefore, recommending an additional \$234,000 to provide intensive treatment and educational programs for these unfortunate youngsters in the sincere hope that we will be able to effect cures that will permit them to live normal productive lives.

Mentally Retarded

The population pressures of the mentally retarded continue to necessitate additional financial efforts in their behalf. Southern Colony is 38% overcrowded and Northern Colony is 63% overcrowded. Past building commissions and legislatures have attacked this problem so that we will have approximately 1,000 new beds opening during the next biennium, and even then we will not have enough facilities to meet our needs—overcrowding and waiting lists will continue. My budget provides funds totaling \$2.4 million to staff these new facilities which are already underway. Another \$250,000 is being recommended to expand the program of community placements of those who can be moved out of the institutions. 800 colony residents will be placed

in homes, work situations, nursing homes and family care placements during the next two years. This budget supports continued efforts by Wisconsin as a part of a total research effort aimed ultimately at major reductions if not total elimination of mental retardation in our society.

Correctional Services

Wisconsin has been experiencing a decrease in the anticipated rise of adult offenders at the same time the post-war baby population has effected a substantial increase in the juvenile offenders. I am able to recommend a reduction of \$625,000 for the support of our adult correctional institutions from the current level of operations, at the same time we will need an additional \$600,000 to support a juvenile population which I am informed is anticipated to increase by 27% in the next biennium. Wisconsin continues to be a leader in the field of probation and parole. This program costs one-tenth the amount it takes to keep offenders institutionalized, and will increase from 6,800 cases in 1964, to 8,444 cases in 1967. Finally, the foster home program for our juveniles continues to grow with outstanding success—and at one-third the cost of institutional care. This budget fully supports this effort. In 1962-63 we had 231 juveniles placed in homes; by 1966-67 we will have more than doubled that number.

Industrial Expansion

My administration is firmly committed to a program improving the environment for industry in our State. Many of my budget recommendations support that goal for the next biennium. I have provided additional funds for the Northern area development, for statewide economic development, for research efforts for new industries using Wisconsin raw products, for tourist development and for further market development of Wisconsin agricultural products. I am recommending \$500,000 or an additional \$300,000 for an expanded campaign of advertising Wisconsin's recreational and tourist attractions. This budget calls for \$65,000 to provide additional personnel to speed up industrial plant plans review, and to further our efforts in plant safety. Recognizing the necessity for a harmonious labor environment, additional funds are requested to intensify our efforts in labor law enforcement, fair employment investigations, and workman's compensation hearings.

Vocational Rehabilitation

The return to a productive income-producing life for our physically and mentally handicapped citizens is one of the most noble undertakings in which state government can participate—certainly it is one of the most economically justifiable. Recent studies have shown that it has cost approximately \$1,400 each year to maintain handicapped people on public assistance. These same people were rehabilitated at an average one-time cost of \$700, and after rehabilitation they quadrupled their pre-rehabilitation earning power. And in this whole effort the federal government provides 60% of the funds required.

It is estimated that there are 50,000 Wisconsin residents in need of rehabilitation—during the current year we are only serving approximately $\frac{1}{4}$ of that number—and at the same time returning almost \$2 million unused federal funds because Wisconsin has failed to provide for its 40% share. In the past this program has been exclusively aimed at the rehabilitation of the physically handicapped—today considerable successful inroads have been made in rehabilitating the mentally ill and mentally retarded as well as the physically disabled. This year we are serving 700 mentally ill; by 1966–67 we will more than double that amount. This year we are serving 400 mentally retarded; by 1966–67 we will be serving an additional 1,000. This budget provides for an additional 40 caseworkers and the supporting casework funds at a cost of \$1,200,000—to which the federal government will add an additional \$2 million. Even if this program is adopted, we will be serving only an estimated 21,600 people by 1966–67, still less than half of the total potential.

State Building Program

The State Building Commission, after careful and detailed study of agency requests and needs, has recommended a state building program which will require \$33 million in general purpose revenues to pay the debt service and depreciation reserves during 1965–67. This building program primarily responds to the pressures in higher education and welfare which are being felt throughout the State. It will:

1. provide new facilities to care for our increasing higher education enrollments, expected to go up by 38,000 students in 1968 when the 1965–67 projects will be available for use;

2. relieve overcrowding in state mental institutions and in state boys' schools; and
3. replace hazardous and obsolescent buildings now being used for educational and patient care purposes.

Specifically, adoption of this program will permit the University of Wisconsin to meet building needs amounting to \$52.4 million, the Wisconsin State Universities \$37.9 million, the Department of Public Welfare \$17.4 million, and the University of Wisconsin Medical Center \$9 million. Other cost requirements amounting to \$15.2 million to provide for advance planning of the 1967-69 building program and to make debt service payments for buildings financed through the State Agencies Building Corporation will be accommodated by the program, as will \$2.2 million of improvements for other state agencies.

The Building Commission did an excellent job in developing standards which were applied against agency requests in order to measure needs against desires. It substantially trimmed requests, and I am in complete accord with the Commission's recommendation that the program submitted to me, and now to you, be supported by legislative action.

Local Assistance

School Aids: This budget provides \$228.9 million in public school aids for 1965-67.

These aids include support for elementary and high school districts, transportation, and special education aids, all of which go toward assuring educational opportunity for all children of the state and toward relieving local property taxes from bearing the entire cost of public school education. The aids, which are required by statutory formulas, now in our law, will provide 26.4% of the total school operating costs of \$880 million anticipated in 1965-67. The 1965-67 state aids represent an increase of \$34 million over the current biennium.

A total of \$29.4 million is required for elementary and high school aids to provide for increased costs and enrollments under the present formula. By 1966-67 approximately 41,000 more students will be counted in average daily membership, and local operating costs will have increased at the rate of \$25 per year per average daily membership. In addition, more districts are qualifying for higher levels of aid by offering programs of higher quality and

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still others are qualifying for equalized, rather than flat aids because property values have not risen at the same rate as enrollments.

Transportation aids will be up by \$2.3 million to support the cost of transporting 44,000 additional students by the end of the biennium.

Aids for handicapped children will increase by \$1.9 million because more districts are providing special classes for children with defective vision, hearing, or speech, or who are physically or mentally handicapped or emotionally disturbed. This budget provides for 70% of the reimburseable costs of the program—the same level provided in 1963–65.

The budget provides \$1.4 million in aids to organizations other than school districts, an increase of \$100,000 over the present biennium. These aids will pay for that portion of salaries and expenses of county superintendents and county supervising teachers guaranteed by statute. Fiscal 1965–66 will be the last year in which this reimbursement will be paid to counties, since these positions are being terminated July 1, 1965. The new cooperative educational service agencies, which were created by the 1963 legislature, will receive an appropriation of about \$.8 million in 1965–67. These agencies will enable local school districts to cooperate in providing psychiatric, psychometric, and other special education services.

VOCATIONAL SCHOOL AIDS: My concern for improving vocational-technical opportunities for the young people of this State is an integral part of this budget. I propose that vocational school aids be increased a total of \$4.2 million. Of that figure, \$1.6 million will be provided to meet substantial enrollment increases in terminal-technical courses which promise to produce personnel of great value to our economic future. Another \$1.1 million is provided for enrollment increases in all other local vocational school programs.

I am recommending that the State increase its encouragement of local schools to expand course offerings in the various terminal-technical programs, for it is such programs which will prepare our young people to meet the technical challenges of the future. Labor shortages already exist throughout the State in such technological fields as data processing, nursing, electronics, mechanical design, and architectural drafting. Forecasts by the State Employment

Service indicate that those who graduate with associate degrees in these terminal-technical programs will have broad opportunity for job placement.

State encouragement can be offered by changing the statutory formula for payment of aids to local vocational schools offering terminal-technical courses. The change in formula will raise State participation in funding such programs to about 45% of the total cost of instruction. Since by 1966-67 the ten-year increase in enrollment in the associate degree programs will approximate a 300% gain, it appears to me that the outlay of \$1.5 million during 1965-67 will be a sound investment for both our young people and our economy. I heartily recommend the total increase of \$4.2 million in state support for vocational school assistance. By the same token, I have denied a request of \$3 million for construction aids. I believe that the constitutionality of this proposal is questionable, and further that this responsibility should remain with the localities. The state's efforts should be directed toward aiding the educational programs undertaken in facilities provided by local units of government who recognize the importance of post high school technical training.

Matching funds for manpower re-training programs have been disallowed in this budget because no specific programs were presented as to the areas of need.

PUBLIC WELFARE AND HEALTH AIDS: This budget provides \$90.3 million in aids to counties for carrying out public assistance, mental hospital and other locally administered health programs.

These aid payments, with a minor exception, are necessary to carry out these programs under existing statutory formulas at present levels of support. The 1965-67 level of state aids for locally operated public welfare and health programs represents an increase of \$11.5 million over the current biennium.

This budget anticipates passage of a federal medical care bill. This will have the effect of reducing anticipated expenditures for public assistance programs by \$3.5 million in state costs, and \$5.4 million in local contributions. These decreases occur primarily in the old-age assistance category.

The overall rise in state aids is due largely to continuing increases in the aid to dependent children caseload, and ris-

ing average grants payments in all categories. Modest increases are included for a \$1.00 per month increase in the personal allowance and for incentive payments for Aid to Dependent Children (ADC) recipients. The purpose of the incentive payment is to encourage ADC mothers to secure employment and become self-sufficient.

Aids to county mental hospitals will cost \$30.9 million in the coming biennium. This is an increase of \$7.2 million over the current fiscal period. Much of this increase results from implementation of the new law passed by the 1963 legislature which fosters development of active treatment programs in county mental hospitals through an incentive payment formula.

The state continues to encourage the development of local efforts to treat mental patients right in the local communities. This is done by payment of aids to assist in the establishment and operation of community mental health clinics. Twenty-two clinics are now in operation. Seven more are expected by 1967. Aids to these clinics will total \$2 million in the coming biennium, an increase of \$600,000.

In 1961 the legislature established a program for assistance to communities in establishing and operating local day-care rehabilitation programs for the mentally handicapped. This budget includes \$.9 million to provide assistance for 34 of these day-care centers.

One area of health aids continues to show a satisfying decline in both patient load and cost. A decrease in the number of tuberculosis patients, brought about by earlier detection and shorter periods of treatment, will decrease state aid payments for this purpose by \$200,000 from the current level.

Conclusion

The budget I have proposed today is large, but it will accomplish big things. And it will do so more efficiently and soundly than ever before, for I have insisted—prior to putting each item into the budget—that expenditures and needs be completely justified.

It should be noted that only \$13.4 million or 1½ per cent, of the recommended budget is allocated for improvement or changes in services. The remaining 98½ per cent will go to local units of government and to state agencies to maintain present levels of service, including such increases as are

required by statutory formulas but also including belt-tightening adjustments demanded by me in the interests of more efficient use of tax resources.

As elected officials we are entrusted with a solemn stewardship. The valid needs of our citizens must be met, but each taxpayer must be assured that his contributions to government are wisely and equitably allocated to purposes promoting the general good.

The budget presented to you represents the discharge of my obligation to chart a reasonable, justifiable spending course for the State during 1965-67. It responds to, but does not panic before, the pressure of population.

It is also the Governor's responsibility to recommend the means of financing his executive budget. I am sure it comes as no surprise to most of you that once again the State of Wisconsin faces a serious financial problem.

My executive budget bill by itself will require \$110.7 million additional for the biennium. However, there are other programs which you will also be considering. If you enact them into law, they also must be financed for the coming two-year period.

You all know of my concern for increasing the rate of economic growth in Wisconsin. My business advisory committee has recommended, and I have agreed, that one method of doing this is to eliminate the inequitable personal property tax on inventories.

Unfortunately this cannot be done at one fell swoop. The cost of this replacement would be prohibitive in any one biennium. Therefore, I will propose a program which will, over a period of the next 5 biennia, completely eliminate the onerous personal property tax on inventories from the Wisconsin tax structure. This will be of benefit to all farmers, merchants and manufacturers and the State of Wisconsin generally. Specifically it will mean that they will receive \$9.7 million dollars in reduced taxes during the 1965-67 biennium.

You also have a bill before you that restores the appropriation for general property tax relief to its former level of \$55 million annually. This would provide additional general property tax relief at the rate of \$10.3 million for this biennium to individuals, farmers and business. I recommend that if this bill is passed, a substantial portion of the cost of the proposal should be financed by repealing the general

property tax relief now provided for public utilities. In my opinion this change is justified because property tax relief to utilities is reflected in their cost of service and is, therefore, an integral part of the rates charged customers. A compensatory factor for utilities in 1965 will be the additional reduction in federal income taxes which hopefully will offset this proposed adjustment in property tax relief.

If this change is made, \$8.2 million of the biennial cost of \$10.3 million of additional property tax relief would be financed, and only an additional \$2.1 million would have to come from general revenue.

Another program which you will have before you will be that of changing the current State employee and teacher retirement programs. These changes will cost approximately \$13.5 million for the biennium. If you decide to enact them into law the financing of them also must be taken into consideration in an overall revenue program.

I know the devotion and extreme effort put forth by our state employees, the department heads and you legislators. Nevertheless, I find it necessary to recommend that no additional salary increases, over and above those provided for merit performance, be granted in the next biennium.

I believe this is particularly reasonable if you adopt the proposals of the Retirement Council for changes in the retirement system which, in effect, provides the employees with overall increased benefits.

If the legislature disagrees with me on this point and chooses to provide additional salary increases, I would strongly recommend that such increases be made to correct the disparity between our middle and top management salaries, and those paid by our competitors. There is no evidence of any rationale for an "across-the-board" type of salary increase.

If all these programs are enacted into law over and above the executive budget, the additional revenue that will have to be raised during the coming biennium will be increased from \$110.7 to \$136 million dollars. Any other legislative enactments by you would necessitate the imposition of still additional taxes.

As practical people, all of us realize that there are only three ways that this amount of revenue can be raised—a general sales tax, an increase in the income tax, or some combination of the two.

The last two sessions of the legislature have given us a good lesson in practical politics. We should profit by it.

Whether neither political party is in control both the executive and legislative branch of government, compromise is necessary. In the last two sessions, the approach has been to allow both parties to propose their respective revenues measures, have each bill voted down by the opponents and eventually reach a stalemate. Then, usually in haste, a compromise tax bill is patched together and passed. In the 1961 session of the legislature this compromise was not reached until December of 1961. The law did not go into effect until February 1, 1962—7 months after the start of the fiscal period.

The 1963 revenue law did not take effect until August 15—six weeks after the end of the fiscal period.

In both cases, a substantial amount of revenue was lost because of the delay in enactment and a considerable amount of the time of the legislature was spent in frustrating and prolonged debate. Other important measures did not receive the consideration they deserved.

In no way is this intended as a criticism for actions which occurred in past sessions. Politically these were new situations in which the executive and legislative branches were of different parties during a period when substantial additional revenues needed to be raised.

However, I do propose that we should profit by the experience gained in the two previous sessions. It is my hope that as practical politicians the leaders of both parties and I can sit down and discuss the problem and that we can propose a bill that will reflect the philosophy of both parties recognizing the reality of the current political situation. *I do not want another political stalemate and I am sure the people of Wisconsin do not.*

Consequently, I intend to meet with legislative leaders of both parties to see if a compromise proposal can be agreed upon before a bill is introduced and I, therefore, am not submitting any revenue proposal at this time.

I have been advised that from both a fiscal and administrative standpoint, it is of the utmost importance that a revenue bill be passed by no later than June 1 and preferably before that date. I suggest that we shoot for that deadline.

I have proposed another tax measure that will save Wisconsin taxpayers millions of hours of effort each year. That

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is the proposal for simplifying the Wisconsin income tax return. I have asked a group of my advisors to spend the countless hours which will be necessary to draft a bill that will provide the desired simplification and at the same time effect no loss in revenue.

Once again, we face an extremely difficult problem in the financing of the state's program. However, the problem is not insurmountable.

Our form of government is based upon reasonable, well-informed men acting in a spirit of compromise. I intend to follow that concept in enacting the State's revenue measures.

At this point, I ask your concerned and thoughtful evaluation of my budget proposals and, at a later date, your bipartisan assault upon, and solution of, the revenue problems facing our State.

I have every confidence that the brainpower in this room can be marshalled to provide the necessary solutions. Republicans and Democrats alike have but one ultimate allegiance—to the people of Wisconsin.

Keep them uppermost in your deliberations. Keep them in your minds when you consider this budget proposal. Keep them in the forefront when you think of increasing or reducing my proposals.

And Wisconsin can be assured of going FORWARD.

Thank you.

WARREN P. KNOWLES,
Governor.

February 3, 1965.

Upon motion of Senator Leonard, the joint convention dissolved.

At 12:10 o'clock P.M. the senate reconvened in its chamber.

The president in the chair.

GUESTS INTRODUCED

Mr. Wesley Firchow from Janesville, Wisconsin was introduced and welcomed to the senate by Senator Carr.

Senator Benson announced to the senate that it is honored by the presence of the Honorable Wm. Beyer from Racine, Wisconsin and that he is the Mayor of the city of Racine. Senator Hollander also joined in welcoming Mr. Beyer.

Mr. Louis L. Dinkle from Fox Lake, Wisconsin was introduced to the senate by Senator Panzer.

Nancy Gother, Susan Fell, Sue Rosenberg, Cindy Rauch, Kathy Armstrong and Janet Lueders all members of the 8th Grade Girl Scout Troop 1587 and in charge of Mrs. William Gother all from Mequon, Wisconsin were introduced to the senate by Senator Keppler.

The president extended his welcome to all of the guests.

Upon motion of Senator Leonard, the senate adjourned until 10:00 o'clock Thursday morning, February 4, 1965.