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Article Summary: In 1967, under the progressive leadership of Governor Norbert T Tiemann, Nebraska's Unicameral enacted laws that were remarkable in their range and impact. The revenue act included a sales tax and an income tax, replacing the state property tax, two head taxes, a tax on household goods, and a tax on intangible property. Other legislation brought the Municipal University of Omaha into the University of Nebraska system, established a department of economic development and a state personnel office, and paved the way for bonded indebtedness for the construction of highways and sewage treatment plants. Improvement of state mental health facilities and fair housing practices were also included in laws enacted by the Legislature in Nebraska's centennial year.

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Photographs / Images: Official portrait of Governor Norbert Tiemann; Swearing in of Norbert Tiemann by State Supreme Court Chief Justice Paul W White, 1967; Grand March photo, inaugural ball, 1967; Governor and Mrs Tiemann, David C Pierson, Mrs Martin Tiemann; Senator Terry Carpenter; Senator Jerome Warner; Senator Jules Burbach; Revenue Committee, February, 1967; Lieutenant Governor John Everroad ending the legislative session, July, 1967; Governor Tiemann at ceremony transferring Municipal University of Omaha to the University of Nebraska system, June, 1968



Official portrait of Governor Norbert Tiemann. NSHS Collections.

TIEMANN, TAXES, AND THE CENTENNIAL LEGISLATURE OF 1967: BEGINNING NEBRASKA'S SECOND CENTURY

By Frederick C. Luebke

In 1967, Nebraska's centennial year, Governor Norbert T. Tiemann dragged his state "kicking and screaming into the twentieth century," as someone in North Platte declared as the legislature neared the completion of its handiwork that year. Nationally syndicated columnists Rowland Evans and Robert Novak repeated the remark and observed further that "Tiemann has attempted and largely succeeded in pulling Nebraska out of the political Stone Age." These comments, like those of many less imaginative or more restrained Nebraska editorial writers across the state, were laudatory of the governor's leadership in the enactment in 1967 by the Nebraska state legislature — the so-called Unicameral — of a remarkable body of laws.¹ The *Benson Sun*, an Omaha weekly, provided a variation on the theme when it gave its highest accolade to the Unicameral, declaring that it had given Nebraska "a substantial boot in the pants" toward the twentieth century.²

Nineteen sixty-seven was indeed an extraordinary year in Nebraska's history. Responding to gubernatorial

leadership that was unprecedented in its activist or dynamic qualities, the legislature enacted laws that were remarkable in their range and impact. The keystone in this legislative arch was a revenue act that included both a sales tax and an income tax. Replacing revenue that formerly had been produced by a state property tax, two head taxes, a tax on household goods, and a tax on intangible property, this law had the effect of removing glaring inequities and redistributing the tax burden among all areas and classes of the state. Moreover, it made possible state aid to local school districts in desperate need of financial assistance. Other legislation brought the Municipal University of Omaha into the University of Nebraska system; established a department of economic development and a state personnel office; and paved the way for bonded indebtedness for the construction of highways and sewage treatment plants. Still other laws provided for the improvement of state mental health facilities and fair housing practices.³

By any measure, the legislation enacted at the beginning of Nebraska's second century was impressive. It was the product of many forces, a convergence of unique circumstances with strong personalities. Certainly the presence of such gifted leaders in the

legislature as Jules Burbach, Terry Carpenter, and Jerome Warner contributed enormously to the course of events. But without the activist leadership of Governor Norbert Tiemann, Nebraska's ship of state might well have lost its course between the Scylla of sclerotic traditionalism and the Charybdis of reforms that reached farther than the voters were willing to tolerate. As it was, Tiemann paid the price of dynamic leadership: The voters of Nebraska denied him a second term in 1970.

Yet even intelligent leadership in both the executive and legislative branches of state government would not have been adequate for the task, had not Nebraskans denied their government its major source of revenue in the general election of 1966. Intentionally or not, the voters had created a crisis so severe that legislative remedies which in ordinary times would have been doomed to failure were proposed by the governor and then enacted with amendments by the legislature.

This extraordinary circumstance was created by two measures on the ballot in the election of 1966. One was a referendum spearheaded by Omaha interests to repeal an income tax law passed in 1965 and scheduled to go into effect on January 1, 1967; the other was

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an initiative sponsored by the Nebraska Farm Bureau to amend the state constitution so as to prohibit the state government from levying property taxes, leaving such harvests to local governmental units such as counties, cities, and school districts. Not unexpectedly, the voters approved both, thereby temporarily depriving state government of about two-thirds of the revenue it needed to provide the services citizens expect.

Thus the electorate created an unparalleled opportunity for aggressive, progressive leadership. In the same election of 1966 they chose for governor a political unknown, a man essentially unfamiliar with the political traditions of the state. If Norbert Tiemann, a small-town banker and businessman from Wausa, Nebraska, understood that virtually all governors in the history of the state had been caretakers — administrators of the legislative will rather than shapers of public opinion or leaders in the formation of public policy — he would also have insisted that it was time for a change.

Who was this newcomer to Nebraska politics? Nobby, as he was known to his family and friends, was born in 1924, the son of a Lutheran pastor and his wife in Minden, Nebraska. He grew up in small-town Nebraska, attended the University of Nebraska, interrupted his studies in 1943 to enlist in the United States Army, fought in the Philippines and Okinawa, came back to the university following his discharge as a staff sergeant in 1946, was graduated from its College of Agriculture in 1949, married Lorna Bornholdt of Wausa in 1950, was recalled to service in the Korean War, and was discharged as a second lieutenant in 1952 after a stint in Germany. Returning a second time from military service, he took a job as a county agricultural agent in Lexington and later worked in Chicago for the National Livestock and Meat Board.⁴

In 1954 Tiemann's career took a sudden turn. The death of his father-in-law

left the family-owned bank in Nebraska without executive leadership. Family members asked Nobby to fill the vacancy in Wausa (population 725), located in Knox County in the northeastern corner of the state. Although he had neither training nor experience in banking, he jumped in with alacrity. Untrammelled by tradition, he brought a freshness of approach to the banker's task, seeking ways in which he could help farmers expand their incomes through loans.

Times were ripe for such enterprise. Tiemann confidently boosted loans to the point where they constituted eighty-five percent of deposits (compared to an average of forty-five percent in Nebraska in 1967), to the consternation of many in the fraternity of bankers. But farmers heeded Tiemann's pleas and moved from corn as a cash crop into the cattle feeding business. Soon both Wausa and the farmers of the surrounding area prospered as never before, as did the Wausa State Bank, where deposits spiraled, making still more loans possible. Tiemann's bold initiatives attracted statewide attention and in 1965, after a decade of banking, Nobby was elected president of the Nebraska Bankers Association. The outsider had moved inside.

Being an effective small-town banker also meant involvement in community affairs, and that included politics. Tiemann began as a county committeeman in the Republican party and also served three terms as mayor of Wausa. His horizons widened in 1965 as he organized a series of regional meetings with bankers and other persons interested in the state's problems. These conferences afforded him the opportunity to explore the possibility of becoming a Republican candidate for the governorship as a conservative businessman (and obviously not as a seasoned politician) who would inject businesslike methods into the administration of state affairs. In January 1966 he announced his candidacy for the Republican nomination for governor.

Thus began a highly organized, carefully planned campaign to wrest the top state nomination from the Republican establishment, most of whom assumed that the prize would go to Val Peterson of Oakland. Peterson had served three two-year terms as governor from 1947 to 1953. Thereafter he had been ambassador to Denmark under the Eisenhower administration. Clearly one of the best known and liked politicians in the state, Peterson moved slowly to get his campaign underway, apparently underestimating the political skills of the amateur from Wausa. Tiemann employed all the latest techniques of political advertising — not just billboards and bumper stickers, but also public appearances in person and on radio and television wherever and whenever possible. It was the tortoise racing the hare, but with the tortoise starting late. By the time Peterson formally announced his candidacy, Tiemann had already made a hundred speeches and spent \$50,000 of his own money on his campaign.⁵ Tall and handsome, obviously intelligent, self-confident, vigorous, articulate, witty — Tiemann at forty-two years of age was a remarkably attractive candidate, an appealing alternative to the aging Peterson. He won the Republican nomination with a margin of 15,000 votes.

Although Tiemann's Democratic opposition — Lieutenant Governor Philip Sorensen — was also attractive, he was actually a less formidable opponent than Peterson. Incumbent Governor Frank Morrison, a conservative Democrat of the "Cleveland stripe," as one wag put it, had decided to run for the United States Senate, thereby leaving the Democratic nomination to Sorensen. At thirty-four, Sorensen was even younger than Tiemann and like him, was handsome, intelligent, and articulate. Better experienced politically and better known in the state than Tiemann, Sorensen had family connections that were not universally admired: He was the son of Christian A. Sorensen (a distinguished Republican

state attorney general in the 1920s and 1930s and an ally of Senator George Norris) and the brother of Ted Sorensen (the well-known aide and speech writer for President John Kennedy). In Nebraska, when both political parties offer fresh, strong, and attractive candidates for the governorship, the Republican is likely to win, given the majority of Republican voters in the state.

Both candidates recognized that the most important issue facing the electorate in 1966 was taxes, although neither was eager to discuss it. Sorensen preferred to point out that Tiemann was without political experience. When pressed, he argued that Nebraska needed a combined sales tax and an income tax and promised to work toward that end.⁶ The property tax was an outmoded source of revenue for state government; of all major forms of taxation, it was the slowest to adjust to pressures of inflation.

Although privately committed to a course similar to that articulated by Sorensen, Tiemann took a public position that was palatable to anti-government, ultraconservative Republicans, even though he wisely projected an image that was more moderate than the one modeled for the Republican primary. He tried to shift attention from taxes to the need for progressive leadership that promised a business-like approach to government. In Tiemann's view, that meant a willingness to invest money in future returns. Investment in state government, he argued, meant state aid to school districts, adequate financing for higher education and vocational training, an agency for economic development, and highway improvements. Such investments would return dividends to the people, just as in business.⁷

Because Tiemann's strategy called for a positive approach that avoided controversial issues, his comments on the tax problem were limited as much as possible to vague generalities about fairness and equitability. But he said



State Supreme Court Chief Justice Paul W. White (left) swears in Norbert Tiemann as governor of Nebraska, January 5, 1967. Courtesy of Lincoln Journal-Star Printing Company.

that if the voters would choose both to repeal the 1965 income tax law and remove state government from the property tax field, he would work toward a combination tax law. Tiemann thus put the burden on the electorate and promised to follow the popular will, at least as he interpreted it. His position was identical to that adopted by the state Republican convention in its 1966 platform.⁸

Another element in the Tiemann tax platform was the need to repeal certain anachronistic and inequitable taxes still in force from another era. These included so-called "head taxes" — flat levies on a per capita basis — that rest most heavily on the poor. Another law, an open invitation to dishonesty, required Nebraskans to list household goods, declare their worth, and be taxed accordingly.⁹

Tiemann's campaign strategy reflects the political savvy of his political advisers, an informal cluster of bright young men, mostly lawyers in their thirties, headed by his campaign manager, David C. Pierson of Lincoln. Known as the "Whiz Kids," the group included Clayton Yeutter, presently secretary of agriculture in the George Bush administration, and Douglas Bereuter, the current representative of Nebraska's first district in Congress.¹⁰ Each adviser was assigned a specific issue for study and recommendation.

Together Tiemann and his young advisers planned a "grass-root, person-to-person, neighbor-to-neighbor" campaign that would involve many appearances at public gatherings such as baseball games and county fairs. Such affairs provided maximum exposure for minimum effort. As in the

primary election, they used all the paraphernalia of modern politicking — bumper stickers, posters, balloons, brochures, and billboard advertising, as well as radio and television appearances — and they organized telephone campaigns on a county basis. Emphasis was always placed on the need for better, more efficient government through the application of business methods of management. According to the plan, Tiemann himself was not to attack Sorensen personally; other persons were to do that. They would paint him “as a political hack, a big spender, and a tool of the [Lyndon] Johnson administration.”¹¹

By the time election day arrived in November, it was apparent that Tiemann would win, the controversial initiative to end the state property tax would be approved, and the income tax law would be repealed. The brash young banker from Wausa won a smashing victory — sixty-two percent of the popular vote, and eighty-nine of ninety-three counties.¹² Because the state government was now without a source of income with which to pay its bills, “it was up to the next legislature to untangle the mess,” as the journalist Neal Peirce put it.¹³

Heretofore in Nebraska history the initiative for untangling the mess would have fallen to the senators who assembled in the statehouse in Lincoln early in January 1967. Traditionally, Nebraska governors have not exercised their political power to influence the legislature, determine public issues, or lead their party. This has been particularly true since the inauguration of Nebraska’s unique nonpartisan unicameral legislature in 1937. Lacking the bridge-building capacity between the executive and legislative branches afforded by political parties as in all other states, Nebraska governors have preferred to limit themselves to their administrative role, leaving the Unicameral to define its own agenda, even though the constitutional grant of gubernatorial authority is considerable — somewhat above the norm for all

states.¹⁴ That was one tradition that Nobby Tiemann now set out to change.

Weeks before he was inaugurated as Nebraska’s thirty-third governor, Tiemann directed his staff to draft a new revenue act that would combine a sales tax with an income tax.¹⁵ He consulted with the members of the Revenue Committee, which was ably chaired by Senator Jules Burbach of Crofton and included among its members the unpredictable “Terrible” Terry Carpenter of Scottsbluff, as crafty and powerful then as at any time in his long and stormy career.¹⁶ In his inaugural address of January 5, 1967, Tiemann announced his intention to present a draft of a revenue bill to the legislature that would balance the two taxes, and he assured the assembled senators that his staff was prepared to cooperate fully with them.¹⁷ Later in the session he attended the open hearings of the Revenue Committee and participated in public discussion, using the power of his office to shape the issue.¹⁸ This strategy also meant that he had to compromise frequently, giving up features of his draft in order to get a bill that would receive the support of the committee.

The revenue bill as originally drawn up by Tiemann’s aides set the sales tax rate at 2.5 percent. The revenue committee subsequently exempted tobacco and alcoholic beverages from the tax, because these products were already subject to heavy excise taxes.¹⁹ The original bill also specified progressive increments in the tax rate — in other words, as one’s income increases, so does the percentage to be paid. This provision induced fierce opposition, especially from the formidable Carpenter, but the revenue committee eventually reached agreement by specifying that the state income tax was to be a percentage of a person’s federal income tax liability. The committee unanimously advanced the bill to the general file on March 9, 1967.²⁰

Throughout the several months of the 1967 legislative session, Tiemann

preached the gospel of a balanced tax structure as the best and most equitable resolution. Virtually everyone agreed that the state property tax should not be revived. Nebraska’s state property tax rates were the highest in the nation; it was unfair in that farmers were taxed disproportionately and that under existing law persons who owned no real estate paid few state taxes of any kind. The question rather centered on what was to take the place of the property tax as the major source of the state government’s revenue.²¹

The majority of taxpayers seemed to agree that a sales tax would be a satisfactory substitute for the state property tax, even though it was regressive — which is to say that the poor inevitably bear the heaviest burden under such a tax. In Tiemann’s view it had to be balanced with a progressive income tax, which increases the rate of liability as the taxpayer’s income increases and thereby shifts a major burden onto the rich, who have both the ability to pay and the greatest stake in the success of capitalistic democracy. Tiemann argued that both taxes were necessary, because either one of them alone would impose prohibitively high rates. He also emphasized that Nebraska needed a system that was flexible, one that could adjust to changing conditions in the years to come, not just another stop-gap measure.²²

The Tiemann bill also included a modest flat-rate tax on corporate income. It was not to be progressive, so as not to hinder the state’s effort to attract industry. The personal income-tax provisions also included a six-dollar food credit per person (later raised to seven dollars), recognizing that poor people must spend a much greater proportion of their income on food than the wealthy.²³ Even though Tiemann had serious doubts about the wisdom of linking the state income tax rate with the federal because it rendered state revenue vulnerable to changes in the federal tax structure, he publicly supported the idea as a way to minimize administrative costs. Tiemann also

Norbert T. Tiemann

supported the provision that the percentage of federal tax liability that taxpayers would be required to assume was to be set annually by a state board of equalization after the legislative session at a time when actual dollar needs could be determined. This provision was also a source of misgivings for Tiemann, who believed that the legislature should take responsibility for setting the rate. Nevertheless, he gave the bill his unflagging support, attended the Revenue Committee hearings on it, and worked hard for its passage, calling

it "his" bill and taking responsibility for it.²⁴

Meanwhile opposition to the Tiemann tax mounted, especially in Omaha, where the new structure was sure to impose a heavier burden than the old. Already in January, Senator Sam Klaver of Omaha had denounced the Tiemann plan as a "monstrosity" and continued to blast the bill throughout the session.²⁵ In February an Omaha advertising executive tried to organize a protest march against tax reform, but with disappointing

results.²⁶ Other attacks took the form of newspaper advertisements that attempted to illustrate, rather inaccurately it turned out, how high taxes would be if the Tiemann package was adopted.²⁷

A survey of the state's newspapers reveals general support for the Tiemann combined sales and income tax as modified by the legislature. Most editorial writers recognized the crying need for tax reform and understood fully that compromise was essential. Some were even enthusiastic in their

Governor and Mrs. Norbert Tiemann begin the grand march at the inaugural ball, January 5, 1967, in Lincoln. Governor Tiemann is accompanied on his left by his wife, Lorna, and on his right by his mother, Mrs. Martin Tiemann, who is escorted by David C. Pierson, his campaign manager. Courtesy of Omaha World-Herald.



support, including *Nebraska Farmer*, *Alliance Times-Herald*, and the *Tri-City Tribune* of Cozad.²⁸ Meanwhile Tiemann and his staff carefully answered scores of letters, some of them irate and rude, from citizens who had expressed themselves on the matter.²⁹

By early April it was clear to most close observers of the Nebraska Unicameral that the combined sales and income tax package (LB 377) would win majority support. In order for the bill to go into effect immediately, which was necessary in order for the state to have enough money to pay its bills, it had to carry the so-called "emergency clause." For that, however, Nebraska law requires a two-thirds majority (thirty-three affirmative votes). Although LB 377 had attracted thirty-three votes on its first reading, it lost one on the second round. The issue thus remained in doubt.

As a way of guaranteeing the needed votes, Senator Carpenter patched together a plan. He sought informal agreement from the Omaha delegation, most of whom opposed LB 377, in which they would give their support to the revenue act in return for other bills more favorable to Omaha interests. Seven bills in all were involved, including LB 377. They provided for the proposed merger of the Municipal University of Omaha with the University of Nebraska (LB 736); state aid to junior colleges (LB 490); the repeal of the two head taxes (LB 826), the household goods tax (LB 554), and the tax on intangible property (LB 144); and a bill to reimburse county and local governments for losses in revenue they expected from the repeal of the head taxes and personal property taxes (LB 554). Senator Burbach, as chair of the revenue committee, cooperated with Carpenter and requested that all seven bills come before the legislature for final reading on the same day.³⁰

Although the actual implementation of the Carpenter package plan ran into



Senator Terry Carpenter of Scottsbluff. (NSHS-P853)

difficulties, some technical, others personal, the net effect was as planned. All seven bills were enacted. The combined sales and income tax bill (LB 377) passed on April 12, 1967, with the emergency clause, 38 to 11, even without the support of most Omaha senators.³¹ When it became apparent that the several linked bills would pass with the two-thirds majority required for the emergency clause, they were free to vote against LB 377 (as they believed their constituents wanted), even though the clutch of bills worked generally to the advantage of Omaha.³² Happily signed by the governor, the act finally moved Nebraska into a tax structure that took into account the vast changes that had occurred in its occupational and residential patterns, and made it possible for state government to cope with some of its most pressing needs.

The most urgent of these, most Nebraskans agreed in 1967, concerned the state's responsibility to provide for the

education of its citizens. It is a basic tenant of the democratic faith that if the people are to rule themselves they must be literate. Hence a democracy is obligated to school its citizens, and all citizens are entitled to equal educational opportunities.

In Nebraska, ever since territorial days, the responsibility of providing for a literate citizenry had fallen upon local school districts, and school districts were dependent upon property taxes to build and maintain school buildings, pay teachers, and develop educational programs. In order to serve the needs of a rural population in a pre-automobile era when children had to walk to school, thousands of school districts were created. The problem was that the many districts were enormously disparate in wealth — some were rich, but most were poor — resulting in many small schools with ill-prepared and poorly paid teachers, little or no equipment, lax standards, and inadequate supervision.

Even though far-reaching improvements were made in the quality of education, particularly since World War II, the fact remained that by most standards of measurement, Nebraska ranked near the bottom among American states in total expenditures for education per child of school age and last in state aid to education. There was general agreement that something had to be done. The question was how.

The problem was coupled with the property tax — and Nebraska ranked nationally near the top in that category. Because Nebraska depended so heavily on property taxes for running both the state government and local schools, it could not expect this source to yield additional revenue.³³ It was clear to most observers of state affairs in 1966 that improvements in education were dependent upon tax reform. Once Nebraska would broaden its revenue base to include a sales tax, an income tax, or both, it might have the potential for assisting poor school districts in their efforts to provide high quality education for their children.

Needless to say, there would always be plenty of opposition to such a plan. There were legitimate questions about equitability and methods of distribution. Some citizens (and some senators, too) believed that state aid to education threatened local control, and that local control was the keystone of democracy. Others argued that proposed modes of distribution were socialist, if not communist.³⁴ But most people welcomed aid from both the state and federal governments, provided that local control and administration was not impaired.

Leadership in the campaign to improve education through state aid came primarily from Senator Jerome Warner of Waverly.³⁵ In the legislative sessions of 1963 and 1965, he had introduced school aid legislation, but those efforts were abortive. In January 1967, Warner tried again, this time successfully.

Much like his earlier bills, this one (LB 448) was to establish a "School Foundation and Equalization Fund" to consist of moneys to be appropriated by the legislature and administered by the State Board of Education. Its purpose was to provide financial assistance to districts on the basis of average daily pupil attendance during the preceding academic year. In order to qualify for these payments, a district had to impose taxes not less than the several rates specified in the bill according to the class of district. Special provisions were made for school districts in counties with population densities less than four persons per square mile. Extra assistance was to go to districts that provided special programs for either gifted children or culturally deprived children. Moreover, districts would receive additional incentive payments based on the formal education of teachers — better educated teachers meant higher payments from the fund. Summer school programs were also to be subsidized. The bill set out a formula to regulate distributions in relationship to the wealth of the district.³⁶

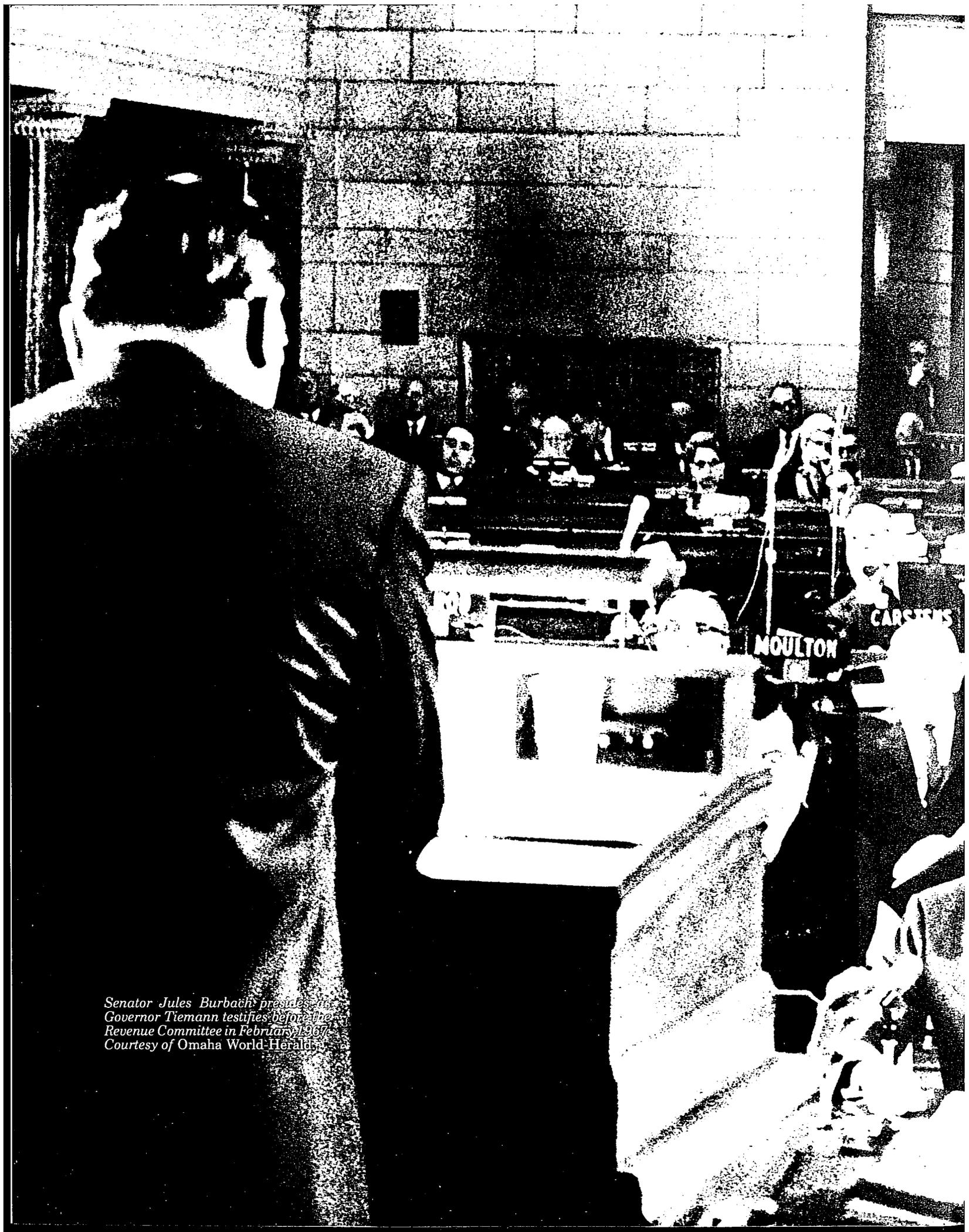


Senator Jerome Warner of Waverly. (NSHS-H174.3) . . . (below) Senator Jules Burbach of Crofton. (NSHS-L514)

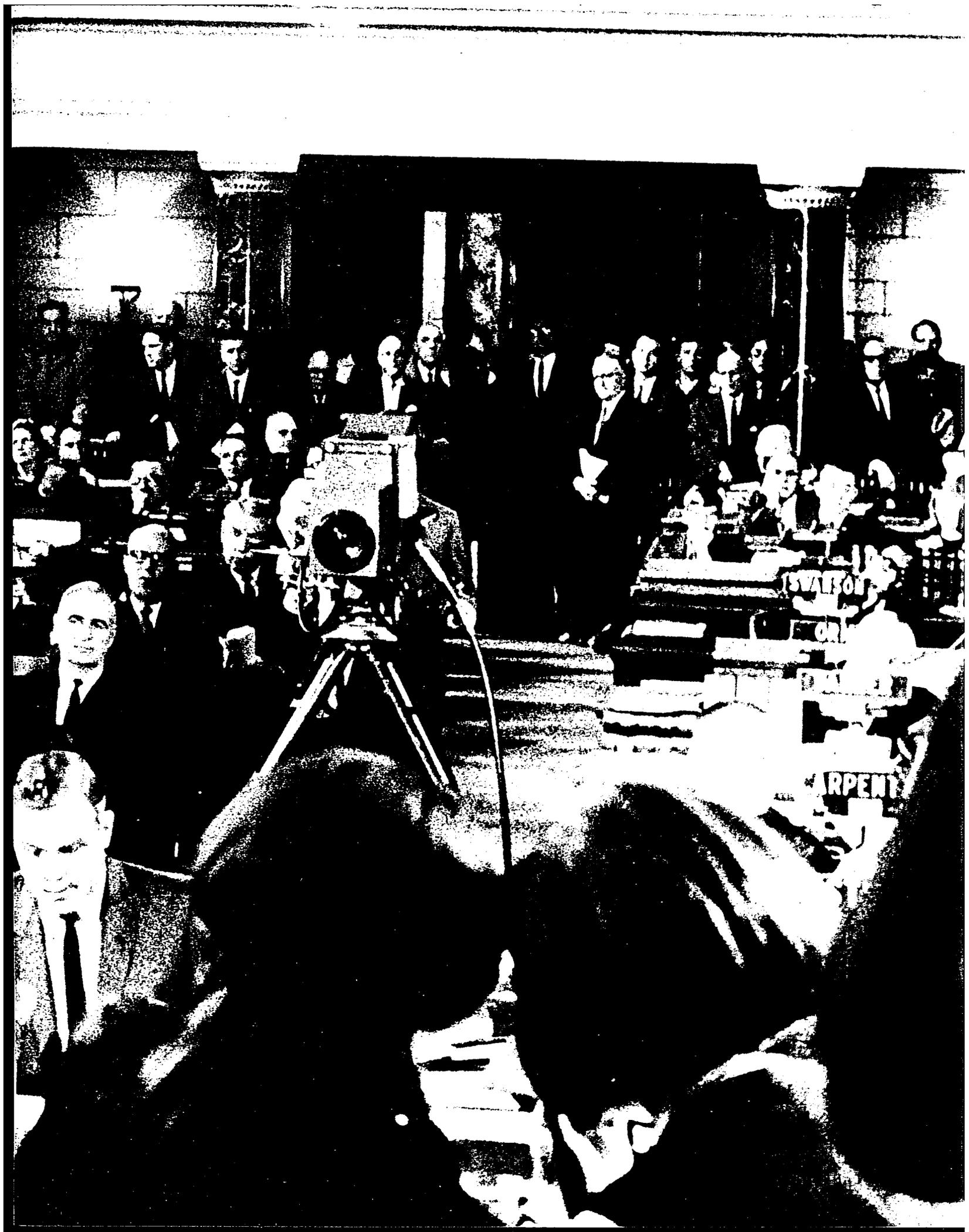


The legislators understood that the question of state aid for schools could not be resolved until the revenue act had been passed. Hence debate was delayed until the latter part of April. During the ensuing weeks, there was much disagreement over the mill-levy rates that were to be imposed, an argument intensified by the fact that in 1967 there were still about 2,300 school districts in the state (compared to 834 in 1989).³⁷ Debate also centered on the proposed assistance for gifted and handicapped student programs. Another dispute centered about whether children enrolled in parochial schools should be included in enrollment figures. The first two issues tended to divide rural from urban senators, but the last cut across such lines. Eventually compromises were negotiated, not always easily, between fiscal conservatives and advocates of better education, between urban senators and their rural colleagues. Limits were placed on increases in school district spending, and the initial amount of state support was set at a relatively modest \$25,000,000 (compared to the \$122,583,714 appropriated for the 1987-88 school year). The final vote on LB 448 came on July 19, 1967, with a thirty-nine to seven majority.³⁸

Throughout the process the Tiemann administration played an active role, with Clayton Yeutter functioning as the coordinator between the legislative and executive branches. Support for the bill was always high, not only in the legislative chamber but across the state. Still, its relationship to the Tiemann program was intimate. Tiemann and his assistants did not hesitate to rally support for the Revenue Act by pointing out that state aid to education would be impossible without the sales and income tax package.³⁹ In the governor's large strategy, school aid was linked with tax reform as a means to reduce the property taxation. When he signed the bill into law, Tiemann declared with much pride and pardonable exaggeration that LB 448 was "the most significant thing ever



Senator Jules Burbach presides as Governor Tiemann testifies before the Revenue Committee in February, 1967. Courtesy of Omaha World-Herald.



enacted in the history of Nebraska."⁴⁰

Higher education was also on Tiemann's agenda. This issue had several dimensions, including state aid for junior colleges and vocational training, but its most far-reaching aspect concerned the Municipal University of Omaha. Founded in 1908 as a nonsectarian private university dedicated to Protestant Christian ideals, this institution became a municipal university in 1931. During the next three decades funding remained a chronic problem; by the mid-1960s it had reached a point of crisis. Efforts in 1963 to raise the mill-levy rate in support of the university were defeated at the polls by Omaha voters, leaving the university no recourse but to raise tuition fees to levels that discouraged student enrollments. Another attempt to increase municipal support was soundly rejected in 1966, which contributed to another sharp drop in enrollment. Some form of state aid seemed to offer the only solution to the financial crisis.⁴¹

What form should this aid take? The regents of the University of Omaha quickly concluded that some form of merger with the University of Nebraska had to be negotiated. Informal consultations involving legislators and representatives of both universities, as well as community leaders, led to a consensus that the University of Omaha, in becoming the University of Nebraska at Omaha under the control of the Board of Regents, would retain a measure of administrative autonomy and that its internal administrative structure would remain intact. Its faculty would also be guaranteed its status, including tenure and benefits. It was not to be a true merger at all, but rather a separate institutional identity under a common board and administration.⁴²

The merger (as it has always been called) was carefully considered by Norbert Tiemann and his advisors during the campaign for election in autumn 1966. Tiemann instructed his staff to study the matter. The task was

assigned to Larry Reger, who recommended that Tiemann support the idea of merger. At first Tiemann demurred but later decided to follow this advice, making it a part of his large plan for Nebraska.⁴³ Tiemann's support for the merger of the universities was never in the forefront, as it was for tax reform. But he supported it throughout the legislative process and tended to treat it as one of the several important elements in his large program. He was convinced that the University of Omaha had to get some kind of aid and that merger offered the most economical means.⁴⁴ Just as Senator Warner was the champion in the Unicameral for state aid for education, the legislative leadership for the merger issue fell to Senator Terry Carpenter of Scottsbluff. It was Carpenter who cosponsored LB 736, the bill designed to bring the University of Omaha into the University of Nebraska system in accordance with the agreement negotiated by representatives of both universities early in 1967.⁴⁵ He guided it through the legislative process, including the committee hearings and floor debate, to its passage on April 20, 1967, with a 31-18 majority. Governor Tiemann signed the bill four days later. The merger was to go into effect on July 1, 1968, after the voters of Omaha would have a chance to ratify the transfer.⁴⁶

Although many senators would have preferred to consider the merger bill on its own merits, independently of all the other issues confronting the legislature, it was impossible. Taxes was the name of the game: Omaha had refused to raise its property tax in support of its university; the state could not assume its ownership and control unless the combined sales and income tax bill was enacted, thereby providing the means for the task. Senator Carpenter openly acknowledged the linkage and therefore had tried to arrange his package deal — Omaha votes in favor of tax reform in return for the merger and related bills that would work in favor of Omaha interests.⁴⁷ When Carpenter's

"horse-trading" broke down and most Omaha senators voted against the combined sales and income tax bill (knowing that it would pass anyway), he continued to work for the merger, urging his colleagues not to punish the Omahans for their failure to support tax reform, as some "outstate" senators wanted to do.⁴⁸

By no means was Carpenter alone in the expression of such sentiments. Despite the failure of prominent Omaha senators Henry Pedersen and Clifton Batchelder to back the merger, there was a general consensus that the entire state would benefit and that to delay the rescue effort would merely increase the cost in the long run.⁴⁹ The final obstacle to merger was removed on December 12, 1967, when the voters of Omaha approved the transfer of their university to the state by a four to one margin.⁵⁰

Late in the 1967 session the Nebraska legislature took action on another issue that has had great significance for the ways in which the state conducts its affairs — the question of bonded indebtedness for the construction of highways. The problem became acute for Nebraska after the enactment by Congress of the Federal Aid Highway Act of 1956. This law provided for the construction of the national Interstate Highway system on a pay-as-you-go basis over a fifteen-year period, with the federal government assuming ninety percent of the costs and state governments the remainder.

The problem for Nebraska was that ever since 1875 its constitution limited state indebtedness to \$100,000. A century later this penny-wise, pound-foolish provision sometimes worked to the fiscal disadvantage of Nebraska taxpayers. Unwilling or unable to tax themselves sufficiently to produce cash for the ten percent share of highway construction costs, they discovered that borrowing the money would actually cost less. Due to inflationary pressures on the costs of construction, it was possible to borrow

the amount required to match the federal subsidies, pay the interest over a twenty-year period, and still come out ahead.⁵¹

In thinly populated Nebraska, good highways over long distances are essential; naturally most Nebraskans have been much in favor of them. The resolution to the dilemma appeared to be a modification, removal, or circumvention of the constitutional limitation. The question was how best to do it.

Already in his campaign for election, Nobby Tiemann had proposed a solution: raise the money through revenue bonds to be retired by income from a motor vehicle or fuel tax.⁵² That, of course, would require an amendment to the constitution. Given the momentous decisions being made by the Unicameral during the spring months of 1967, the legislators had paid scant attention to the problem of highway construction. On several occasions the governor had announced his intention to postpone the issue to a special session of the legislature that he would call in autumn. At that time, he said, the legislature could give careful consideration to the full complex of highway problems.

By the end of June, however, a clamor for highway legislation began to be heard. The *Sunday Journal and Star* of Lincoln pointed out that anticipated revenue for highway construction would fall short of needs by seventy-seven million dollars at the end of twelve years. It criticized Governor Tiemann for not having developed a comprehensive plan for financing roads; further, he allegedly had asked his staff to halt work on a bill to create a highway revenue bond authority because he intended to convene a special session of the Unicameral for this purpose. The legislature had done no better, according to this newspaper. Its only action had been to kill a bill to increase the state excise tax on gasoline. Meanwhile forty-six of the fifty states had adopted some sort of credit financing for highways. Clearly, the *Journal and Star* insisted, the time had

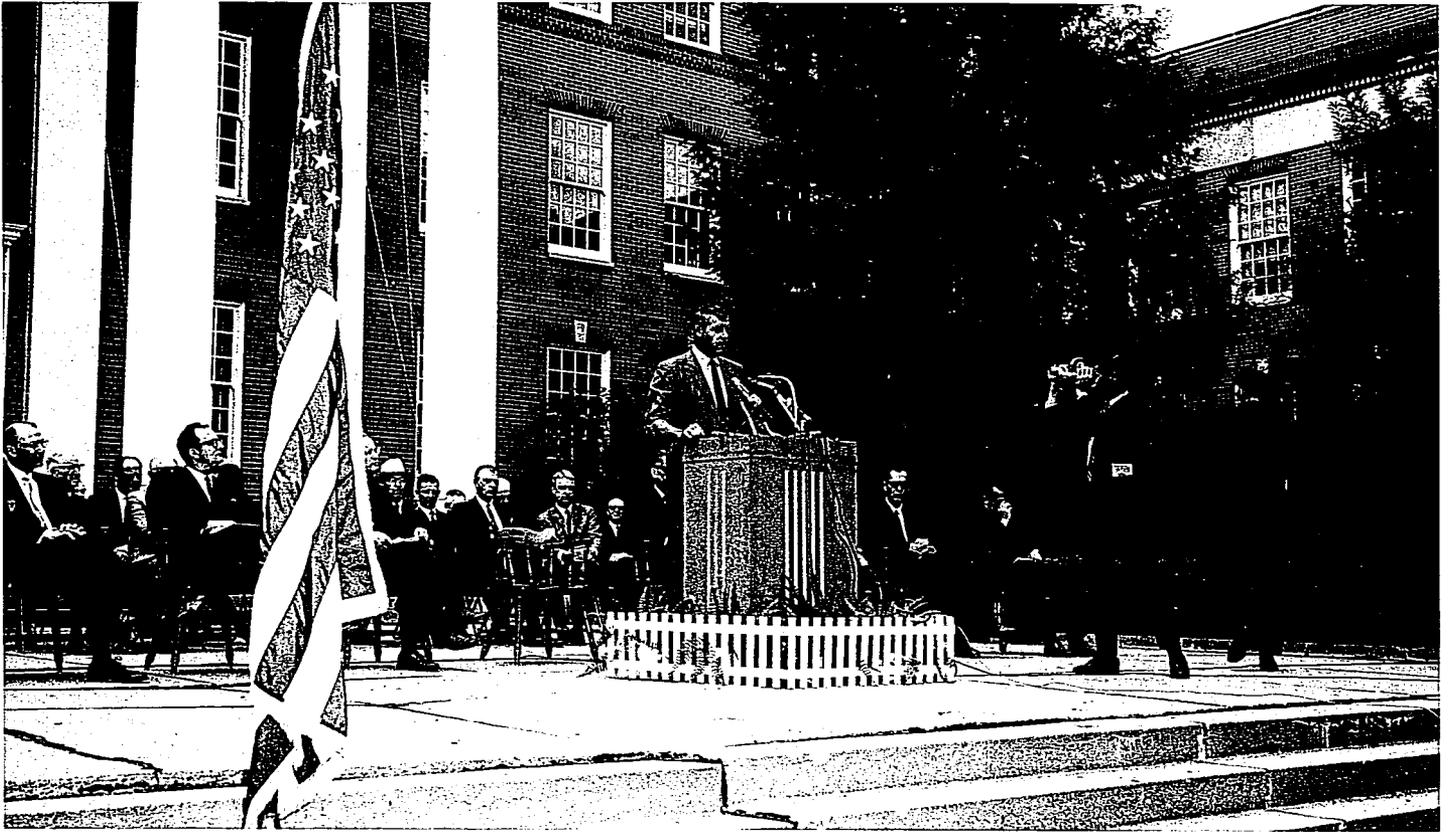


Lieutenant Governor John Everroad uses his boot to end the legislative session, July 22, 1967. Courtesy of Omaha World-Herald.

come for initiating constitutional changes so that the people could vote on this issue in the November 1968 general election.⁵³

Actually, the Tiemann administration had been in contact with a Wall Street securities firm since February on the matter, and senators Burbach and Carpenter were promoting bills to permit limited credit financing for highway construction.⁵⁴ Tiemann was still convinced that it would be better to delay the matter; he resisted Burbach's effort to treat it immediately.⁵⁵ To Bur-

bach and other senators timing considerations were of crucial importance. If the legislature postponed consideration of the issue until the next session, which would convene in 1969, the constitutional referendum could not be held until the general election of 1970. That would mean that the earliest the Unicameral could authorize a bond issue would be 1971 and the first income from their sale would be postponed until 1972. Because road-building costs were increasing rapidly, it was possible that the state could end



Governor Tiemann speaks at ceremonies marking the transfer of Municipal University of Omaha to the University of Nebraska system June 30, 1968. President of OU Board of Regents Robert Spire sits just to right of flag. NSHS Collections.

up spending more money by delaying action than by borrowing at current bond rates. Furthermore, matching federal funds would be held up because, unless the state borrowed the money, it could not pay its share of the construction costs.⁵⁶

The Unicameral ignored the governor's request for postponement and on July 13, 1967, passed LB 941, which referred the proposed bonding amendment to a popular vote.⁵⁷ Nebraska voters subsequently approved the measure in November 1968 with a relatively narrow margin of 16,000 votes.⁵⁸ The state's sacrosanct debt limitation clause was thus preserved; the amendment merely added the provision that the legislature by a three-fifths majority could authorize bonds backed by motor vehicle license fees

and fuel taxes for highway construction.⁵⁹

Tiemann and the centennial legislature accomplished a great deal more in that historic session. The governor was particularly pleased with the establishment of a Department of Economic Development.⁶⁰ It was a classic example of his desire to instill conservative business values in state government: If Nebraska is to experience economic growth, it must invest in the future by bringing new industries to the state, helping communities to identify and meet their needs, promoting tourism, and identifying opportunities for expansion through appropriate research activities. Progressive businessmen also recognize the importance of proper management of personnel matters as an aspect of efficient adminis-

tration. At the end of the session, the legislature, responding to the leadership of Senator Richard Marvel of Hastings, enacted a far-reaching act which created a state personnel office.⁶¹ Equally important was the establishment of the Nebraska Investment Council and a state investment officer. This agency, which has saved Nebraska taxpayers huge sums since 1967, centralizes and manages the investment of certain state funds.⁶²

Other issues tackled by the 1967 legislature include an open or fair housing law, improvement of state mental health facilities, driver reexamination legislation, and a measure to place on the ballot a proposed amendment to the state constitution that would lower the age requirement for voting to nineteen years. By its adjournment on July

22, 1967, the Unicameral had passed into law a total of 632 bills, a new state record.⁶³ Since 1967 other Nebraska legislatures have enacted even larger numbers of laws in one session, but none have produced so many that have reached so far. The accomplishments of the Centennial Legislature were indeed memorable. The governor declared that the Unicameral had resisted "great obstructionist pressures" and had enacted "the most significant legislation in the hundred-year history" of the state.⁶⁴ The *Lincoln Evening Journal* agreed that legislature had "rendered more change in the makeup of the state than any other before in [Nebraska] history," despite the opposition of persons "who measure quality of government solely in terms of avoiding expenditures." The driving force in this movement, the *Journal* noted, was Governor Tiemann.⁶⁵

Nebraska was hungry for imaginative leadership and creative politics as it entered its second century in 1967. The electorate had chosen as its governor a vigorous, intelligent newcomer. Tiemann had been willing to take risks more daring than those of any of his predecessors, and he appeared on the Nebraska political stage when, for the first time, the gubernatorial term was extended from two to four years. That gave him a measure of independence; two additional years could insulate him from the vote-generating wrath of his opposition. Although Tiemann was defeated for a second term in 1970, it appeared in 1967 that even if he did offend the guardians of tradition, his chances for survival at the polls were good. Three years would have to pass before he would stand for reelection, should he decide to run — three years in which he could consolidate his leadership. Tiemann's political audacity in 1967 was also conditioned by his often-expressed doubt that he would be a candidate for a second term.⁶⁶

Governor Tiemann's term of office also came at a time when the legislature

still met biennially instead of annually. That meant that after the adjournment there would be relatively few opportunities (compared to present circumstances) for his opponents to generate negative publicity. Moreover, the senators seemed receptive to strong executive leadership. Their own leaders, such as senators Carpenter, Burbach, and Warner, were able and cooperative, as eager in their ways as the governor to institute reform in the affairs of state government.

Above all, the electorate, by its repeal of the income tax and the removal of the state property tax, had created a circumstance that demanded a new tax structure. Circumstances were thus fortuitous for Governor Tiemann. He was, as *Lincoln* journalist Dick Herman observed many years later, "the right man in the right place at spectacularly the right time."⁶⁷

NOTES

¹The "kicking and screaming" remark received widespread currency because it appeared in the Evans and Novak column. Since then it has moved solidly into Nebraska folklore. On June 23, 1967, Governor and Mrs. Tiemann were in North Platte to help kick off a Buffalo Bill festival and, according to Evans and Novak, were coolly received. It was on that occasion when someone allegedly made the remark. Several examples of the Evans and Novak article as it appeared in various newspapers nationally are in the Nebraska State Historical Society, Norbert T. Tiemann Papers (RG 1, SG 39), Box 17. The remark was widely quoted or reprinted in Nebraska newspapers. For an example, see *Omaha World-Herald*, June 30, 1967. Actually, the coining of the phrase antedates the Tiemann visit to North Platte. For example, it appeared a week earlier in the *Bayard Transcript*, June 15, 1967.

²*Benson Sun*, July 27, 1967. Clipping in the Tiemann Papers, Box 17.

³For a sampling of editorial assessments of the accomplishments of the 1967 legislature, see *Alliance Times-Herald*, July 14, 1967; *Beatrice Sun*, July 24, 1967; *Hastings Tribune*, July 25, 1967; *Lincoln Evening Journal*, July 24, 1967; *Plattsmouth Journal*, August 10, 1967; *Scottsbluff Star-Herald*, August 2, 1967.

⁴The information in this and the next several paragraphs has been taken from materials in the Tiemann Papers, including a press release in Addenda, Box 2, and several extended newspaper articles, including *Grand Island Independent*, December 28, 1966, and a feature article in *Kansas City Star*, May 30, 1967, in Box 17. See also *Sunday Lincoln Journal and Star*, January 1, 1967.

⁵Neal R. Peirce, *The Great Plains States of America: People, Politics, and Power in the Nine Great Plains States* (New York: Norton, 1973), 207.

⁶James F. Pedersen and Kenneth D. Wald, *Shall the People Rule? A History of the Democratic Party in Nebraska Politics 1854-1972* (Lincoln: Jacob North, 1972), 395-96.

⁷Among the many newspaper articles published during and after the campaign that capsulized Tiemann's program is one in the *Tri-City Tribune* of Cozad, January 10, 1967.

⁸A copy of the Republican platform of 1966 is in the Tiemann Papers, Box 5. It is worth noting that Tiemann's campaign manager, David Pierson, was a member of the platform committee. Other members were former governor Robert Crosby, future governor Charles Thone, and Senator Eugene Mahoney of Omaha.

⁹These taxes are discussed in some detail in *Lincoln Evening Journal*, April 4, 1967.

¹⁰Other persons often identified as members of the group include Robert Barnett, Richard Duxbury, Richard Hoch, James Hewitt, Edwin Langley, Ben Neff, Charles Noren, and Lawrence Reger. Following the election, several "Whiz Kids," notably Yeutter and Barnett, accepted important appointments in the Tiemann administration.

¹¹See the document entitled "Strategy: Fall Tiemann Campaign." Tiemann Papers, Addendum Box 2.

¹²The election statistics are conveniently abstracted in *Nebraska Blue Book 1966* (Lincoln: Nebraska Legislative Council, n.d.), 721-22.

¹³Peirce, *Great Plains States of America*, 206.

¹⁴Susan Welch, "The Governor and Other Elected Executives," in *Nebraska Government and Politics*, ed. by Robert D. Miewald (Lincoln: University of Nebraska Press, 1984), 37-40, 46-49.

¹⁵According to David C. Pierson, the original version of the tax bill was drafted by aides Robert Barnett, who wrote the sales tax section, and Edwin Langley, who prepared the income tax portion. Interview with Pierson by Robert Sparks, April 19, 1988. This interview was conducted in connection with a graduate seminar on the Norbert Tiemann administration that I conducted in the Department of History, University of Nebraska-Lincoln in 1988.

¹⁶Other members of the revenue committee were Rick Budd of Nebraska City, George Fleming of Sidney, Maurice Kremer of Aurora, Eric Rasmussen of Fairmont, and Eugene Mahoney and William Skarda, both of Omaha. The Omaha senators opposed a combination bill throughout the committee's deliberations.

¹⁷*Lincoln Evening Journal*, January 1, 1967.

¹⁸*Ibid.*, February 7, 1967.

¹⁹Needless to say, powerful alcohol and tobacco interests lobbied strongly for the exemption.

²⁰*Lincoln Star*, January 1, 20, and February 18, 1967. See also a statement by Senator Jules Burbach, chair of the Revenue Committee, March 10, 1967, Tiemann Papers, Box 35.

²¹*Lincoln Star*, February 8, 1967; *Sunday Omaha World-Herald*, March 5, 1967.

²²*Lincoln Star*, February 8, 1967. See also the folder of "Tax Letters," Tiemann Papers, Box 16.

²³*Lincoln Star*, April 8, 1967.

²⁴More than 500 persons attended the hearings

on the Tiemann tax bill. *Lincoln Star*, February 8, 1967. See the summary of LB 377, the Nebraska Revenue Act of 1967, by Tiemann aide Robert Barnett, Tiemann Papers, Box 35.

²⁵*Omaha World-Herald*, January 24, 1967; April 12, 1967; *Sunday Omaha World-Herald*, March 19, 1967; *Lincoln Star*, January 24, 1967; March 18, 1967.

²⁶*Lincoln Star*, February 27, 1967.

²⁷Tiemann Papers, Box 16.

²⁸Tiemann Papers, Box 17, contains dozens of clippings representing the full spectrum of editorial comment on the tax issue. The *Lincoln Star* characterized Tiemann's stand as courageous and unprecedented in the history of the state. February 8, 1967.

²⁹Tiemann Papers, Boxes 5 and 16.

³⁰*Sunday Omaha World-Herald*, March 26, 1967; *Omaha World-Herald*, March 27 and April 11, 1967; *Lincoln Star*, April 6, 7, and 8, 1967. Interview with Roland Luedtke by Roberta Allen, April 13, 1988, graduate seminar, Department of History, University of Nebraska-Lincoln.

³¹*Legislative Journal of the State of Nebraska*, 77th sess. (1967) 1: 1295-96; *Omaha World-Herald*, April 13 and 14, 1967; *Lincoln Star*, April 13, 1967.

³²*Omaha World-Herald*, April 6 and 13, 1967. Interview with George Syas by Patsy Woodside, April 5, 1988, graduate seminar, Department of History, University of Nebraska-Lincoln.

³³"Nebraska in Perspective," a document based on census data in Tiemann Papers, Box 5. See also *Omaha World-Herald*, March 5, 1967.

³⁴Robert Sparks, "The Role of State Aid to Education in the Tiemann Administration: The Passage of LB 448," graduate seminar paper, Department of History, University of Nebraska-Lincoln, April 26, 1988, 6.

³⁵*Lincoln Evening Journal*, July 20, 1989.

³⁶LB 448. Memorandum from REB [Robert E. Barnett] to Governor Tiemann, Feb. 21, 1967, regarding LB 448, Tiemann Papers, Box 16.

³⁷*Lincoln Journal*, June 21, 1989.

³⁸*Legislative Journal of the State of Nebraska*, 77th sess. (1967) 1:2940; *Lincoln Evening Journal*, July 19 and 21, 1967; Sparks, "The Role of State Aid to Education," 20-29. Sparks's sources include an interview with Senator Jerome Warner on January 18, 1988; the transcript on microfilm of the Education Committee's public hearings; and the transcript on microfilm of the legislative floor debate, in the office of the Clerk of the Legislature, Nebraska State Capitol, Lincoln, NE.

³⁹Sparks, "The Role of State Aid to Education," 30-32, 35-36.

⁴⁰*Lincoln Evening Journal*, July 21, 1967. The effort to reduce the proportion of school revenue provided by property taxes and to increase the proportion provided by state aid was at best a temporary victory. By 1988, according to the National Education Association, Nebraska had slipped back to the same general relationships of

the 1960s: second highest in the nation on the percentage of local tax money spent on public schools and second lowest in state aid. *Lincoln Journal*, June 21, 1989.

⁴¹Tommy R. Thompson, *A History of the University of Nebraska at Omaha, 1908-1983* (Omaha: University of Nebraska at Omaha, 1983), 12-14, 86-88, and 103-4.

⁴²*Ibid.*, 106; *Lincoln Evening Journal*, January 17, 1967.

⁴³Tiemann declined to take a stand on the merger when the issue first attracted statewide attention in January 1967. *Lincoln Evening Journal*, January 20, 1967; *Omaha World-Herald*, January 23, 1967. Interview with David C. Pierson by Robert Sparks, April 19, 1988.

⁴⁴For examples, see *Omaha World-Herald*, March 7, 1967; *Lincoln Star*, February 4, 1967; and *Sunday Lincoln Journal and Star*, April 16, 1967; interview of David C. Pierson by Robert Sparks, April 19, 1967.

⁴⁵*Lincoln Star*, January 17, 1967.

⁴⁶*Legislative Journal of the State of Nebraska*, 77th legis. (1967) 1: 1428-29; *Lincoln Evening Journal*, April 20, 1967; *Omaha World-Herald*, April 21, 1967; *Lincoln Star*, April 21, 1967; Thompson, *A History of the University*, 106-8; Patsy Woodside, "Merger: The University of Omaha and the University of Nebraska," graduate seminar paper, Department of History, University of Nebraska-Lincoln, April 29, 1988, 10-23. (For the full discussion of the bill on the floor of the legislature, see the transcripts on microfilm of the legislative floor debates, Office of the Clerk of the Legislature, Nebraska State Capitol).

⁴⁷*Omaha World-Herald*, March 26, 1967.

⁴⁸*Ibid.*, April 13 and 14, 1967. Senator Arnold Ruhnke of Plymouth is an example of one rural legislator who early in the legislative session felt some resentment over the attitudes and behavior of the Omaha delegation. Ruhnke implied that the people of Omaha had regularly opposed a broadened tax base and now were asking the state to support an institution they were unwilling to support themselves. Ruhnke expressed the hope that in the future the Omaha delegation would be "more receptive now to the educational needs of outstate Nebraska." *Lincoln Evening Journal*, January 17, 1967.

⁴⁹See the editorial in the *Lincoln Evening Journal*, April 17, 1967.

⁵⁰*Lincoln Star*, December 13, 1967.

⁵¹Robert Crouch, "The Development of Highway Revenue Bonding in Nebraska during the Tiemann Administration, 1966-1969," graduate seminar paper, Department of History, University of Nebraska-Lincoln, May 4, 1988, 9, 10, and 22.

⁵²For examples of Tiemann's support for this solution, see *Omaha World-Herald*, March 1 and 29, 1967.

⁵³*Sunday Lincoln Journal and Star*, June 25, 1967. The *Lincoln Evening Journal* ran a four-part series of detailed, informative articles on the

issuance of bonds to finance the construction of highways, placing this subject in its national context, from July 18 to 21, 1967.

⁵⁴See the letters from W. James Lopp II to Tiemann and to his assistant, Robert Barnett, beginning February 28, 1967. Tiemann Papers, Box 1. *Sunday Lincoln Journal and Star*, June 25, 1967.

⁵⁵*Omaha World-Herald*, June 30, 1967; *Lincoln Star*, June 30, 1967.

⁵⁶*Lincoln Star*, June 27 and July 11, 1967; Crouch, "The Development of Highway Revenue Bonding," 10-12.

⁵⁷*Legislative Journal of the State of Nebraska*, 77th legis. (1967) 2:2871-73; *Lincoln Star*, July 14, 1967.

⁵⁸*Nebraska Blue Book 1968* (Lincoln: Nebraska Legislative Council, n.d.), 784-85.

⁵⁹Nebraska State Constitution, Art. XIII, sec. 1. *Nebraska Blue Book 1986-1987* (Lincoln: Nebraska Legislative Council, n.d.), 147. In May 1969 the Unicameral enacted legislation that established the state's Highway Bond Commission, which is chaired by the governor. In November 1969 bonds totaling twenty million dollars were sold at 5.926 percent interest. They have now been retired at a total cost of approximately \$32,500,000, including principal, interest, fees, and costs of issuance. The estimated rate of inflation during this twenty-year period is 385 percent. This suggests that Nebraskans acted prudently in authorizing bonded indebtedness for highway construction in 1967 and 1968. See the report of G. C. Strobel, secretary of the Highway Bond Commission, to Governor Kay Orr, November 20, 1987; copy in the possession of the author. See also Crouch, "Development of Highway Revenue Bonding," 15-24.

⁶⁰This agency was created by LB 34, enacted on February 27, 1967. *Legislative Journal of the State of Nebraska*, 77th legis. (1967) 1: 716-17. Tiemann ranked the establishment of this office high in his list of accomplishments in a speech delivered in Alliance in October 1967. *Alliance Times-Herald*, October 17, 1967.

⁶¹*Legislative Journal* 77th legis. (1967) 2: 2984; *Lincoln Evening Journal*, July 21, 1967.

⁶²The investment council was established by LB 355 on July 13, 1967. *Legislative Journal*, 77th legis. (1967) 2: 2885; *Omaha World-Herald*, June 30, 1967; *Nebraska Blue Book 1968*, 509-10.

⁶³*Nebraska Blue Book 1968*, 334; *Lincoln Evening Journal*, July 22, 1967.

⁶⁴*Sunday Lincoln Journal and Star*, July 23, 1967.

⁶⁵*Lincoln Evening Journal*, July 24, 1967.

⁶⁶For example, in April 1967, long before the legislative session ended, Tiemann said that he thought that he could get his program enacted in one term. A second term, he claimed, didn't have much appeal for him. Furthermore, he confessed, "Washington holds no fascination for me." *Lincoln Star*, April 20, 1967.

⁶⁷*Lincoln Journal*, April 3, 1986.