

Some action might very properly be taken to discourage discrimination between political parties by railroad corporations operating within the state. The issuance of passes to an army of political workers and the giving of special rates for the political meetings make the railroad companies a power in shaping the political destiny of the state. Where this power is all wielded in the interest of one party and to the prejudice of another party its weight cannot well be overestimated. Railroad companies do the business of the public and should be restrained by wholesome legislation from active participation in party politics. The officers and employes of such railroad companies should be free to vote as may seem to them for their own best interests. Charges of fraudulent registration in the larger cities of the state have frequently been made and I suggest the advisability of having the last day of registration at least ten days prior to election day in order that the complete list of voters may be scrutinized by all inquiring citizens and ample time be afforded for the apprehension of those who fraudulently register.

It is obvious that one of the chief sources of corruption in elections is the use of money in providing means or hiring the voter to go to the polls and vote, by this means placing him under obligation and thus unduly influencing his vote, or to hire him to neglect his duty as a citizen.

In order to encourage and stimulate the free and honest exercise of the elective franchise it has occurred to me that it might serve a good purpose were a non-voting poll tax of reasonable amount levied against each elector who may relieve himself by voting at the general election, or by producing a certificate of sickness or disability or by absence from the county or state. Such a provision might incidentally be made a source of revenue to the state and the burden fall upon a class of citizens who fail to discharge a very important duty devolving upon every qualified citizen. I suggest this idea to you for your consideration. I hope that you will take the necessary steps for the remedying of the defects in our election laws with a view to giving every possible opportunity for a free and fair expression of the will of the people at the polls.

**The State's Finances.**

I desire to earnestly call your serious attention to the condition of the state's finances. This is a subject of more than ordinary concern to every taxpayer in Nebraska. Several factors contribute to the unfavorable condition of the financial interests of the state as we at present find them. The very general depression in business and the low prices received for the products produced by the people of the state, are of themselves sufficient to render the state's finances much more unattractive than might be expected under normal conditions. This has prevented the prompt collection of taxes due the state, and required in order to meet its necessary expenditures, so that at the present time it appears there is a very large amount of delinquent state taxes.

In addition to this the method of handling the finances of the state and meeting its obligations, could, in my judgment, be very much improved upon. Not only is it commendable to secure the prompt collection of taxes levied for the purpose of meeting current expenditures, but also the prompt payment of the taxes thus collected in satisfaction of the state's obligations. Good business judgment would dictate the prompt discharge of the state's outstanding obligations as rapidly as money may be accumulated by the ordinary method of collecting taxes to meet the same.

From the report of the state treasurer a brief summary discloses the following as to the state's obligations:

Bonds outstanding, issued in funding the state's indebtedness at the time of the adoption of the present constitution .....	\$ 449,267.55
Bonds issued under the present constitution in 1891 and yet outstanding .....	19,000.00
General fund warrants outstanding .....	1,934,069.00
<b>Total .....</b>	<b>\$2,402,336.68</b>

To meet these obligations we have the following credits:

Sinking fund to meet bonds first above mentioned .....	\$ 317,840.04
Sinking fund to meet bonds last above mentioned .....	324.39
Uncollected taxes due to the general fund .....	2,330,692.76
Cash in the treasury, general fund .....	589,370.39
<b>Total .....</b>	<b>\$3,238,227.58</b>

In addition to the liabilities already incurred, and of which mention has heretofore been made, there is also the additional liability for current expenditures yet to be made for the remainder of the biennial period for which the last legislature made appropriations, and which can be approximated by ascertaining the total unexpended balances as shown by the report of the state auditor. These will have to be met from the uncollected taxes above mentioned.

In considering the uncollected taxes it is to be borne in mind that a very considerable part will probably never be paid into the state treasury. While these conditions are not what we would like to have them, and realizing that they have been brought about by extravagance and needless expenditures, and by excessive appropriations covering a series of years, it is yet quite apparent that the indebtedness of the state of Nebraska is comparatively light. It is no greater than that of many other states whose opportunities for creating a large bonded indebtedness are not restricted by the fundamental law as ours. It is interesting in this connection to study the grand assessment roll of the property of the state returned for taxation, showing the total assessed value thereof, for several years, as follows:

1890 .....	\$184,770,304.54
1891 .....	183,138,236.28
1892 .....	186,432,376.72
1893 .....	194,733,124.73
1894 .....	183,717,498.78
1895 .....	171,468,297.48
1896 .....	167,078,270.37

The census of 1890 discloses that the value of the property of the citizens of this state is estimated to be \$1,275,685,514, and the actual value of the assessible property in the state at this time must be considerably more, and yet, as shown by the assessed valuation is placed at but little over one-eighth of the actual value based on the census returns of 1890.

The large amount accumulated in the general fund mentioned above, \$589,370.39, is one of the features seemingly calling for some comment. It is difficult to understand why this large sum should be allowed to accumulate in the state treasury with so great amount of outstanding warrants unsatisfied. It would naturally be expected that such a considerable sum as this should have been applied to the reduction of the state's indebtedness as rapidly as it accumulated, as is provided by law, and demand in the exercise of prudent business management in the discharge of a public duty. In defining the duties of the state treasurer, the law provides that he is "to disburse the public moneys upon warrants drawn upon the state treasury according to law and not otherwise." It is also provided in section 1, of chapter 93, that "all warrants upon the state . . . shall be paid in the order of their presentation therefor." Section 4 provides that "it shall be the duty of every treasurer to put aside in a separate and sealed package the money for the payment of each registered warrant, in the order of its registration. As soon as money sufficient for the payment of such warrant is received to the credit of the particular fund upon which the same is drawn, such package shall be endorsed with the number and description of such warrant, and the name and address of the person in whose name the same is registered, and interest upon such warrant shall thereupon cease, and such treasurer shall by mail immediately notify the person in whose name the same is registered and shall endorse the date of the mailing of such notice upon such sealed package."

Thus, it will be observed, that it was the intention of the legislature that no fund should be allowed to accumulate when there were outstanding warrants drawn against such fund, and that as soon as sufficient money should be paid into the state treasury to satisfy each warrant in the order of its registration that interest thereon should cease and the state be thus relieved from further liability on account of accruing interest. While it may be said that a literal compliance with the provisions above mentioned would be very difficult because of the great volume of business carried on in connection with the work of the state treasury, yet its spirit could be fully complied with by making prompt payments on general fund warrants as rapidly as funds accumulated in the state treasury therefor. This act of the legislature, both in letter and spirit, seems to have been entirely ignored and the general fund, against which a large amount of outstanding warrants has always existed, allowed to accumulate to the extraordinary amount of over half a million dollars. This method

of disposing of the state's business put an additional burden upon the taxpayers by the accumulation of a large amount of interest on the unredeemed warrants thus neglected. It also endangers the state's interests through the possibility of losses of money which could properly have been disbursed in cancelling this indebtedness as rapidly as possible. The suggestion that the state is receiving interest on the money thus allowed to accumulate in this unusual manner may properly be met with the statement that such interest is only at the rate of three per cent per annum, while the state's warrants are drawing five per cent. It may further be said that it is the duty of the state, through its representatives, to liquidate its indebtedness as rapidly as funds accumulate in the collection of revenues for that purpose and thereby enhancing the value of its own obligations. Likewise, to the suggestion that it has been a critical period for the banks of the state, as well as for business interests of all kinds, it can be replied that the state is under no obligations, and that in fact, it is a pernicious doctrine to hold that the public revenues may be used for the purpose of strengthening any private interests or enterprises of any character, and especially so where there are superior claims against such funds upon the part of the creditors of the state. The state is not supposed to use its revenues for the purpose of entering into the banking business or to deposit its funds upon any other theory than that they are to be used by the depository only when not required by the state in the ordinary course of its business. It is to be further observed that this fund at one time was within reasonable limits, not exceeding, according to the report of the state treasurer on the first of January last the sum of \$52,735.91. Under no process of reasoning can I understand why this further and larger sum should be deposited and allowed to accumulate to the enormous amount mentioned with obligations of the state pressing for payment and the value of its obligations constantly depreciating, and then, after such large accumulations are permitted, to have the matter explained by the suggestion that these funds could not, with safety to the business interests of the state, be withdrawn from the depositories.

I am of the opinion that there should be a very radical change inaugurated in the conduct of the financial interests of the state and prompt measures taken to place the state's finances upon a solid footing, as much so at least as surrounding conditions will permit. The accumulated general fund should be promptly applied to the extinguishment of the indebtedness against it. Whether there are legal obstacles which would prevent your refunding the indebtedness above mentioned contracted prior to the adoption of the present constitution, I am unable to speak advisedly. If it could be done, I would suggest the advisability of refunding all the bonded indebtedness of the state at a rate of interest not exceeding four percent per annum. The issue of such bonds would make a very desirable investment for the idle permanent school fund. This would permit the transfer of the sinking fund accumulated and created for the extinguishment of this bonded indebtedness to the general fund. In addition to this you will have the power, as I view it, to authorize the issuance of bonds in the sum of \$100,000 to meet a part of this indebtedness. Provisions of this character would reduce the amount of outstanding warrants very materially and place the state in a much better condition.

There are a number of other funds of smaller amounts which perhaps can be utilized in bringing the state nearer a cash basis in the transaction of its business. I trust that after a full consideration of this important matter you may be able, by the adoption of some plan, to make satisfactory arrangements for promptly meeting all of the state's indebtedness, both bonded and floating.

**Revenue Laws.**

It seems imperative that some action should be taken by the legislature providing for a better method of levying and collecting the revenues necessary for the proper conduct of the governmental affairs of the state. The imperfections and laxity of the provisions of the present law for levying and collecting taxes to meet current expenditures, and the still greater laxity in enforcing these imperfect provisions of law, have brought us face to face with a condition of affairs that renders it impossible to conduct the business of the state without much embarrassment, needless sacrifices and ever-increasing floating indebtedness. Any wise financial policy

requires, in my opinion, the collection of revenues sufficient to promptly meet expenditures necessary to be made in the conduct of the state's business. Any other plan ultimately works increased hardship and renders excessive the expenses of state government, because of the uncertainty respecting the satisfaction of the obligations created. The very fact that property is assessed at so much less than its true value, renders it very probable that great inequality exists in distributing the burdens of taxation. The man of moderate means is doubtless assessed for much nearer the true value of his property than the individual having large property interests, and, while the approximate percentage of the assessed valuation, as compared with the actual valuation of property, is but little less than one-eighth, it is more than probable that the taxpayer with small means and whose property is easily ascertained, pays much nearer one-third of its value while other large property interests escape with an assessed valuation at nearer one-tenth or one-twelfth of its actual value.

Our law provides that personal property shall be assessed at its fair cash value, and real estate other than leasehold estates, "at its fair value, estimated at the price it would bring at a voluntary sale . . . one-third cash and a balance secured by mortgage upon the property." This, as every one knows, is not done, but on the contrary the less value placed on the property for assessment purposes by the officer having in charge of this branch of business seems to render him much more popular than if he had performed his full duty and assessed the property as the law provides. Just how this state of affairs can be remedied and what provisions, if any, shall be made looking towards a more stringent enforcement of the law as now existing or a revision thereof, is for you to determine. If property be assessed at too low a valuation, the rate of the tax levy is correspondingly increased. The system of low valuation and high levies creates an erroneous impression in the minds of many regarding the property values and the seemingly heavy burdens of taxation in the state.

An assessment upon property at its fair valuation would render tax levies exceedingly small, as well as give less opportunity for undervaluation, because of the more fixed and certain standard obtaining, the one and only question being, whether the property has been assessed at a fair value. It is doubtless that a constant and continued decrease in assessment values has been caused in order that one community or county might not be compelled to contribute more than its just proportion to the state's revenues. Thus a constant struggle is continually going on among assessing officers to value their property as low or lower than the valuations placed by any others. It is also quite apparent that the low assessment of property is some protection to the people in order to prevent extravagance in the conduct of the business of disbursing the public revenues. With a low assessment and limits as to the rates of the levy, the people have some protection against wanton extravagance by those who are charged with the duties of managing the people's business in different capacities, where the disbursement of revenues forms an important part of their duties. In investigating this subject, I have secured a great deal of valuable information from other states, which I will take pleasure in placing at the disposal of this body or any committees which you may select to consider this important subject.

I also, in this connection, desire to call your attention to the provisions of law respecting the method of levying and equalizing the value of property assessed for the purpose of raising revenues for state expenditures. The law provides that the governor, state auditor of public accounts and treasurer "shall constitute the state board of equalization . . . and it shall be the duty of said board to examine the various county assessments, and to decide upon the rate of the state tax, the state school tax, the state sinking fund tax, to be levied for the current year, together with any other general or special taxes required by law to be levied and to equalize and make the levy of such taxes throughout the state; but such equalization shall be made by varying the rate of taxation on the different counties in case the said board of equalization are satisfied that the scale of valuation has not been adjusted with reasonable uniformity by the different assessors."

It further provides that "the rate of the general state tax shall be sufficient to realize the amount necessary to meet