

ROBBED OF \$70,000.00!

State Officers Ignore the Law, and Set Themselves Above the Supreme Court.

HOW POOR MEN BECOME BANKERS.

They Refuse to Invest the Permanent School Fund in State Warrants—The Guilty Men Arraigned and Challenged to Defend Themselves—The People Must Pass Judgment.

"There's something rotten in the state of Denmark."—HAMLET.

Robbed of \$70,000!

Who has been robbed of that immense sum of money?

The state of Nebraska.

How was it done and by whom?

It has been done by the republican state officers. They have done it by ignoring the law of the last legislature.

It has been done in violation of one of the plainest and most salutary laws ever passed by the state legislature of Nebraska.

The boast has often been made that Nebraska had no bonded debt, but for many years she has been carrying a heavy burden of debt drawing a high rate of interest in the shape of unpaid state warrants. This debt has accumulated in the following way: Whenever any person presented a warrant on a particular fund in the state treasury and there happened to be no ready cash in that fund, the treasurer would endorse on the back of the warrant "not paid for want of funds," and from that date the warrant drew interest at seven per cent. Generally the holders of such warrants have sold them to banks and money sharks who have held them as a permanent investment. There was it is true a law providing for the registration of such warrants so that the state treasurer could know where they were and be able to call them in for payment when he had the necessary funds. But that law was not obligatory, and hence was not observed. Two years ago the treasurer's report revealed the fact that such warrants were outstanding to the amount of \$582,000, all drawing interest from the state at seven per cent.

Desiring to promote education the state has wisely provided a fund known as the permanent school fund derived chiefly from the sale of school lands, and the interest of which goes to the support of the public schools of the state. The principal of this fund is inviolate.

The law requires it to be invested in registered county bonds, United States, and state securities, the interest on which goes to the benefit of the schools.

Now at the same time that the treasurer reported such a large amount of outstanding state warrants, he also reported that \$522,000 of the permanent school fund was lying idle in the treasury yielding nothing for the benefit of the schools.

Looking at things in a commonsense way, the farmers whom the people sent to represent them in the last legislature wondered why the treasurer did not buy up those state warrants with this money and then turn the interest into the school fund "Aren't state war-

rants 'state securities'?" they asked.

They found their answer in a decision of the supreme court delivered in January 1889, as follows:

It was evidently the purpose that the evidences of indebtedness issued by the state, secured by a levy of taxes to secure their payment, guaranteed and certain as they would be should be deemed "state securities."

We are therefore of the opinion that state warrants drawing interest or that may be made to draw interest by presentation to the state treasurer which are issued in pursuance of an appropriation secured by a levy of tax for their payment are "state securities" within the provision of the section.

This opinion was delivered by Chief Justice Reese, and was the unanimous opinion of the court.

"Then why doesn't the board of educational lands and funds order the treasurer to invest these idle thousands in these 'state securities'?" again queried the granger legislator. He found a ready answer in the fact that Attorney General Leese had already secured the passage of just such an order, but the treasurer had ignored the order.

Then what was to be done?

"Then," said the farmer lawmakers, "we'll pass a law compelling the state treasurer to so invest these funds." And they did pass the law but it has been absolutely ignored by the state officers.

The law now reads as follows:

The said board shall at their regular meetings make the necessary orders for the investment of the principal of the fund derived from the sale of said lands then in the treasury, but none of said funds shall be invested or loaned except on United States or state securities and registered county bonds; PROVIDED, That when any state warrant issued in pursuance of an appropriation made by the legislature and secured by the levy of a tax for its payment, shall be presented to the treasurer for payment and there shall not be money in the proper fund to pay said warrant, the state treasurer shall pay the amount due on said warrant from any funds in the state treasury belonging to the permanent school fund, and shall hold said warrant as an investment of said permanent school fund.

The proviso contains the amendment made by the legislature. Its provisions are perfectly clear. It leaves no room for choice. All the state officers have to do is to execute the law as they have sworn to do.

The board of educational lands and funds consists of the following:

- Governor.....J. E. Boyd
- Secretary of State.....John C. Allen
- Treasurer.....J. E. Hill
- Attorney General.....George H. Hastings
- Commissioner of Public Lands and Buildings.....A. R. Humphrey

A few days ago, the editor of THE ALLIANCE-INDEPENDENT went to the state house to ascertain about what amount of money had lain uninvested in the permanent school fund during

the past two years. Calling upon Auditor Benton, we were directed to the state treasury. Capt. Hill being out the deputy refused to give any information. Hunting up Capt. Hill, we were told to come in later and he would give the desired information. Seeing him on the street next day, Capt. Hill advised us to go to Auditor Benton which we did only to receive a rebuff, but the auditor finally brought forth the treasurer's statement for August, which showed \$476,933.25 idle in the permanent school fund. Finding Capt. Hill, we again pressed him for access to the treasurer's books so that we could estimate the average amount in that fund during the two years. Mr. Hill seemed indisposed to grant this, but finally stated that he thought the average was about \$500,000 which is no doubt very nearly correct. He said about \$200,000 had come into the fund from the national government and a considerable quantity from sale and rental of school lands. By examining the books in the office of the commissioner of public lands and buildings we ascertained that county bonds have been purchased to the amount of \$369,000. These (with the exception of \$10,000 Banner county bonds drawing 6 per cent,) draw interest at the rates of 5 and 4 1/2 per cent. The records show that no bonds have been purchased since Sept. 22, 1891, more than a year ago. The reason for this is that counties have not been issuing bonds. The board seems very anxious to purchase bonds as is shown by the fact that a few days ago they agreed to take a quantity of Dakota county bonds drawing only 4 per cent.

Now according to Treasurer Hill's own statement there has been an average of \$500,000 dollars lying uninvested in the permanent school fund while there has been an average of over \$600,000 of outstanding warrants on which the state is paying 7 per cent interest. If the law requiring the treasurer to invest the permanent school fund in warrants had been obeyed, this \$500,000 instead of yielding the state no revenue, would have yielded in the two years of Mr. Hill's present term \$70,000 for the benefit of the public schools. On the other hand \$500,000 of those outstanding warrants which could have been bought in with this fund have been held by banks and money sharks to whom the state has paid \$70,000 in clean cash.

Is there a man of ordinary intelligence in Nebraska who can not see that the state has been robbed of \$70,000?

The next question is

WHO ARE THE GUILTY PARTIES?

At first view, the facts would seem to fix the guilt wholly on the state treasurer. But we are inclined to think the other members of the board of educational lands and funds are as guilty as he is. Why have they not taken action on this matter? Why have they not issued an order directing the treasurer to purchase these warrants? In the minutes of their meetings there is no account of any action or discussion on this matter. On the contrary they have sought high and low for county bonds (according to their own statement) and have even ordered the purchase of bonds drawing only four per cent.

But there is another reason why we believe the other members of the board guilty. But before stating it we will remark that the money that is supposed to be lying idle in the treasury is *not in the treasury*, neither is it idle. When

the last house of representative appointed a committee to investigate the subject, Treasurer Hill absolutely refused to state where this money was. There is no reasonable doubt that this money is being used as banking capital by somebody. And this brings us back again to the question: "Who is guilty?"

Now it has lately come to light that Secretary Allen has become a banker. He was a commercial traveler and a merchant in a small way out at McCook before he was elected. His salary is \$2,000. Yet he is now Vice-President of the Windom bank at University Place. He is also a stockholder and director of the Industrial Savings bank at Lincoln.

Attorney General Hastings was a lawyer with a limited practice before elected, but now he is able to go into the banking business. He is also a stockholder in the Industrial and Savings bank.

And treasurer Hill is a banker too. He is Vice-President of the Industrial Savings bank.

Now is it within the bounds of reason that these men, who came to Lincoln comparatively poor men, and have drawn salaries of \$2,000 a year, could in so short a time rise to such high positions in the financial world on their own capital? Are we not forced to believe that these men are using the state's money as banking capital?

But the permanent school fund is the only fund that Allen, Hastings and Humphrey have any control of. Are we not then forced to the further conclusion that they are responsible for withholding that fund from investment under the law requiring the purchase of state warrants?

At present these things are beyond the reach of any investigation that can be made by any private citizen. Hence it is impossible to secure direct positive evidence. But every circumstance points to the truth of the following proposition.

That these state warrants are being bought up by banks and money sharks with the money belonging to the permanent school fund, and that the members of the board of Educational lands and Funds, who are responsible for the violation of the law, are receiving a portion at least of the interest on these warrants.

And we here and now challenge these men to show the contrary.

If this is a true statement of affairs regarding the permanent school fund of the state, as we firmly believe it is, these men ought to be candidates for the penitentiary instead of candidates for re-election. They deserve the condemnation of every honest man, the contempt of every honorable man, the execration of every patriotic man.

We have laid this case fairly before the voters of this state. Let them prepare to pass judgment at the ballot box.

MR. SHAMP is pushing his campaign vigorously in the first district, and is gaining ground daily.

SPEAKING of the situation in Alabama, congressman Oates, the leading democratic representative from that state says:

"I am afraid our situation is critical. To carry Alabama for Cleveland is going to take hard work and lots of money. I have not been home very long, but I find many democrats leaving the party. Something must be done at once. Still I have confidence that we can arrange matters before November."