# HOLCOMB'S SECOND

(Continued from First Page.)

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 our state are of themselves sufficient to render the state's finances much more unsatisfactory 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:

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| Bonds outstanding, issued in funding the state's indebtedness at the time of the adoption of the present constitution | $449,207.55 |
| Bonds issued under the present constitution in 1891, and yet outstanding | 19,000.00 |
| General fund warrants outstanding | 1,934,020.13 |
| Total | $2,402,336.68 |

To meet these obligations we have the following credits:

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| Sinking fund to meet bonds first above mentioned | $ 317,810.01 |
| Sinking fund to meet bonds last above mentioned | 224.39 |
| Uncollected taxes due to the general fund | 2,330,692.76 |
| Cash in the treasury, general fund | 589,370.39 |
| Total | $3,238,227.55 |

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.

EXCESSIVE APPROPRIATIONS.

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:

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| 1890 | $184,776,204.54 |
| 1891 | 183,168,226.28 |
| 1892 | 186,432,376.71 |
| 1893 | 194,779,124.73 |
| 1894 | 183,717,498.78 |
| 1895 | 171,468,207.48 |
| 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 assessable property in the state at this time must be considerably more, and yet, as shown by the assessed valuation of all taxable property for the year 1896 the 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 an 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 demanded 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."

AIM TO PREVENT ACCUMULATION.

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 $500,000. This method of disposing of the state's business puts 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 3 per cent per annum, while the state's warrants are drawing 5 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 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 January 1 last, the sum of $32,735.91. 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.

RADICAL CHANGE NEEDED.

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 4 per cent 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.

## DEFECTS IN THE REVENUE LAWS.

**Fail to Meet State Requirements and Produce Unequal Burdens.**

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 incressed hardships 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 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 on 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 the actual value.

It appears to me there are two principal objects to be secured in obtaining public revenues in support of government. The first is that property of every description, except that which is especially exempted by law, shall be subject to the same burden of taxation according to its value and this rule should be invoked with absolute uniformity and with ample provisions to prevent any assessable property from escaping taxation. Second, these burdens should only exist to the extent necessary to support the government, administered with honesty and rigid economy. When these two objects have been accomplished, in whatever manner it may be deemed best, there is no just reason for complaint upon the part of any.

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 balance secured by mortgage upon the property." This, as every one knows, is not done, but, on the contrary, the less the value placed on the property for assessment purposes by the officer having in charge this branch of the 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 far this state of affairs can be remedied and what provisions, if any, shall be made looking toward a more stringent enforcement of the law as now existing 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 burden of taxation in the state.

CONTEST OF ASSESSORS.

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 fixed and certain standard obtaining, the one and only question being whether the property has been assessed at a fair value. It is doubtless true that a constant and continued increase 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 valuation 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 rate 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 duty. 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 committee 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 is 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 appropriations made by the legislature, not exceeding 5 mills on the dollar valuation. The rate of the state school tax shall not be less than ½ mill, nor more than 1½ mills on the dollar valuation, and the rate of the state sinking fund tax shall not be more than ¾ of a mill on the dollar valuation in any county in the state." It will thus be observed that this board, as a Board of Equalization, shall equalize taxes by varying the rate of taxation on the different counties in case inequalities appear to exist in the valuation of property as returned by such counties. By the limitation of statute preventing a levy of the general fund state tax to exceed 5 mills on the dollar valuation, it has been found necessary by the Board of Equalization, in order to meet the appropriations made by the legislature, to levy to the full limit allowed by law. Even then the revenues raised for a series of years past have been insufficient. It will thus be seen that the board has found itself unable to equalize taxes by varying the rate of the general fund levy and that the equalization of the valuation of property in different counties has been restricted to the variations permitted in the levy of the state school taxes, which shall not be less than ½ mill nor more than 1½ mills, and the sinking fund taxes, which shall not be more than ¾ of a mill. The margins thus allowed for equalizing these taxes are entirely inadequate, and if this method of equalization shall obtain in the future I urgently recommend that greater latitude shall be given the board by amending this section of the statute so as to increase the levy for general purpoess from 2 to 4 mills on the dollar valuation. This would give a much better opportunity of equalizing the burdens of taxation by varying the levy in different counties as the different valuations may require, and yet enable the board to collect the necessary revenues and meet the appropriations made by the legislature.

## UPHOLDS THE DEPOSITORY LAW.

**Faults in Its Application Rather Than Its Principle.**

The depository law, enacted by the legislature of 1891, has now been in operation for a period of time sufficient under ordinary circumstances and normal conditions to test its usefulness and advantages or disadvantages as the case may be. The wisdom and desirability of such a law has been questioned by many, including those who benefited by the operation of the previous law, permitting the state treasurer to use all funds of the state under his control for private gain and speculative purposes during his term of office. I have been a warm supporter of the depository law and believe in the wisdom of its enactment. It adds a new source of revenue to the state and removes the temptation to use public funds for any other purpose than that for which they were collected. The law itself could be considerably strengthened and I recommend for your consideration the advisability of amending it so as to remedy imperfections which now exist. It is to be remembered that its operation has been during a period when the loss of money, both private and public, has been very general throughout the entire country. I can see no good reason why, if the treasurer himself must give a good obligation for the return of funds placed in his hands for safekeeping, that the same may not reasonably be required of the different depositories. Thus is obtained a divided responsibility and an aggregate security that is far better than a simple obligation for the return of the entire sum. The obligation of each depository should be as strong in porportion to the amount of money secured as can possibly be had for the entire sum. I am of the opinion that the law has been abused; that it has been used as a means of assisting banking interests which may have been in need of current funds for the transaction of business, when the true rule should have been to have made depositories of banking institutions of unquestionable standing and of unquestionable security, with the object in view of having the funds at all times subject to the call of the state treasurer in the ordinary course of his business.

I would recommend the amendment of the law so as to provide that sureties of state depositories should be others than those actively engaged in the management of the depository bank; that a depository bond should not entitle the bank to a deposit of state money thereunder for a longer period than two years; that the state officers approving the bond should have the right at any time they deem necessary to suspend, as a depository, any banking institution, and to direct the state treasurer to withdraw all state funds therefrom; that the state treasurer, in the depositing of state money, should at all times be under the control of the board approving the bond respecting the amount deposited in any one bank, and that the sureties on all depository bonds shall justify by making oath to the value of their property over and above their debts and exemptions. The general government has found it desirable to designate banking institutions as depositories for funds which would otherwise accumulate in the United States treasury, and I can see no good reason why this same rule should not obtain in the different states, such depositories being made not only the means for the convenient and expeditious transaction of the state's business, but also a source of income to the state.

## LITIGATION OVER THE HILL BOND.

**Recites Facts but Makes No Recommendation in the Matter.**

At the beginning of my term of office a suit was pending in the supreme court to recover the sum of $236,000 from ex-Treasurer J. E. Hill and his bondsmen. The history of this litigation is familiar to all of you. The money was lost in the failure of the Capital National bank. That this amount of the state's money was in existence at the time of the settlement of Treasurer Bartley with his predecessor, Hill, no person acquainted with the circumstances could believe for a moment. The money had evidently been lost and no attempt made to account for it at the expiration of Mr. Hill's term of office, except by a transfer of credits on paper in this bank, a bond being prepared and approved making the bank a state depository and this mythical credit being placed to the credit of the state under the depository bond.

The first trial of the case in the supreme court resulted in a disagreement of the jury. The case was again tried and the jury found for the defendant. The matter was then argued to the supreme court at length upon questions of law, when it was finally decided in favor of the defendant. I am not entirely familiar with the details and intricate meanderings of all the questions of law and fact involved in this important case. I do not doubt in the least but that this money has been lost as a result of mismanagement by those having been entrusted with its collection and disbursement. And it would seem that the responsibility which certainly exists should be located so that the people might regain what has been unlawfully taken from them. It is to be regretted that persons guilty of gross misconduct and misappropriation of funds belonging to the people of the state are suffered to escape legal responsibility. Whether any further effort should be made to recover this money lost to the taxpayers of the state, I leave it to you to determine.

The legislature made an appropriation for the expense of carrying on this and other suits. There remained, after the trial of the first case, the sum of $8,709.19. Upon an opinion from the court, and after conference with the attorneys representing the state, in order to prevent this appropriation from lapsing, a warrant was issued to me for the balance by the state auditor upon a properly certified voucher presented to him for that purpose. The warrants thus drawn were disposed of by me from time to time in order to meet the further expenditures required in this case. After paying all legitimate claims there was covered into the state treasury the sum of $4,467.15 yet remaining unexpended of the appropriation. An itemized statement of the expenditures in this case is presented with this message.

## INVESTMENT OF THE SCHOOL FUND.

**About a Half Million Dollars Now Lying Idle.**

The constitution and the statutes require that the Board of Educational Lands and Funds, consisting of the governor, attorney general, treasurer, secretary of state and commissioner of public lands and buildings, shall at its regular meeting make necessary orders for the investment of the permanent school funds, but that none of these funds shall be invested or loaned except on United States or state securities or registered county bonds. At the beginning of the present biennial period, December 1, 1894, there were on hand of these funds the following amounts, to-wit:

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| Permanent school | $447,037.63 |
| Permanent university | 19,565.63 |
| Agricultural endowment | 61,955.15 |
| Making the sum total of | $528,558.41 |

These several funds, by a decision of the supreme court, do not come within the provisions of the depository law, and were therefore under the control and disposition of the state treasurer when not invested as above provided, and when idle and uninvested were of no benefit to those who should derive advantage from the interest in case of an investment in interest-bearing securities, as contemplated. During the last biennial period but few county bonds have been issued and these were chiefly refunding bonds to take up other outstanding indebtedness. Hence it has been extremely difficult to secure for the state enough of county bonds to absorb the accumulation of these different funds, to say nothing of the large amount on hand at the beginning of the biennial period. During the year 1895 the Board of Educational Lands and Funds obtained only the sum of $40,000, being Otoe county refunding bonds, bearing interest at the rate of 4½ per cent. These bonds were obtained at par. During this time a large amount of state warrants, drawing 5 per cent interest, were being issued from time to time. I regarded these warrants as desirable investments for these trust funds, inasmuch as it would provide a ready means for the investment of the entire sum, strengthen the credit of the state and bring its warrants, which were below par, to par value, and, in effect, put the state on a cash basis.

In a decision of the supreme court, concurred in by all of the judges and found in the Twenty-fifth Nebraska, at page 660, it was decided that state warrants were state securities within the meaning of the constitutional provision referred to. In addition to this a precedent had been established by the purchase of these warrants under the administration of my predecessor, Governor Crounse. The supreme court also, in a more recent case, referred to the first decision above quoted in the following affirmatory language: "We must not, however, be understood as holding that warrants against the general fund are not state securities within the meaning of the constitution. Although that question is not presented by this record, following In re State Warrants, 25, Nebraska, 659, and State against Bartley, supra, we assume them to be legitimate investments for the permanent school fund; but if the state, as trustee for said fund, desires to invest in that class of securities it is required to do so on terms of equality with other investors."

OVERRULED SUPREME COURT.

Assuming, therefore, that warrants of this character were a legitimate investment for this large fund, and as they were in every other respect a very desirable form of investment, I introduced a resolution before the Board of Educational Lands and Funds, at a regular meeting in January, providing for investment of $500,000 of this idle fund in warrants already issued and those thereafter to be issued. Some doubt was expressed by some of the other members of the board respecting the legality of an investment of this kind, and, at their request, the resolution was referred to the attorney general for an opinion, which was finally rendered at a regular meeting in April following. This opinion was, in effect, adverse to the decisions of the supreme court cited above, as well as to the precedent established during the administration of Governor Crounse. The attorney general held that state warrants were not state securities and were not a legitimate investment under the provisions of the constitution. The opinion was concurred in by a majority of the board, thus cutting off every avenue for a speedy and profitable investment of this fund.

Another resolution was then introduced by me looking toward the investment of the unemployed school fund in United States bonds. In this effort to find the best possible investment, after we were prevented from purchasing state warrants, I failed to receive the co-operation of any other member of this board, and no investments were made in that direction.

Registered county bonds, the only remaining investments permitted by the constitution, have been purchased from time to time as reported in detail by the state treasurer. These bonds have been purchased upon a basis of interest of 4½ per cent or more. It will be observed that there was secured for the investment of the permanent school funds county bonds in the total sum of $345,741.92. There now remains of these trust funds, as shown by the report of the state treasurer, the total sum of $528,558.41.

A constitutional amendment providing for the investment of this fund in school district warrants, as well as specifically naming state warrants as legitimate investment, was submitted to a vote of the people at the last election, but its adoption is as yet a matter of uncertainty. I think, however, I can safely assume that in any event the Board of Educational Lands and Funds, as constituted by the election of the present officers, will co-operate with me in the investment of this fund in the state securities mentioned, which, if successful, will furnish an ample opportunity for the profitable investment of this entire fund. Yet I am of the opinion that as nearly as practicable it would be advisable, by constitutional amendment, to make more comprehensive provisions for the investment and management of this trust fund, which is constantly increasing, and which in time will grow to enormous proportions. This fund is the patrimony of the children of the state, to be invested and the interest applied for their education. Such a magnificent endowment is well worthy the jealous care and watchfulness of those entrusted with its custody, and it is of the utmost importance that provisions be made for its investment upon advantageous terms, and yet with all reasonable precautions for the permanent safety of the principal. How soon this may be brought about is perhaps yet uncertain.

## COST OF STATE INSTITUTIONS.

**Total Shows an Increase, but Per Capita a Decrease.**

It has been the custom heretofore for each legislature to make appropriations for the biennial period ending with March 31. Section 19 of Article 3 of the constitution provides that "each legislature shall make appropriations for the expenses of government until the expiration of the first fiscal quarter after the adjournment of the next regular session and all appropriations shall end with such fiscal quarter." The fiscal year begins December 1. The legislature usually does not adjourn until some time during the second fiscal quarter. The time for which such appropriations should be made, according to this construction, would not expire until the last day of the third fiscal quarter, which would be August 31. With this provision in view the state auditor has requested estimates of expenditures to be presented to this legislature for twenty-nine months instead of twenty-four, as has been the custom heretofore, for the purpose of bringing the appropriations up to the time mentioned.

The total appropriations made by the last legislature for the current biennial period were $2,784,634.60, which may be divided into the following items:

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| Legislative | $125,000.00 |
| Executive officers and state boards | 552,160.00 |
| University and Normal school | 368,441.89 |
| Maintenance of state institution | 938,297.37 |
| Miscellaneous appropriations | 760,785.34 |
| Total | $2,781,684.60 |

It will thus be seen that of the total appropriations, over one-third are for the maintenance of state institutions. After deducting appropriations for repairs and permanent improvements, the net appropriations for the maintenance of these institutions for 1893 and 1894 were $884,436; and the net appropriations for 1895 and 1896 were $25,829.34. The total number of inmates during the period of 1893-94 was 2,244, showing a per capita expense for this period of $394.14; the total number of inmates for the period 1895-96 had increased to 2,538, and the per capita expense decreased to $329.33. The great bulk of these savings was made in only a portion of the state institutions, and had the same general decrease prevailed in all the state institutions the saving would have been much greater. I am of the opinion that still further savings can be made in the expenditures of these different institutions, and for the purpose of giving you all the information possible, I present herewith a tabulated statement showing the total appropriations for the two preceding biennial periods, and the manner in which they were expended, together with the average per capita cost in each of these institutions. This contains also other information which may be of value to you in determining the needs of these institutions for the time for which you shall make appropriations.

SOLDIERS' HOME AT GRAND ISLAND.

The Soldiers' home at Grand Island has assumed large proportions by the erection of new buildings, cottages and provisions for increased capacity in caring for worthy union soldiers, for whom it was constructed. Large sums of money are appropriated by each recurring session of the legislature for its maintenance. It now has 305 inmates, a larger number than it has ever had heretofore. The last legislature appropriated $12,000 for a new addition, together with numerous other sums for permanent repairs and increased facilities for its management in different ways. There has been appropriated altogether many hundred dollars for the erection and reparation of good substantial buildings. It is not only fitting and proper, but it is a duty owed by the people of this state, and cheerfully performed, to make suitable provisions for the support of all worthy and needful survivors of the union armies in the civil war. I but speak the sentiments of the patriotic people of Nebraska when I say that no burden is borne more willingly or duty performed with greater alacrity than that which is required in making ample provisions for the maintenance in comfort of those worthy veterans who were the defenders of the union.

The management of the institution for the past two years has been the most economical during its history. The kind treatment and ample provisions for the comfort and pleasure of the inmates have been all that could be desired. The members of the Visiting and Examining board, assisted by the commandant, have been tireless in their efforts to conduct the institution so as to fully accomplish the purpose for which it was established.

SOLDIERS' HOME AT MILFORD.

The last session of the legislature passed an act providing for the establishment of a branch soldiers' home at Milford by the leasing of land and buildings already constructed. Eight thousand dollars was appropriated to carry into effect this act. It was provided in the act that the land and buildings referred to should within thirty days after its passage be leased to the state free of charge for two years, with the privilege of eight additional years for a sum not exceeding $800 per annum. Under the direction of the Board of Public Lands and Buildings alterations and repairs have been made, fitting the buildings for the reception of inmates. Captain J. H. Culver was, by this board, appointed commandant. A full and detailed report for the period ending November 30 has been made by the commandant and is presented for your consideration. There were forty-five inmates in this institution at the time the report was made and a deficiency for its maintenance created up to that time in the sum of $10,-521.20. It is also asked that $13,500 be appropriated for the purchase of this property.

The maintenance of two institutions for the support of disabled and indigent soldiers when the objects sought can be accomplished in one institution entails an additional and unnecessary expense on the taxpayers of the state. It is true that the general government has provided means for assisting the different states in caring for the veterans of the war by contributing from the general treasury $100 per annum for each inmate of the homes established, but this in no wise changes the rule or the principle just announced. The revenue derived from the general government is the same per capita whether one or two institutions are maintained, and it is our duty to keep within reasonable bounds these different expenditures involving a taxation of the citizens of our state. While I do not recommend unreservedly the discontinuance of the home at Milford, I ask of you a careful and thorough study and investigation as to the probable demands which will have to be met by our people in providing for these worthy citizens. If the conclusion is reached that all the necessary comforts and conveniences can be as well provided for in the home already established, with reasonable expenditures for increasing its capacity, it is a serious question whether this ought not to be done rather than to incur additional expense by maintaining two different institutions. The latter course necessitates the employment of two sets of officers and increased demand for expenditures, which might be greatly reduced by concentration of population and the utilization of fixed conveniences which are of sufficient capacity to answer the demands a much larger population would make upon them than exists at the institution at present.

It is true that the location at Milford is beautiful, attractive and the surroundings very pleasant. The water, I have no doubt, is very healthful and there are, perhaps, some advantages which do not exist at any other institution in the state. These are inducements which appeal for the continuance of this institution, yet it is to be borne in mind that the surroundings and environments can be made very pleasant, and are so in fact, in every institution in the state. Such institutions have been located only in places where the people generally have found it very pleasant to establish their homes and rear their children and enjoy the usual degree of happiness allotted to mankind generally.

## CHANGES AT THE PENITENTIARY.

**Congratulates the State on Abolition of the Contract System.**

By the census of 1890 it was shown that Nebraska had a population of 1,058,910. At the present time it is fair to assume that the population has increased to 1,250,000. By an examination of the report for the biennial period ending November 30, 1894, it will be found that the average number per year sentenced to the penitentiary was 175½, and the average number per year for the biennial period just closed, as shown by the report of the present warden, is 176½. The number of prisoners confined in the penitentiary November 30, 1894, was 351, while the number imprisoned November 30, last, or at the end of the biennial period, was 275, thus showing a considerable decrease. It will also be observed, by the report of the pardons and commutations submitted herewith, that executive clemency has been exercised with less frequency than during the years previous, and the number paroled only a little in excess thereof. These statistics disclose Nebraska's standing in a very enviable position respecting the low percentage of criminality as well as that of illiteracy, thus confirming the axiom that ignorance and vice go hand in hand.

The condition of the penitentiary upon the whole is very good. The present management has taken advantage of the opportunities which have been offered for improvement. A careful study of the history of the penitentiary since its organization will not disclose any two years of its existence during which greater progress was made than during the biennial period just closed. Credit for this condition is due to the efficiency of the management of the present warden, who, by a wise and judicious policy has improved the standard of morals in the penitentiary as well as made large reductions in the expenditures. This good record has been made by the warden despite the fact that he has failed to receive the co-operation of most of those with whom he has had official relations in its management.

The question of the management of penal institutions is, of course, difficult under most favorable circumstances. There are various methods of management, each having warm advocates. While the encouragement of any method of management that will develop the reformatory features of prison life appeals strongly to the sympathetic and humane sentiments of mankind, yet it is to be borne in mind that the place should not be made so inviting that the careless and wickedly disposed will commit deeds of lawlessness without fearing the punishment to follow. The humanity of the present age demands that punishment for violation of law by imprisonment or otherwise shall not be inflicted barbarously, inhumanly or in any manner that would tend to stifle the better sentiments of a man, even though a violator of the law, but rather that the punishment shall be humane, yet reasonable, fixed, certain and determined in its character. This may be brought about by confinement in the penitentiary in solitary cells, in restraint of liberty, in strict and rigid discipline, in plain, simple fare, yet plenty and wholesome, clothing of the most common quality and some particular uniform color, and hard, steady and continuous labor during the period of confinement.

GRADING OF PRISONERS.

I do not believe in a sentimentality that would supply to the prisoner, convicted frequently of the most heinous crimes known to mankind, with every luxury, form of amusement or intellectual recreation that would be regarded as special privileges by many who lead a humble yet honest and upright life. I believe in classification of the prisoners, so far as it can be done, with the view of separating the older and more hardened criminals from those who have committed, perhaps under mitigating circumstances, their first offense, and who sincerely repent, desiring to pay the penalty for the broken law, retrieve the mistakes of the past and lead an honest and upright life. Such prisoners should receive all reasonable encouragement. This, it seems to me, might properly be done by constructing new cells in the new cell house in the east wing of the penitentiary, which is now used as a chapel. This would render it less difficult to maintain this class of prisoners without coming so much in contact with the more hardened class.

While some advocate changing the striped clothing customary to be used in prisons all over the country, I doubt the propriety of it. I understand it has been tried only in very few prisons and there found to work not very satisfactorily. Its advocates say it is degrading and humiliating for the offender to be required to wear this badge of a broken law. It can be said with equal propriety that it is humiliating to be put in prison and restrained of one's liberty. The logical sequence of such reasoning would be to discharge all the prisoners and tell them to go on their way and sin no more. We must come face to face with the practical side of depraved humanity and prison management of such, as well as to have the theoretical.

We have had in this state almost ever since its organization a form of prison management that has been debasing and degrading, a system of leasing the penitentiary and the convicts therein to selfish individuals for the purpose of private gain. We have at least rid ourselves of this one objectionable feature of prison management. The last session of the legislature passed an act providing for the annulment of the lease of the prison and prisoners and also providing an appropriation for the payment of what should be found to be due the lessee by the cancellation of the lease. Under the provisions of the act the lease was canceled, the appropriation made by the legislature for that purpose being exhausted in the payment. This report is on file in the office of the land commissioner. The state is to be congratulated upon the consummation of such a laudable object as that of canceling this lease, even at the expense it incurred.

RE-LEASING THE CONVICTS.

After the state had taken full control and possession of the penitentiary and the labor of the convicts an effort was made by the Board of Public Lands and Buildings to again lease the penitentiary grounds, machinery and labor, thus returning to the objectionable system from which we had just freed ourselves. As soon as the intention of the board came to my notice I took occasion to communicate to it my views in regard to the matter, in the nature of a protest, asking that the state should assume control of the penitentiary and of the labor of its convicts, except as the same had been contracted out under the old lease, and which by the terms of the act for its cancellation were to be continued in force during the period for which they were made. The board, however, proceeded to again lease the penitentiary grounds and property, as well as the labor of its convicts, subject to the subcontract mentioned. It occurred to me that this contract did not properly protect the interests of the state, was beyond the authority of the board to make and ought not to be recognized as a legal and binding contract on the part of the state. The warden, being of the same opinion, declined to recognize the validity of the contract. The controversy was submitted to the supreme court and an opinion rendered to the effect that the attempt to again lease the prison and the labor of the convicts was illegal and that the board had exceeded its authority.

After the decision of the supreme court the board called in Mr. James Whitehead, and under the designation of "agent of the board" he assumed to perform some duties connected with the management of the penitentiary which might very properly have been done by the warden under the direction of the board. The report of the board's agent is presented with the report of the land commissioner. I am satisfied that he has accomplished nothing that might not have been done by the warden and that the expenses occasioned by his appointment were utterly needless. It is disclosed by the report of the agent that there has been collected by him, as the proceeds of the labor of convicts, $14,280.73. Of this amount there was expended $10,014.97 and paid into the state treasury $4,115.08. These expenditures I regard as having been made without authority of law. All moneys derived from the labor of convicts should, it would seem, be turned into the state treasury, to be drawn therefrom on approved vouchers, as in other cases, in the manner provided by law. The board having the power to make provisions for the proper employment of idle convicts seems not to have exercised this authority, except temporarily, from time to time, as shown by the report of the agent of the board. It also appears that the contracts or agreements temporarily entered into were at a much lower figure than heretofore secured.

I have thought it proper to go into details

(Continued on Third Page.)


Half a Cent

for a baby! The cost of the few drops of Ayer's Cherry Pectoral that will cure croup, whooping cough and any other cough, if administered in time is perhaps half a cent. It may prolong baby's life,

Half a Century

Are you aware of the fact that you can buy the old reliable Burton guitar of us for $16.00—the guitar that year by year is firmly establishing itself as one of the very best—in tone—in finish—in style—the guitar that's sold for nearly half the price asked for other high grade makes—and we guarantee the Burton at $16.00 to give as good satisfaction as any of them.

A. HOSPE, JR.,

1513 DOUGLAS.

Subscribers to the exposition had better notice the kind of shoes Drex L. Shooman is advocating—some people fall dead when they find they can buy a genuine French enamel shoe for $3.00—but after we show them that they are really not $3.00 shoes—but the $4.00 and $5.00 kind—then they realize that they are enamels from France—it does not seem right to sell French enamels for $3.00—but we're bound to do a big business.

DREXEL SHOE CO.,

1419 FARNAM STREET



HOBBS

Honest Methods Approved.

The Free Distribution of Dr Hobbs Sparagus Kidney Pills from the Drug Store of Kuhn & Co., N. W. Cor. 15th and Douglas St. ended Yesterday.

Hundreds Now Testing The Remedy in This City and Vicinity.

WHAT WILL THE RESULT BE?

Last night the distribution of free samples of Dr. Hobbs Sparagus Kidney Pills closed at the drug store of Kuhn & Co. and will go into history as one of the most successful events that has ever taken place in this city. The frightful number of people who are suffering in one way or another from kidney troubles in this vicinity can only be estimated by the enormous number of sample packets which were given out on Thursday to all interested persons living in this city or neighborhood who applied for a sample of these wonderful pills.

Dr. Hobbs' representative was seen last night at his hotel, wearing a look of confidence that betokens the man who feels that he knows what he is talking about. He said, in answer to the questions put to him by the reporter: "Oh, yes; I know the public are skeptical of anything new, especially in the medicine line. It is reasonable to suppose that they should be, for have they not been humbugged enough by those who place but little value even on death, when it comes to the question of gathering in a few ill-gotten dollars?

"Dr. Hobbs appreciates all this, and is determined that the worth of his medicine shall be fully known and proven before the public is asked to spend a penny. What Dr. Hobbs' Sparagus Kidney Pills are guaranteed to do is to cure all kidney derangements.

"Do you know that rheumatism, in nine-tenths of all cases, arises from kidney troubles of one sort or another? Any physician will tell you that the common origin of all rheumatic troubles is uric acid in the blood. What do you do first, that being the case? Go for the cause. Get your kidneys in perfect working order, and away will go the rheumatism, because when your kidneys, whose duty it is to filter all poisons and impurities from the blood, removes the uric acid, the cause of the rheumatism will be gone and the rheumatism with it.

"Here are some of the symptoms which are danger signals, and, in a large majority of cases, indicate the onset of that most insidious of all maladies, Bright's disease of the kidneys. Pain in the back and sides, headache, nervousness, frequent thirst, hot and dry skin, shortness of breath, evil forebodings, troubled sleep, puffiness of the eyelids, swelling of the feet and ankles, loss of flesh, dark colored or scanty urine, with deposits of casts, etc., and the presence of renal epithelium, tube casts and albumen in the urine.

"These are some, not all, of the symptoms of Bright's disease, inflammation or congestion of the kidneys, nephritis, etc., and these Dr. Hobbs' Sparagus Kidney Pills are guaranteed to cure."

For the benefit of persons living at a distance from this city, who did not call at our store yesterday, Dr.