

INAUGURAL ADDRESS

OF

Governor George Lawson Sheldon

TO THE

THIRTIETH SESSION

OF THE

LEGISLATURE OF NEBRASKA

JANUARY 3, 1907

To the Senators and Representatives, Thirtieth Session of the Legislature of Nebraska:

I am pleased to greet you upon this occasion. I appreciate beyond expression the confidence the people of Nebraska placed in me at the last election. I appreciate deeply the high honor thereby conferred upon me, and I wish to thank my friends throughout the state for the loyal and enthusiastic support they gave me during the campaign. I feel especially grateful for the assistance and support of the loyal republicans and the independent voters who belong to other political parties than the one to which I have the pleasure of belonging and by which I was nominated.

To the members of the legislature, I desire to offer a few suggestions, which I hope and trust will be taken in the same kindly way and with the same good will as they are given.

You will remember that we are pledged against extravagance and

bound not to raise any more taxes for current expenses than will be necessary to conduct our state government under the most rigid economy. The total estimates for current expenses during the next biennium made by the heads of the several institutions are so large that it will be necessary for you to investigate thoroughly the needs of these different institutions before making the appropriations. Promiscuous junketing is expensive and in the past has not given beneficial results. It is, therefore, sincerely recommended that a joint committee be appointed for the purpose of visiting the several state institutions and inquiring into their actual needs before the appropriations are made.

The indebtedness of the state should be decreased while the state is prosperous. By an act of the last legislature provision was made for payment of the outstanding indebtedness of the state. That act will insure the payment of the debt within a few years if future appropriations are kept within reasonable bounds. The current expenses must be kept within the income of the state. It will not do to increase the public debt at this time.

The constitution of the state will not permit the permanent school fund to be invested in any other securities than registered county bonds of this state, and United States and state securities. The field for investment of this fund should be enlarged. There are other forms of investment equally as safe that would increase the interest return to the fund. If it were invested in municipal bonds, school bonds, or in Nebraska mortgages, the state would be benefited on account of the interest being paid at home.

The one-mill levy will reduce the floating indebtedness of the state about \$300,000 each year. A large part of this floating indebtedness has been taken up by the state treasurer for the benefit of the permanent school fund. There will be, therefore, about \$300,000 of the permanent school fund each year to be re-invested on this account alone.

It is urgently recommended that this legislature submit an amendment to the constitution so that the permanent school fund will not remain idly in the hands of the treasurer when the state indebtedness is paid off. Times and conditions change. Therefore, it will be for the best interests of the state that this section of the constitution be amended so that future legislatures may determine from time to time what class of additional securities shall be available for the investment of this fund.

The new revenue law of 1903 has brought about one of the most uniform assessments of property ever had. But there is still urgent need for amendments which will provide for a more equitable distribution of the burdens of taxation among the property holders of this state.

Under the present law real estate that is mortgaged is assessed for taxation purposes at its full value to the owner of the land without any deduction whatever for the amount of the mortgage. In addition to this if a mortgage is held by a resident of the county or of this state the mortgage is also assessed at the full value. There is no good reason why a

piece of real estate that is encumbered with a mortgage should be burdened with greater taxation than a piece of real estate of the same character and value that is not mortgaged.

Again, under the law if the mortgage is held by a non-resident of the state, and a great many of them are, no tax is levied against it because mortgages are construed to be personal property. Personal property is supposed to be assessed where the owner of the property resides. If domestic mortgages are to be taxed then certainly foreign mortgages should be taxed. The sensible thing to do is to tax all mortgages, both foreign and domestic, as an interest in real estate. Being assessed as an interest in real estate they would then be assessed for taxation purposes where the land is and not where the mortgagee lives. The value of the mortgage should then be deducted from the value of the mortgaged estate and the owner of the real estate assessed upon the equity he possesses.

It is contended by many that the result of such a law would increase the rate of interest because Nebraska is not yet a creditor state. If such is the case the possibility of an increase in the interest rate may be avoided by permitting the privilege of contract whereby the owner of the land may, if he chooses, pay the tax on the interest of the mortgagee. He could afford to do that and be none the worse off than he is at present. Certainly if all the domestic capital that is available for the investment of mortgages is driven out of the state non residents may be expected to raise the rate of interest as they no doubt will do when there is no longer competition by domestic capital.

During the past ten years we have been bountifully blessed with good crops and prices. The people of this state have been paying off their indebtedness and accumulating capital which should be invested at home. The present law discriminates against domestic capital and in my opinion it is forcing the residents of this state to invest their capital in securities and lands of other states. The present system plainly imposes a double tax upon mortgaged property, when the mortgage is held by a resident of this state and to that extent it increases beyond measure the tax upon that class of property. It is not fair to the residents of our state and it is against good public policy to continue the pernicious system of the present law in this respect.

Another amendment that is needed to the revenue law is one that will permit the reduction of bona fide indebtedness. Under the present law a man who is in debt is taxed for all that he possesses and for all that he owes. The debtor class of property holders should not be compelled to bear extraordinary burdens of taxation. Notwithstanding the fact that almost every other state permits the deduction of bona fide debts in some form or another, we are still discriminating against the debtor class which is neither fair, right nor just.

The cities, towns and villages of this state in almost all instances have a high rate of taxation. It is important, therefore, that property therein

be equitably assessed. At present the resident property holders pay a much greater proportion of the city, town and village taxes, according to the value of their property, than do the railroads which have their terminals within the corporate limits. The railroads receive benefits from the cities, towns and villages and in return should pay their proportion of the city, town and village taxes.

It may be a debatable question whether the great corporations of this state have in the past been paying their full share of the taxes. But the Union Pacific and Burlington railroads have refused to pay in full the taxes which have been regularly assessed and levied against them for the years 1904, 1905 and 1906. They are already delinquent about three quarters of a million dollars for 1904 and 1905. The refusal to pay this year's tax will place them delinquent over one million dollars. Their action in this respect is not fair to the other taxpayers of the state and is wholly unwarranted when past conditions in the state are considered. The government gave bountifully of its land, and the people of this state in a great many instances voted bonds to help build these railroads. Besides this, there never has been any restriction whatever upon them in the matter of freight rate charges. They have always up to the present time charged what they pleased. It requires patriotism at times to support and maintain a stable government. These great corporations, by their conduct, apparently lack that noble quality. Is it not strange that their conduct has vexed a patient people. No doubt they would ask for the protection of the state if their property were in danger, yet they deny the right of the state government to assess and tax their property as it assesses and taxes all other property. Everything that can be done will be done to enforce the collection of these delinquent taxes and railroad property in the future, so far as I am concerned, will continue to be assessed at whatever seems to be equitable and just.

The citizens of Nebraska cannot enjoin the collection of a tax levied against their property, because they are denied that privilege. But railroads, being non residents of the state seek relief through the federal courts. Until congress shall pass a law depriving them of this privilege they probably will continue this practice. It is, therefore, recommended that a joint resolution be passed memorializing congress to pass a law that will deprive a non-resident from enjoining the collection of a tax levied upon property within the state.

The Burlington railroad for the purposes of business is a unit. But when it comes up for taxation it is sixteen different companies. At present this company does not give the earnings for the different branch lines but simply gives the earnings for the whole system within the state.

The matter of assessing such a property with the information furnished the state board of equalization and assessment is a difficult problem. There is no disposition on the part of anyone to assess them unreasonably,

but there is a disposition to assess them equitably and for what they are worth. Railroads which operate branch lines in Nebraska should be compelled to furnish for each and every branch line an itemized statement in detail of all the business transactions of the several lines, together with the value of the stocks and bonds of each line and the gross and net earnings of each. It is sincerely hoped that this legislature will amend the revenue law in this respect.

The question of equitable taxation is a difficult one. A uniform assessment of property according to its value, regardless of its character, is certainly to be desired in any well governed society. All property should bear its just proportion of the burden of taxation. Personality should not be considered. It is neither a crime to be wealthy nor one to be poor. Let us remember that it is the property and not the person that should be taxed. All amendments to the revenue law that will eliminate double taxation and secure for the people of Nebraska more uniform and just assessment of property will be welcomed by every one that has the welfare of the state sincerely at heart.

In the conduct and management of the state institutions the governor is largely held responsible. No institution can be properly conducted where there is friction in its management. All the superintendents and heads of the different institutions, that are appointed should be held responsible for their conduct and for the management of their institutions directly to the governor. The laws of this state should be amended so that in case of mismanagement and misconduct the governor may remove them summarily. We have witnessed in the past at several different times the piteous condition in which governors of this state have been placed when trying to remove a delinquent or incompetent appointee. I trust this legislature will see to it that the laws are amended so plainly that such occurrences may not necessarily happen again.

The great corporations of Nebraska, especially the railroads and the telephone companies, have in the past maintained a strongly organized lobby in Lincoln during sessions of the legislature. The presence of any kind of professional lobbyists is neither needed nor desired. The corporation lobbyists are usually men of high integrity and sobriety, men of large experience in their line of work, congenial, clever men who, by their persistent and able efforts, are able to accomplish much for the interests they represent. The fact that during all of the previous history of this state no law has been passed which has regulated freight rates in any particular bears witness to the effective work and influence of a strongly organized railroad lobby. It is expected that this legislature will pass such measures as will forever put an end to ring rule in Nebraska. It is to be hoped, therefore, that there will be passed not only an anti-pass law, and a primary election law, but that there will also be passed a law that will prohibit professional lobbying.

The use of the telephone as a means of communication is becoming general in Nebraska. There are complaints in many parts of the state of unreasonably high rates and poor service. It is therefore recommended that the railroad commission, in addition to control of railroads, be also authorized by law to control telephone companies and regulate the rates thereof.

In regard to the railroad legislation that you are about to enact, permit me to offer these suggestions:

First. It is recommended that a law be passed prohibiting any railroad company from charging in the future any more between points within this state than were the charges on the first day of January, 1907; compelling them also, to furnish to the railroad commissioners all tariffs and classifications in force on that date.

Second. Inasmuch as the constitutional amendment providing for the railroad commission does not definitely define the powers and duties of that commission, a law should be passed immediately that will clearly, simply, and unmistakably define its powers and duties. Besides defining the duties of the commission, there should be conferred upon it the power to prohibit rebates, special rates, and discriminations of every sort to any particular person, company, firm, corporation or locality; and power to change, or alter, any or all schedules, classifications or tariffs that are in force on any railroad in this state at any time, so that the rates, fares and charges shall be reasonable, just and equitable. Let this law be written so plainly that it cannot be misunderstood, and with such deliberation that it cannot be set aside by the courts.

Third. It is recommended that you deprive the railroads of the right to enjoin the enforcement of a rate made by the commission pending an appeal to the state courts.

Fourth. It is further recommended that you pass a joint resolution memorializing congress to pass a law that will deprive common carriers from enjoining the enforcement of rates made by a state commission between points within a state pending an appeal to the federal courts.

I sincerely believe that it will be for the best interests of the state that you give your immediate attention to the enactment of laws that will do away with professional lobbying, that will abolish the free pass nuisance, and that will define the powers and duties of the railroad commission, so that the commission can get to work at once. There is great need in this state for a reduction of freight and passenger rates. The people need the relief. The commission will naturally await the action of the legislature. For these reasons it is essential that this work be done as quickly as a careful consideration of the subject will permit.

The people of Nebraska are to be congratulated upon the fact that they have become awakened and are determined to govern themselves. We have

been elected to carry out a definite program. It is to be hoped that the new deal will be a just one. Let us work together in harmony. It is suggested that all members of the republican party keep before them the platform that was adopted at the last republican state convention. Let us not forget to fulfil our promises and our pledges.

I realize somewhat the grave responsibilities that are about to be placed upon me, and appreciate the importance of the work that lies before me. Having been elected without obligations, except the trust I owe the people of this state as their public servant, I shall endeavor in the administration of the affairs of our state to be guided by what seems to be for the best interest of Nebraska and for the general welfare of her people. I bear no malice toward anyone, not even to the great corporations that have so strenuously opposed, and which probably will continue to oppose, the establishment of common justice in this state. Their rights must be protected, but when they abuse their privileges as they have done in the past they must be held to strict account. The welfare of our state demands that they must not be put out of business, but that they must be put out and kept out of Nebraska politics.

I realize fully that this reform movement is not a crusade against wealth, but rather a movement against graft and greed, and abuse of power. It has for its object the establishment in this state, from one end to the other, of government by the people and for the general welfare of the state. Legitimate interests must be protected. Conspirators against the common good and violators of the law must be prosecuted. The law of the land must prevail. I hope and trust that I shall have the loyal support and the wise counsel of the good citizens of this state. With the light of their intelligence, and with the wisdom that God may grant me, I hope and trust my administration may meet the expectation of the people of this state who have elected me.

GEORGE LAWSON SHELDON.