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LEGISLATURE OF THE STATE OF NEVADA
1923

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STATE PRINTING OFFICE **CARSON CITY, NEVADA**
: : : : **JOE FARNSWORTH, SUPERINTENDENT**
1923

STATE OF NEVADA

INAUGURAL MESSAGE

OF

Gov. James G. Scrugham

TO THE LEGISLATURE OF 1923

(Thirty-First Session)



CARSON CITY, NEVADA

STATE PRINTING OFFICE : : : JOE FARNSWORTH, SUPERINTENDENT
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GOVERNOR'S MESSAGE

To the Honorable, The Senate and Assembly:

In accordance with the mandate of the Constitution I have the honor to herewith submit a report on the condition of the State, together with certain recommendations regarding measures which appear to be desirable for the proper conduct of our affairs and for the promotion of the public welfare.

Many of the state problems here presented are of such perplexing character as to require all of our resources of zeal, patience, and clear thinking for their proper solution. At the outset it must be recognized that the citizenry of this State is made up of many elements who have diverse views regarding the results desired to be obtained through legislative action. This diversity of view-point arises primarily from the wide range of interests of the several classes of people. Therefore a review of the outstanding facts respecting the condition of some of our principal interests and industries will help us obtain a complete composite picture of our problems from the point of view of the common good.

FARMING AND STOCK-RAISING

In so far as physical conditions are concerned, the outlook for farming and the livestock industry in the immediate future appears to be favorable. Due to the generally adequate water supply available in the State during the past two years, large crops of hay and grain have been raised, and the ranges are in good condition.

In common with all other parts of the world, Nevada stock-growers and ranchers have had to contend with abnormal conditions of readjustment due to economic disturbances caused by the World War.

The immediate outlook for the sheep-growers is very good. Prices for wool and mutton are such as to make the industry profitable. However, Nevada sheep-raisers have still to recover from the heavy losses of stock sheep which occurred last spring and from the short lamb crop of 1922. We must also consider the setback in building up their flocks from the

reductions caused by the enforced liquidations in 1919-1920 following the sharp drop from war-time prices. It is worthy of note that a serious situation now confronts the wool-growers on account of the inadequate supply of sheep labor.

While Nevada, with other States of the extreme West, has been enjoying the best cattle market in the country, prices for cattle have not experienced the recovery shown in prices for lambs and wool. As a consequence the cattle-growers are not facing as satisfactory an outlook as the sheep-raisers.

METAL MINING

During the past four years metal mining in Nevada has experienced a serious decline both in production and development. This apparent stagnation can be ascribed principally to increased operating costs taken in conjunction with the comparatively low prices received for metals due to accumulated war stocks.

The depressed situation in which the industry now finds itself may be expressed in statistics. For some years prior to 1919 the average yearly gross production of metal mines in Nevada approximated \$50,000,000. In 1917 the total gross metal production was more than \$54,000,000. In 1918 it was \$48,528,000. In 1919 it suddenly declined more than 50 per cent; the production for that year being \$23,433,000. In 1921 production again dropped 50 per cent, the figures being \$12,137,000, which was less than one-fourth the former normal production. Accurate figures for 1922 are not yet available, but it is probable that production will aggregate about \$15,000,000 in value.

Of all the producing mines in the State, those whose output is silver are in the most satisfactory condition. The Pittman Act, through which domestic silver is sold to the Mint at the fixed price of \$1 per ounce, has served to keep that branch of the industry on its feet. At the present time more silver is being produced in Nevada than since 1918. A very serious problem confronts the silver producers, however, for within the next year the Pittman Silver Act will expire by limitation. Silver then must be disposed of at the prevailing market which at this time is about 63 cents per ounce. This is below the cost of production in most of the mines in the State. Practical cessation of silver mining may result unless relief is obtained through national legislation

or through the ability of the silver producers to dispose of their product in a more profitable manner than has been done in the past. Recent discoveries of new ore-bodies have not entirely balanced the depletion of former productive reserves.

Gold mining in Nevada is in the same condition which exists in every other gold-producing State. Except in the case of high-grade ores, the mining of gold, other than by-product production, has virtually ceased. This is illustrated by figures on national production which are less than that of prewar years. The price of gold has remained fixed while the cost of all commodities entering into its production has risen to a marked degree. Consequently gold mining cannot be made profitable except under the most favorable conditions.

Low market prices and high operating costs have greatly retarded the production of the baser metals. This is particularly true of zinc and copper. Nevada, once one of the most important of zinc-producing States, has recently mined but a negligible amount of that metal. Lead production is about one-fourth that of prewar normal years. Copper production is less than one-twelfth that of 1917. Since 1919 but one producing copper mine has been operating in this State. The strong financial condition of the owning company has enabled it to continue operations on a reduced scale during which a stock of copper has been accumulated and stored. This one remaining operator, however, suffered a serious setback during the past year in the destruction by fire of its concentrator. Fortunately, reconstruction was begun immediately, and at this time several units of the new plant are in operation.

Nevada has very large reserves of developed copper ore of commercial grade. Owing primarily to the lack of purchasing power in foreign markets and competition of other districts we cannot expect to attain even our prewar shipments of blister copper unless radical reductions can be made in production costs. A very promising possibility for such reduction comes from the proposed development of cheap power from the Colorado River in southern Nevada. It may become profitable to refine copper at some Nevada point before shipment to final market.

The production of the rare commercial metals such as tungsten, manganese, and quicksilver has ceased entirely. Nevada has enough tungsten ore already blocked out to supply the domestic demand for that metal during the next decade. Unfortunately, the selling price of the competing foreign product has been below the cost of production in this State, so that all local operations were abandoned. The new tariff places a substantial duty on tungsten ores, and plans are now under way to resume operations in some of the proven mines. A substantial production of tungsten may reasonably be expected during the next two years.

Late in the year two large ore-reduction plants were completed and brought into operation. In Gold Hill a plant of 3,000 tons daily capacity is now operating on the ores of the old Comstock district. The success of this venture will doubtless stimulate further developments. New exploratory operations are under way and the Comstock promises a substantial and healthy revival. In Candelaria a new mill of 300 tons daily capacity is now steadily operating, and that once rich district has again been brought to a state of profitable production. Construction was commenced on three smaller mills in different portions of the State, one of which, on the Betty O'Neal property in Lander County, has recently been completed and is operating successfully. The other two will start operations during the coming year. The prospects for increased mineral production from the old camps of Eureka and Pioche appear to be exceptionally favorable.

Developments during the past year in Tonopah have been far-reaching and extensive. Important discoveries of new ore-bodies have been made in both ends of the district. The productive area has been proven to extend much beyond previous expectations. Tonopah should continue to be a prosperous mining district for many years to come.

A large and very valuable deposit of colemanite, a borax mineral, was discovered over a year ago in Clark County, near Las Vegas. The deposit is being developed and marketed by adequately financed interests who are experienced in the business.

STATE FINANCIAL CONDITIONS

In spite of the fact that Nevada's basic industries have been in a depressed condition, the State's financial situation

is most excellent, and reflects great credit upon the previous administration.

As against an outstanding bonded indebtedness of \$1,602,000 on December 31, 1922, the State owns bonds of a value of \$2,832,790, and has on hand or drawing interest in the banks of the State the sum of \$1,080,300.

This relative showing is excelled by few, if any, of the States of the Union.

Nevada owns bonds amounting in value to almost twice her outstanding obligations.

Massachusetts, one of the most substantially financed States of the Union, had, at the close of 1921, a bonded indebtedness of \$143,000,000 as against a bond ownership of \$9,500,000.

California had on the same date a bonded indebtedness of approximately \$55,000,000 as against a bond ownership of \$15,000,000.

Nevada owns through her own trust funds all of her bonded indebtedness except \$375,000, which amount is in the hands of private owners. Were it possible to purchase these privately held bonds, the State has money on hand and available for investment in a sum almost sufficient to buy these bonds without the sale of a single outside security held by this State.

Our current revenue appears to be adequate for our immediate needs, there being a balance in the General Fund of \$197,183.28 at the close of business of 1922.

Our Nevada banks have made a record of good management unsurpassed by any State in the Union. This is the only State in the West, and one of the few in the United States, where no depositor has lost a single cent through bank failure within the past eight years. This is all the more remarkable when we realize that an adjoining State, whose industries are identical with those of Nevada, had the second highest percentage of bank failures in the country.

The banks of the State show an increase in deposits from the 31st of December, 1921, to the 29th of December, 1922, of \$1,017,208.23.

Their average cash reserve is 26 per cent, while the law requires only 15 per cent. Our percentage of rediscounts of total loans when at its peak amounted to only 5 per cent,

while neighboring States, whose industries are similar, had as high as 30 per cent of their total loans rediscounted.

Attention is called to the excellent work which has been done through cattle loan associations who availed themselves of the opportunity to finance our cattlemen through the War Finance Corporation.

The proposed Nevada Joint Stock Land Bank loans should be of material assistance to the State's financial system in securing favorable loans for our land owners.

No boom is in prospect. Competition will be keen and profit margins will not be great. But there is every indication from present conditions that business activity will continue to increase and the level of industrial and commercial prosperity will continue to rise at least for the next year.

EDUCATION

In the development of this Commonwealth much depends upon the systematic training of our young people in the fundamental requisites of high character, civic pride, initiative, and technical skill.

I am much impressed with the opportunities presented through our public-school system for guidance of the lives of the rising generation into happy, wholesome occupations. To this end it appears desirable that every encouragement be given to the further development of a well-balanced vocational education program for the State. This may properly include evening schools for the training of unnaturalized foreign-born people to become progressive citizens of our Commonwealth.

The contribution of Nevadans to the teaching staff of the State is far below the requirements of our schools. Every consistent step should be taken to stimulate the training of a larger number of Nevada young people for teaching-work within our borders.

The State University has made notable and continuous progress during recent years in its range of work, its standards of scholarship, its equipment, its student enrollment, and its widening service throughout the State rendered by public service and by faculty representatives.

The tax-levy plan for financing the University has been partially in operation for the past ten years and wholly in operation during the last two years.

This appears to be the best way to apportion state funds for the University.

The tax-levy rates in force for the University should be renewed for the coming biennium.

THE STATE HIGHWAY DEPARTMENT

Since the organization of the State Highway Department in 1917 a large program of highway improvement has been carried through, and the necessary preliminary plans have been perfected for the continuance of this program through several years. Space in this message will not permit me to fully outline these accomplishments to you, but they can be briefly summarized as follows:

Three hundred miles of highway have been completed, consisting of 35 miles of concrete pavement, 160 miles of gravel, and 105 miles of graded roadway, together with 12 permanent bridges. Uncompleted contracts under way aggregate 16 miles of asphalt macadam, 113 miles of gravel and 37 miles of graded highway. The year 1922 was the first full year's operation by the Department under the new graduated scale of federal aid, and it may be confidently predicted that future years will see a continually increasing ratio of federal aid and a consequent reduction of state expenditures. Total allotments of federal aid to the Department to date aggregate \$7,461,000, of which sum \$1,833,000 has been paid to the State.

At the present time the activities just mentioned have resulted in the partial construction of two east and west highways and two north and south highways.

Of these routes the northern highway has in a state of completion and under contract 126 miles, leaving 318 miles yet to be constructed. The center highway from the Utah line to Carson City has in the state of completion and under contract 107 miles, leaving 326 miles to be constructed. The north and south highway through the western part of the State has not progressed so rapidly, due to the financial condition of the counties through which it passes. Construction work is just beginning on the north and south highway which will make a very quick connection between Elko and Clark Counties by way of Ely, Pioche, and Moapa to Las Vegas. These routes are all badly needed for inter-communication in the State. All of these various activities

are fully reported upon and set forth in the biennial report of the Highway Department, which will shortly be available to you.

For the continuance of this work, I herewith recommend for your consideration:

First—The enactment of a gasoline tax measure providing for a tax of 2 cents per gallon on all gasoline sold in the State, the income from such tax to be placed in the State Highway Fund and to be used for maintenance and reconstruction of the highways. Briefly, the road user would then be paying for the upkeep of the highway in proportion to his use of the same; the State would derive a revenue of many thousands of dollars from the tourists who use our highways during the season of greatest maintenance expense and this taxation would reach a percentage of the population who are now entirely escaping. A reduction in the state tax-rate can be made should such an Act be placed on our statutes.

Second—The remainder of the automobile license fees over and above the annual requirements for meeting the State Highway Bond interest and redemption schedule should be promptly transferred to the State Highway Fund. This will require the amendment of section 7 of the Motor-Vehicle Law and section 6 of chapter 172 of the 1919 Session Laws.

Third—The enactment of legislation to properly regulate the overloaded truck and the narrow steel-tired wagon on our highways.

Fourth—Such legislation as is required to fix a higher license fee for truck transportation lines using highways as common carriers.

Fifth—The amendment of section 10 of the State Highway Law to provide for the expenditure of the County-State Highway Fund on maintenance as well as on construction. The method of administration of this fund now seems to be properly provided for and no changes are recommended in that respect.

Sixth—Section 1 of the State Highway Law provides that the Department of Highways shall consist of three directors and the State Highway Engineer. During the period of organization of the Department this provision was a wise and prudent measure. The Highway Board as constituted has given unselfish and splendid service to the

State. However, in order to make drastic reductions in overhead operating costs, it is my policy to consistently recommend the elimination of all boards and commissions not now absolutely essential to the proper conduct of the State's business. I therefore suggest that sections 1 to 5, inclusive, of the highway law be amended to make the State Highway Engineer the responsible head of the Department instead of a board of directors and a State Highway Engineer as now constituted. I further suggest that the law be also amended so as to refer such matters as the approval of contracts to an *ex officio* Board of Public Works, whose other proposed functions are hereafter discussed in this message.

I call to your attention the fact that the budget and activities of the Highway Department have been made on the basis of taking up the maximum amount of federal aid accruing to the State and at the rate which it will be absorbed if it is not to revert to the Federal Government. This seems desirable in view of the fact that the recent Federal Highway Act extends to the public-land States an equitable basis of cooperation in the building of our highways, and there should be no cessation of activities which would in any way endanger the State's full enjoyment of this aid.

In accepting federal aid, the State has obligated itself to properly maintain these highways. Adequate legislation for highway maintenance has not yet been enacted, and I therefore submit these recommendations to remedy a now very urgent need.

In carrying out its program of highway construction, the State is receiving approximately 75 per cent of its expenditures from sources outside the State, and I emphasize the statement that the general disbursement of these large sums of money cannot have other than a good effect on employment and business conditions throughout the State.

IRRIGATION AND POWER DEVELOPMENT

The great handicap to agricultural and power development in Nevada has been the fact that no satisfactory regulation, distribution, or storage of water could be made on any stream until the relative rights of the parties of interest had been determined.

The necessity for a definite determination of water rights

was realized long ago by our administrative and legislative officials, and adequate legislation has been provided. Through the medium of frequent meetings and discussions the issues have been clarified and a better understanding of the vexing problems involved has been secured by practically all of the water-users of the State. The Engineer's findings on the water rights of the major stream-systems of Nevada are now practically completed and ready for final action by the courts.

Plans for two great impounding reservoirs to be located wholly or partly in Nevada have been made through cooperation of state and federal interests. One of these reservoirs, for impounding the flood-waters of the Truckee River, will be located in the Spanish Springs Valley near Reno, and the other, for the impounding of the waters of the Colorado River, will be located at either Boulder or Black Canyon, near Las Vegas. Another reservoir is being planned by private interests for utilization of flood-waters of the Carson River. Opportunities exist for profitable storage of flood-waters on the Virgin and Humboldt Rivers.

It is probable that there is a considerable acreage of land in Nevada which can be successfully irrigated from ground waters. However, under present conditions, the speculative element encountered in underground water explorations is too great to warrant its being undertaken by persons of limited financial resources. The large majority of such experiments have been failures, chiefly because of a lack of understanding of the economic and technical factors necessary for success.

Some of the greatest undeveloped water-power sites in the entire world lie on the Colorado River in southern Nevada. Many hundreds of thousands of horsepower can be cheaply developed by waiting capital, when a definite authority is established through state and federal cooperation which will adequately protect the necessary investments. Electrochemical and metallurgical industries will congregate where the lowest cost power and raw materials can be obtained.

The Legislature of 1921 initiated an investigation of Nevada's equity in the Colorado River through creation of the Colorado River Commission. This Commission has thoroughly performed the duties assigned. Surveys were made to determine the areas of land for which this State

claims water rights. In conjunction with representatives of other interested States, the Nevada Commission conducted a series of conferences looking to a satisfactory adjustment of the complex problems of river development. As the Constitution of the United States contains a clause forbidding the States of the Union to enter into an agreement without federal consent, it was necessary for the Government to give its approval to the proposed negotiations. This was done in August, 1921, by legislation authorizing the negotiations, providing for the appointment of a representative who should participate to protect the interests of the United States, and specifying that the negotiations between the State should be terminated by January 1, 1923.

The President in December, 1921, appointed Secretary Hoover of the Department of Commerce as Federal Representative. The first meetings of the Commission were held in Washington in late January, 1922. At these meetings, at which Secretary Hoover was elected permanent chairman of the Commission, and after serious discussion of various proposals for a compact, it was decided that before reaching a definite determination it would be best to hold a series of hearings in the seven interested States, where different view-points could be heard at first hand by the Commissioners. Meetings were then held in all of the interested States.

At the final meeting a form of compact was evolved which had the full approval of the representatives of all the interested States and the Federal Government. This compact will be immediately submitted for your consideration. It has my unqualified approval, and I deem its endorsement by your body is imperative in the interest of an early development of the Colorado River projects.

In order that the interests of the State of Nevada in such projects may be fully promoted, I recommend the retention of the Colorado River Commission with its present duties and powers.

PUBLIC SERVICE COMMISSION

The Public Service Commission has done splendid service for the people of the State in the regulation of railroads and other public utilities, more especially in its fight for reasonable rates for Nevada consumers before the Interstate Commerce Commission. Through cases instituted before the

Interstate Commerce Commission and cooperative work with the carriers serving Nevada, the Commission has been able to effectuate a saving of hundreds of thousands of dollars annually. Through its efforts a new scale of ore-rates has been established materially lower than the scale heretofore in effect on all grades of ore and concentrates moving from Nevada to Utah and California smelters. The entire class-rate structure within Nevada and from California to Nevada on the lines of the Southern Pacific and Western Pacific has been revised downward, the average reduction being approximately 25 per cent. Coal rates to Nevada have been reduced an average of \$2 per ton. Many other minor adjustments have been secured, the total of which is large.

Through the Acts of the Legislatures of 1919 and 1921 the Commission has had placed upon it an onerous burden of detail work in the form of regulating and licensing auto common carriers, so-called, embracing all automobiles operated for hire over the public highways of this State. This law has forced the Commission to devote a large part of its resources to the matter of the regulation of automobiles that might better have been spent in matters of more import to the people of the State. I therefore urgently recommend the amendment of sections 7 and 18 of the Public Service Commission Law of 1919 to exclude from the definition of public utility the automobile common carriers referred to therein, except where they are in direct competition with established railroad carriers, and to eliminate the provision regarding bonds to be filed by auto common carriers. I also recommend the repeal of the Acts of the Legislature of 1921 covering the issuing of licenses to auto common carriers. These duties may properly be delegated to the county government or the Secretary of State.

With this burden of regulation of auto common carriers lifted from the Commission it will be practicable to dispense with the services of a Secretary at \$3,000 per annum, which is hereby recommended.

BOARD OF PUBLIC WORKS

It appears practicable for the Public Service Commission to also act as an ex officio Board of Public Works to handle matters relating to public works heretofore delegated to other agencies. Under this plan it will be possible to dis-

pense with the services of certain boards and commissions, with resulting economy for the State. I will submit further recommendations on this proposal after consultation with members of your honorable body and interested commercial organizations.

DISTRICT AGRICULTURAL BOARDS

The functions of the District Agricultural Boards of this State are largely covered by other state and federal agencies. In the interest of economy I recommend the abolition of these boards or that no further appropriations be made for their support.

FARM BUREAU

The State Farm Bureau in cooperation with the National Farm Bureau has effected an active and useful organization in this State.

A great variety of practical problems of vital interest to the agricultural population is receiving consideration through the instrumentality of this department.

The farming industry has suffered more than any other from the recent economic disturbances, and has been handicapped by its lack of constructive organization.

The Farm Bureau appears to be the agency which will best aid the farmer in the solution of his pressing problems, and as such deserves your continued support.

FISH-AND-GAME PROTECTION

After conference with a large number of persons interested in fish-and-game propagation and protection, I make the following recommendations:

First—That the present method of county control of fish and game licenses be continued for the next biennium in order to give the system a fair trial.

Second—That the Governor be empowered to select, designate, and set aside as refuges for wild game such suitable areas of the public domain as it may appear will not unduly interfere with the livestock industry of the State.

Third—That the Legislature make suitable provision for a method of stocking the proposed game refuges.

Fourth—That the law be amended to allow Indians the privilege of hunting and fishing without payment of a state or county license, and, subject to proper regulations, that

they be given the right to market the fish they take from the waters of the State.

STATE RECREATION GROUNDS

It appears entirely practicable to segregate areas within the Forest Reserves as State Recreation Grounds or Game Refuges. No large additional item of state expense would be involved and local needs could always be given consideration. Arrangements can doubtless be made with the U. S. Forest Service for properly policing the grounds. In this connection I desire to call attention to the remarkable scenic asset possessed by Nevada in the Lehman Caves in White Pine County, now operated under cooperative arrangement with the U. S. Forest Service.

INDUSTRIAL AND SOCIAL LEGISLATION

One of the foremost duties of the State is that of safeguarding the health and happiness of its citizens. A just and reasonable apportionment of the hours of labor, rest and recreation is imperative in the lives of those citizens upon whom the progress and prosperity of the State is essentially dependent.

I believe it is a duty of the State to enforce a just protection for the manual worker against the risks of hazardous and unhealthy employment. The labor of each human being is of value to society. The life and comfort of each worker is a responsibility of the State. It concerns us to act with greatest solicitude for those who are least able to act for themselves. The Government must treat with equal consideration those of all social conditions who are in need of the protection of the strong arm of the State.

The League of Women Voters, the Child Welfare Division of the State Board of Health, the Nevada Public Health Association, and the Legislative Committee of the State Federation of Labor will present to you certain measures designed to promote the welfare of our people and to improve their living conditions. I respectfully urge that you give these measures your careful consideration.

CHARITABLE AND PENAL INSTITUTIONS

The care of defective and dependent wards of the State is a matter in which good citizens of all parties should manifest a deep and active interest. I am convinced that the

administration of state penal and charitable institutions should be divorced from politics and that it should be committed to those best qualified by training and experience to develop these institutions along humane and progressive lines. At a later date I hope to present to you some specific recommendations looking to the establishment of a State Board of Charities and Corrections.

THE STATE PRISON

The maintenance of the State Prison during the years 1921 and 1922 resulted in a deficit of about \$8,000. This was primarily due to the fact that the appropriation made for the Prison by the last Legislature was based on the care of 98 prisoners, while the number has since increased to 174.

The old Prison is obsolete and unfit for present-day needs and entails unnecessarily large overhead expense.

With the completion of the new cellhouse the force of guards now employed and other overhead expenses will be materially reduced.

With the present inadequate accommodations, from two to four prisoners are confined in a cell. The young and inexperienced may thereby come in direct contact with hardened and degenerate criminals, which is not justified under any circumstances.

I strongly indorse the plans heretofore adopted for the building of a new Prison and in the interests of economy and efficiency earnestly urge its speedy completion. Practically the entire work can be carried out by the employment of men now confined in the institution, and considerable material taken from the old building can be used in the construction of the new.

UNIFORM LAWS

The Nevada Board of Commissioners for the promotion of uniformity of legislation will present for your consideration a number of meritorious measures proposed by their National Conference. Several uniform laws have already been adopted by the Legislature of this State.

An appropriation was made for the last biennium as a contribution from the State of Nevada to the support of the National Conference, and I recommend that a similar appropriation be made for the ensuing two years.

ABSENT-VOTER BALLOT

It is recommended that the provisions of the absent-voter ballot be extended to citizens residing in remote and sparsely inhabited precincts, thereby eliminating the expense of holding elections therein and facilitating the exercise of suffrage.

To safeguard the provisions of the absent-voter law, it is recommended that the law be amended to provide that all persons voting an absent ballot be compelled to appear in person and register for the next ensuing election as a condition precedent to the right to vote thereat.

BUDGET

This message avoids detailed reference to appropriations and the fiscal management of the State because a supplementary document, the Executive Budget, will be presented by the Governor. In this budget will be set forth complete schedules of recommended plans for obtaining revenue and disbursing it by apportionment to the different departments.

The Nevada budget law is not a constitutional provision. It therefore does not limit the constitutional powers and responsibilities of the legislative branch in determining the extent and apportionment of state expenses over the next two years. It will place before you a total summary of the financial plans of the administration and is subject to such alterations and modifications as you may see fit to adopt through the session.

I hereby request that the Ways and Means Committees of your two houses shall regularly confer with the Governor through all the work of preparing the budget schedule and the General Appropriation Act. We can thereby effect the necessary exchange of views between the legislative and executive branches and obtain better knowledge of the facts upon which appropriations must be based.

VETO POWER IN APPROPRIATIONS

As a check against unnecessary expenditures of the public moneys, the Governor should be given authority to veto or reduce specific items or sections in any appropriation bill without the necessity of vetoing the entire measure. Most of the States already give such power to the Chief Executive. In this State the Governor either must veto the entire appropriation bill or allow objectionable items to pass without

question. By the judicious exercise of this added power the Governor frequently could eliminate wasteful disbursements from the treasury. The prevailing system of enacting an appropriation bill too readily lends itself to a spirit of mutual accommodation between legislators who are answerable to local constituencies rather than to the people of the entire State.

TAXATION

The percentage of net income absorbed by taxes in Nevada is much less than that absorbed in the great majority of the States and far below the average for the United States as a whole. Our per-capita wealth is, by wide margin, the greatest in the United States.

The percentage of the average normal income in Nevada consumed in taxes for all purposes, federal, state, local, and special taxes, is 9.9 per cent against an average for the United States as a whole of 12.1 per cent. In this respect our rating is as favorable as that of any other Western State.

Further consideration should be given to the fact that the state taxes represent only a small portion of the total taxes levied upon our people.

State taxes for the year 1921, when state expenditures reached the highest peak, were \$1,221,664, whereas county, district, special school district, and city taxes aggregated \$3,759,195.

While it is incumbent upon us to practice every form of state economy not inconsistent with proper progress, yet I wish to emphasize the fact that even drastic reductions in state expenditures will not alone give material relief to the taxpayers.

The principal spending agencies in Nevada are the local communities.

Article 10 of the Constitution sharply limits the powers of the taxing authorities in this State. It provides what is known as the "uniform rule of taxation" which has been found elsewhere, as here, to tend to make perjurers out of both taxpayers and tax officials.

It is obvious that different classes of property are capable of producing entirely different rates of income on the same invested capital.

The Nevada constitutional tax provision takes no account of the so-called "ability-to-pay" principle. From my studies

of the subject I am convinced that under the present system the taxing authorities are almost compelled to violate the law, and every encouragement is given taxpayers to submit declarations of property which are not in accordance with the facts.

It is not my purpose at this time to suggest any alteration of the clause in article 10 of the Constitution which relates to the taxation of mines and mining claims. I will later take opportunity to discuss the principle of classified taxation with appropriate committees of your body.

The inheritance-tax law of this State is in most particulars fundamentally sound. However, I believe that the collection of revenue from this source could be made more effective if the Tax Commission, with the advice of the Attorney-General, were charged with the exclusive duty of assisting the county officers in enforcing this Act. Recommendations for an appropriation to carry out this work will be made in the budget.

The Tax Commission Act of Nevada provides what is termed decentralized supervision of the tax machinery. Its chief duty and responsibility is that of keeping the State solvent by bringing in revenue sufficient to meet legislative appropriations. One important function of the Tax Commission itself, as apart from that of the State Board of Equalization, is the assessment of such parcels of property as exist in more than one county. Migratory live stock comes under this classification. I recommend that the Tax Commission Act be amended so as to provide for the scheduling and assessing of live stock directly by the Tax Commission and the subsequent proportioning thereof to the various tax-assessing jurisdictions.

The Tax Commission will render better service to the people through equalized taxation, if it is more adequately supported.

CONCLUSION

The State, even though appearing to be on the threshold of better days, is still in a position where its taxpayers are entitled to every relief that can properly be afforded. However, we must bear in mind that our citizens should have as satisfactory living conditions as those which prevail elsewhere, and that the deferring of work, which will later have to be done, is not always true economy.

An increased population with increased wealth may be had in Nevada by investing time and effort to make conditions here more attractive to outside capital and homeseekers.

Schools, roads and public service equal to that obtained elsewhere, are not luxuries in Nevada any more than they are luxuries elsewhere. They are essentials in any program which has for its purpose the upbuilding of a permanent and substantial Commonwealth.

In my opinion there is no necessity for discouraging either the expansion of our educational facilities, the highway-building program, or the irrigation and power development plans which are discussed in a previous portion of this message.

The encouragement of these developments will tend to build up the population of the State, stimulate business, and provide further employment for our citizens.

We must recognize the fact that our government is one of checks and balances, and that its three branches—the legislative, the judicial, and the executive—each functions independently. It would be presumptuous for me, as head of the Executive Department, to recommend to you, the legislative branch, anything that might be construed as an attempt on my part to influence your organization, your work, or your procedure. Nevertheless, feeling that we are all actuated by the same underlying motive, the upbuilding of this Commonwealth and the conservation of the taxpayers' money, I respectfully call your attention to the fact that the legislative session of 1921 cost the State \$53,179.78 and that this session can reduce this expenditure by more than \$15,000 through a judicious reduction of the number of attachés and by completing the work of the session in forty days. Early introduction and prompt consideration of bills will obviate the usual lack of business and lengthy adjournments of the early part of the session, and prevent the customary congestion of the closing days.

I trust and believe that your deliberations will register a forward step in the conduct of the affairs of our State.

JAMES G. SCRUGHAM,
Governor.