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INAUGURAL ADDRESS  
OF  
HON. RALPH L. CARR  
Governor of Colorado  
BEFORE THE  
JOINT SESSION  
OF THE  
THIRTY-SECOND GENERAL ASSEMBLY  
AT DENVER, COLORADO



January 10, 1939

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ADDRESS OF GOVERNOR RALPH L. CARR TO THE MEMBERS OF THE THIRTY-SECOND GENERAL ASSEMBLY OF THE STATE OF COLORADO

Members of the Thirty-second General Assembly:

By the vote at the last election, the people of Colorado pronounced certain mandates directed to the legislative and executive departments with respect to the conduct and operation of their state government which no public official, either elective or appointive, may ignore. Both of the major parties made their campaigns on promises of financial retrenchment and the consolidation and co-ordination of boards, bureaus and commissions in the interest of economy and efficiency. Public sentiment, uncolored by partisan or selfish motives, demands that this administration start the machinery going which eventually will bring about the fulfillment of those pledges.

As the result of a series of factors which need not be recounted here, Colorado has come to the place where certain basic changes must be effected. The problems are so grave and so great that it is not to be hoped that their solution will be immediate. While it may take years to accomplish a complete solution, nevertheless in spite of Constitutional obstacles the start can and will be made at this session.

Over a period of years our legislative bodies have followed a general plan of establishing a new board or bureau to enforce nearly every act of any moment calling for administrative activity. Such policy has proved to be fallacious. Duplication of duties and functions was inevitable. The pyramiding of salaries, accounting systems and attendant expenses was a necessary incident.

Contemporaneously therewith the legislatures have established a series of continuing appropriations which, together with other allocations of revenue by constitutional provision, have largely destroyed the functions and powers of the executive department with respect to state expenditures. Cash funds collected by various boards and bureaus and expended by the same administrative agencies without reference to the centralized state government have taken from the constitutionally

established officials the power to control or to supervise a large portion of the state's finances and governmental activities. Not only has this served to decrease efficiency and to promote waste, but it has eliminated any measure of direct responsibility for the administration of the state's affairs. The very purpose of the Constitution has been subverted, and instead of making the acts of their officials responsive to the electorate, and in furtherance of solemn pledges made to the citizens, there has developed a government of bureaus independent in their functionings and subject largely only to the dictates of the independent political wishes and inclinations of the members of such boards.

Executive responsibility for the conduct of the state's affairs has been further greatly divided and delegated by the laws which have set up an executive council of five elective officials. Although I was elected upon a platform containing a definite program I cannot attempt to keep my promises to the people unless I can secure the consideration and support of the remaining four members of the present executive council.

The Constitution provides that "The supreme executive power of the state shall be vested in the Governor, who shall take care that the laws be faithfully executed." Under existing laws there are five governors instead of one, and the official who bears the title of Governor is distinguished from the other four members of the executive council in his authority only by the title and his right to veto proposed legislation.

To the end that the will of the people as registered by their votes may determine the policy of the state, statutes in conflict with the spirit and intent of the above quoted constitutional provision should be repealed and other state officials should be limited in their activities to the powers assigned when their offices were created.

This would result in the Governor of Colorado actually possessing and exercising the powers of a chief executive, and his success or failure would be determined by a fair test of his program.

The task confronts this administration of so conducting the state's business that it may pay its debts promptly while it performs its obligations to all citizens alike. A plan must be evolved which will enable Colorado to live within her income

with no increase in taxes; useless boards and bureaus must be eliminated, and the employment of unnecessary agents and officials must be stopped. And all of this can be accomplished by the application of simple business principles to the problems of our state government.

The accomplishment of this plan is possible under the present administration. Many times in the past there has been talk of a reframing of our financial setup and the simplification of the state government. Ordinarily nothing has come of such suggestions because no definite course was offered. However, during the past two years qualified analysts of state government have studied Colorado's problems. Their efforts have been supplemented by the work of volunteers who have sought to analyze existing conditions and to offer solutions of the problems. Their worthwhile conclusions have been made available. I intend to submit for your consideration bills based upon these conclusions. In this connection it should be remembered that many incidents to a complete simplification can be attained only by amending the Constitution and the wisdom of submitting to the people any proposed changes is for your determination.

It is hardly necessary to tell you that the state is in financial difficulties. In fact our plight has been well advertised and people beyond the borders of the state have acquired a mistaken idea of the exact situation. Basically Colorado is in an economically sound condition. It is not overburdened with debts when the wealth and resources of the state are considered. The tax load is not unduly heavy in comparison with the burdens borne by the taxpayers of many other states. Our credit is good and our anticipation warrants have found a good market because our investors see through the temporary clouds of our immediate difficulty.

I call attention to these facts not to minimize the difficulties and the problems which confront us, nor to imply that the cost of government should not be reduced, but to dispel the notion that Colorado is bankrupt. This is not a bankrupt or decadent state. It is a young and vigorous state—richly endowed with natural resources—progressive in everything except the management of our public business, and destined to become great.

Our basic trouble is not financial. Our temporary fiscal problems are but symptoms of poor organization and bad management. Our financial structure is hopelessly and needlessly confused. We have not yet adopted the budget system of allocating public moneys, but have made our budget a fifth wheel to the archaic vehicle for allocating revenues, which is known as the special fund system.

Collections for the biennial period ending June 30, 1939, have failed to develop sufficient money to meet appropriations by an amount approximating two and one-half million dollars. Considering only the first and second class appropriations there will be a cash deficit in the general fund of one million six hundred thirty-two thousand, six hundred thirty-eight dollars on July 1, 1939.

The funds for certain state activities have been exhausted, employees of certain state institutions will not receive their monthly salary checks and necessaries cannot be purchased for the maintenance and preservation of other state institutions and interests. The need for immediate action must be realized by every one of you. In order to carry on essential functions of the state legislation is required before February first. My solution will be considered later in this message.

Assuming that we do not undertake any new activities or authorize additional expenditures not contemplated at this time, our fiscal problem becomes one of meeting operating deficits in the general revenue fund represented by floating liabilities of years prior to July 1, 1937, amounting to one hundred fifty-four thousand eighty-six dollars and eighty-one cents, an operating deficit of the current fiscal year estimated at one million, nine hundred twenty-five thousand, nine hundred fifty-eight dollars and thirty-two cents, an operating deficit of the year 1939-40 of two million, two hundred ninety-five thousand, two hundred twenty-five dollars, and an operating deficit of the year 1940-41 of two million, nine hundred sixty-six thousand, six hundred fifty-three dollars. This means that we are faced with a cumulative deficit of the period from July 1, 1938, to June 30, 1941, of seven million, one hundred eighty-seven thousand, eight hundred thirty-six dollars and thirty-two cents, and must make provisions for floating liabilities of one hundred fifty-four thousand, eighty-six dollars and

eighty-one cents for expenditures incurred prior to July 1, 1937. In other words, we must find approximately seven million, three hundred fifty thousand dollars for financing on a balanced budget basis from January, 1939, to June 30, 1941.

My study and analysis of the cash condition over a period of years indicate to me that day in and day out and year in and year out there is carried idle cash in miscellaneous public expendable or cash funds, daily balances averaging well over one million, five-hundred thousand dollars. This money is carried in inactive cash accounts while we pay interest at the rate of four per cent per annum on interest bearing warrants. Some of the spending agencies supported by these funds are able to live in luxury and still have surpluses while agencies supported by the general fund are starved. While we have surplus cash in the Treasury and while there remains any hope of reducing the cost of state government, it is inconceivable that we should even consider making any addition to the tax burden which rests so heavily upon our people.

As a matter of common sense we should utilize to the very best advantage our present cash resources without resorting to the imposition of additional tax burdens upon our people. I recommend that the one million and one-half dollars of surplus cash of special cash funds be made available for expenditure. These funds should be transferred to the general fund by statute.

A net income tax was imposed by the 1937 session of the General Assembly with a view to providing revenues to replace, in part, general property tax levies for school purposes. It is now apparent that the income tax is not, and will not be, a replacement tax but rather an addition to the tax burden. I am told that in forty-two counties the old levy for the school tax has been converted into a part of the general revenue funds and the income tax has become merely a windfall. You and I take office burdened by the existing deficit and faced by another for the next biennium. The people were advised of this in the campaign and they know that the fiddler must be paid. Either a new tax must be voted or we must find the solution in some such fund as this.

I recommend that the income tax law be amended to provide that the entire proceeds of the tax for the year 1939 and subsequent years be paid to the general fund and made available for appropriation for general state purposes. I further recommend that the estimated surplus or deficit of the state as of the end of each biennium be taken into account in formulating the budget for the ensuing biennium, so as to avoid carrying over either unbudgeted resources or unpaid bills representing expenditures properly payable under appropriations of the closing year.

Colorado now has a fire loss fund with a cash balance on June 30, 1938, of two hundred seventy-eight thousand seven hundred sixty-seven dollars, yet we continue to pay for full coverage for most of the state's fire insurance risks. You must establish a definite policy with respect to fire insurance. We should either carry our own insurance and provide some reserve to meet probable losses, or else we should contract for coverage of all fire insurance risks. It is folly to pay premiums for practically full coverage and at the same time maintain a fire loss fund. You must decide whether to transfer the balance of the existing fire loss fund to the general fund and continue to contract with insurance companies for fire loss coverage, or to retain the whole or a part of the cash resources of this fund as a reserve for fire insurance losses, cancel all fire insurance policies now in force and expend no more money for fire insurance premiums.

The merging of special cash funds with the general fund will make available one million, five hundred thousand dollars to apply on the potential deficit. If we abolish the fire loss fund and transfer its resources to the general fund, the total special fund resources available to apply on the 1938-39 deficit would be one million, seven hundred seventy-eight thousand, seven hundred sixty-seven dollars. This would leave some one hundred forty-eight thousand dollars still to be provided in order to balance the budget for the current year and in addition, one hundred fifty-four thousand, eighty-six dollars and eighty-one cents would be required to pay off the floating liabilities of prior years.

The estimated expenditures of the current fiscal year, from the general fund are six million, four hundred twenty-three thousand seven hundred eighty-two dollars as

compared with actual expenditures of four million, nine hundred fifty-four thousand, nine hundred twenty-seven dollars in the fiscal year 1937-38. In the period from January 15, 1939, to June 30, 1939, I am confident that we can hold expenditures to a figure at least three hundred thousand dollars below the estimates, and should thus be able to close the year with a small surplus if my recommendation to merge special cash funds in the general revenue fund is adopted.

If we close the current year without a deficit, the prospective cumulative deficit as of June 30, 1941, will be five million, two hundred sixty-one thousand, eight hundred seventy-eight dollars. The proceeds of the tax on personal and corporate incomes of the years 1939 and 1940, payable in 1940 and 1941, will cover this deficit and provide a small margin for urgently needed maintenance and for contingencies. This should also justify you in refusing to revive the service tax which expires by its terms on June 30, 1939.

Vital in the consideration of this administration is the solution of the problem of old age pensions, so-called. With little information available as to the ability of the state to pay such an amount, the people amended the Constitution two years ago so as to require the payment of forty-five dollars every month to every person over the age of sixty with certain residential and financial qualifications. At the last election the voters announced their adherence to the principle of the amendment by a definite majority in favor of its continuance. If the pension is paid the people cannot complain no matter how heavy the burden may prove to be. The full payment has not been made in any month since December, 1937, and by the end of the present fiscal year on June 30, 1939, it is estimated that unless radical changes can be made the state will be short two million, four hundred ninety-seven thousand, seven hundred seventy dollars of the amount needed to pay the pension in full.

It is estimated that receipts which will accrue to the old age pension fund from present sources of revenue will amount to twenty-five million, one hundred nineteen thousand, four hundred eighty-four dollars for the biennium commencing July 1, 1939. On the basis of these estimates the excess of the requirements over the probable receipts will result in a deficit



of sixteen million, one hundred sixty thousand, five hundred sixteen dollars for the two years ending June 30, 1941. Adding this deficit to the estimated deficit for the next six months, we have a total cash deficit for old age pensions at the end of the biennial period on June 30, 1941, of eighteen million, six hundred fifty-eight thousand, two hundred eighty-seven dollars.

It is charged that ineligible persons are receiving the pension. An investigation of the lists of those receiving the state's bounty should be made by you, and I recommend that a specific statute be enacted making it a felony to secure such money by fraudulent means. Ineligibles are taking money that belongs to needy persons and working an unfair hardship upon the taxpayers.

The cost of administering relief is entirely out of line insofar as the ability of Colorado and its counties to pay is concerned. The number of persons employed in this work is fixed by the rules and regulations of the federal agencies which contribute funds for relief.

The administration of relief should be returned to local authorities, and I suggest that the General Assembly memorialize our representatives in the Congress to secure necessary changes in laws and regulations which will substantially lower administration costs and eventually return the work to local officials.

Under the present law a person may become eligible for a pension after a residence of five years in Colorado. Word comes that persons are moving into Colorado from all directions. Many such newcomers have already been here for a good portion of the time required under the law to receive the pension, and within a few years the list will undoubtedly be greatly increased by the immigration of the aged from other states. The law should be amended to the end that only those who have really lived here as bona fide citizens for a much longer period may become eligible. In respect to pensioners above the age of sixty-five who are automatically entitled to payment because of the terms of the federal laws, you should again memorialize our representatives in the Congress to so amend existing federal statutes that this unnecessary hardship may not be visited upon the taxpayers of Colorado.

Proposed amendments of the Federal Security Act, if adopted at the present session of Congress, will remove a large

number of persons from the old age assistance rolls, and place them under the old age insurance provisions of the Federal Social Security Act as of January 1, 1940. This should result in reducing the burden on the old age pension fund, but it is not possible at this time to estimate the amount of the reduction.

I am convinced that the fund for the payment of pensions can be substantially increased by more vigorous and effective collection methods. Bills will be presented to you providing a plan for a modern and effective tax administration and which will permit the exercise of effective methods of enforcing the tax laws. Continued business recovery will, I hope, result in increases in tax yields. Through better organization, better management, better methods and the practice of true economy I am hopeful that additional substantial funds will be made available for old age pensions. When all of these means for providing revenues have been utilized, you will be able to determine what, if any, additional taxes must be levied to meet the mandate laid down in the Constitution.

Not until every economy measure has been exhausted will I ever recommend an additional tax levy, but if it should finally be determined that funds are needed, then no alternative is left. The people have made this plain. In the last analysis the people foot the bill.

The record of the administration of Civil Service in the past few years has been far from praiseworthy. Among other things provisional appointees are given ratings in examinations which are based upon the good fortune of political appointment and which enable such persons to prevail over less favored applicants. This is the direct opposite of the merit system, and constitutes merely a modern refinement of the spoils system, which our constitutional amendment was framed to terminate. All persons who believe in the merit system for the selection and employment of public officials, and particularly every person in the state house who now holds a position under the civil service, should be vitally interested.

There is a limit to the patience of the people. Unless immediate and definite changes in the administration of civil service are made an aroused citizenry will some day move to smite the evils, and as usually happens in such cases, the benefits of Civil Service will be junked with the mistakes. It is

for you to enact statutes which will prevent the merit system from being longer converted into a political football.

In the hope that economies might be introduced into the state picture by a more businesslike purchasing plan, a department was established several years ago to supervise all buying transactions on behalf of the state and its agencies. I do not need to tell you that the department's efforts have proved only partly successful. In order for a purchasing agency to function satisfactorily, it is necessary that further powers be conferred upon it to the end that it shall either be a purchasing agency with everything that the term intends, or else that it be abolished.

It is common knowledge that appreciable sums of money might be saved by the establishment of a standard system of accounting for all the various departments and agencies. A centralized accounting system which would permit of a pre-auditing before purchases are finally consummated would be rendered possible. To the end that the state and all of its agencies may have daily knowledge of all accounts and balances in various funds and thereby avoid deficits and over-spending a centralized accounting system is necessary.

Increasing numbers of students and attendant growth without a corresponding increase in the property valuations against which levies for educational purposes are directed have placed many, if not all, of the institutions of higher education of the state in a position where they may not continue to function efficiently as now constituted under the existing financial setup.

The entire duty of the state is not owed to the unfortunate and the aged. Colorado looks toward tomorrow, and the younger generations should be so educated and trained that the need for public aid and assistance in later years may be minimized. The educational institutions which are the boast of Colorado must continue to operate, but the extent of their activities and growth must necessarily be limited by the ability of the taxpayers to support them.

Two years ago an additional mill levy for building purposes was voted to state institutions. Now the educational institutions are asking for an additional amount for maintenance. With every other department retrenching and seeking economies,

until the state recovers somewhat from its present embarrassment it would seem that the institutions of higher learning should be obliged to follow the same course even to the extent of curtailing some of their activities or so co-ordinating their work as state institutions as to prevent unnecessary duplication of courses.

The state performs only a part of its duty with respect to criminals and their treatment by the mere incarceration of persons convicted of crime in our various penal institutions. A paroled man should continue as a ward of the state until such measure of rehabilitation has been accomplished as the man's own capacities will justify and the ability of the state may permit.

Means should be provided for the supervision of men released on probation before incarceration, as well as upon parole hereafter, to the end that society may be better protected and the unfortunate individual may be enabled to become a worthy member of that society again. The results which have been secured under the federal laws as well as in many other states of the union furnish sufficient guides to enable Colorado to meet her problem more successfully. Such agency or agencies as may be set up to accomplish this goal must be free from partisan influence.

The protection and preservation of Colorado's water resources will determine ultimately how far the state will progress. Upon her agricultural development depends the happiness and prosperity of millions of people to whom Colorado should be able to furnish homes.

A short-sighted policy at home, supplemented by aggressive development on the part of most of our sister states and a hostile attitude on the part of the federal agencies, has prevented this state from enjoying in any appreciable measure the benefits flowing from a full use of the water to which our farmers are entitled from interstate streams. As the result, water diversion and impounding structures have been built or are under construction beyond the borders of Colorado, and claims are being made on behalf of the lower states to substantial prior interests in all of such streams because of such earlier construction.

It is necessary that Colorado carry on an aggressive defensive with respect to the water of every interstate stream. If compacts which will establish Colorado's interests can be effected, the saving to the taxpayers will be enormous. If compacts are impossible, then funds should be provided for the gathering of data and the employment of competent representatives to carry on this important work. In this connection it should be here suggested that the expenditure of money for engineering purposes should not be increased by duplication of effort by the state engineer's office and the special engineering force of the Conservation Board.

The Supreme Court of the United States has recently been given authority by Congress to establish rules for the conduct of cases in the federal courts. The simplicity of the rules so adopted appeals to every practicing lawyer who has examined them. In many states movements have been started to adopt similar codes to the end that the practice in the courts of both the state and the federal government may more closely harmonize.

A study of the benefits to be derived from the adoption of such a code in Colorado might well be instituted.

The activities of the Highway Department have been before the public and in the newspaper columns during the past two months to a degree which forces the conclusion that we should know more of the operation and conduct of that most important department of our state government.

I suggest a legislative investigation of the charges which have been made by those who should be in a position to know whereof they speak to the end that the entire situation may be clarified, and if evils exist that they may be remedied immediately.

In this message many items usually discussed by the chief executives are omitted. Our major needs at this time are to take care of the existing deficit so as to keep state institutions open and running, to reform our financial structure and to simplify the conduct of government. If these things are accomplished you will have done a real job. Less important matters will take care of themselves if we work out these basic propositions.

It is to be hoped that the number of bills introduced will be less than at any recent session of the General Assembly. Statutes for the benefit of special interests should not take up the time of your bodies in an emergency such as now confronts us. One of the chief aims of this General Assembly should be to complete its work quickly.

May I suggest that committee meetings start as soon as bills have been printed, and that hearings before committees may be commenced within the next few days?

As suggested in the opening of this message the matters here offered are not colored by partisan considerations. The measures which you are urged to enact involve the rights of all of the people regardless of political interest.

Can we not unite in a common cause for the good of Colorado? Our goal should be the establishment of economy and efficiency in state government.

However, you must understand that the task is yours. The chief executive may only suggest. The General Assembly must act. By the manner in which you respond to the call of a people in dire need will your efforts be judged. I hope that you may become known as Colorado's greatest legislative assembly.

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