

STATE OF NEW YORK

REPORT

OF THE

Special Joint Committee

ON

Taxation and Retrenchment

Submitted April 1, 1924



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**SPECIAL JOINT COMMITTEE ON TAXATION AND RE-
TRENCHMENT**

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LETTER OF TRANSMITTAL

April 1, 1924.

To the Senate and Assembly of the State of New York:

From the standpoint of taxation the keynote of the current year in the country generally is *tax reduction*. The state of New York is abundantly interested in this, but of equal importance from the standpoint of equality is *the fair distribution of the tax burden*. This is even yet the burning issue in the New York State tax system. This latter question has again absorbed the bulk of the energies of this committee since its reappointment at the close of the last session of the Legislature. This report presents in tentative form the conclusions reached by the committee and its staff on a number of important problems of State taxation, and these questions are primarily questions of tax distribution.

The first problem we have endeavored to answer is "What policy should the State adopt with regard to forest taxation?" In the effort to answer this question a subcommittee has met with tax officials, local governing authorities, professional foresters, conservation authorities, and with individuals and representatives of corporations who are actually engaged in forestry and re-forestation. Through the courtesy of its chairman we were invited to sit with the Special Joint Committee on Conservation and to benefit by the evidence which was brought forward there. We have visited the forest sections of the State and Mr. Philip H. Cornick, a member of our research staff, has made an objective study of the facts relating to the taxation of forests as they appear on the assessment rolls of selected towns and in other pertinent and authoritative official and private records. We have not found it difficult to secure a great mass of opinion, guesses and unsupported estimates. There appears also to be considerable plain propaganda afloat on the basis of unsupported opinions. The difficulty we have sought to overcome has been to find the essential facts upon which a decision of the question must rest.

The task of making this study on forest taxation would have been impossible without the hearty cooperation of the Conservation Commission, the State Tax Commission and the officials of certain counties in placing their files at the disposal of the committee. The faculty of the State College of Forestry at Syracuse rendered invaluable aid by advice and counsel in matters relating to forest growth and yield, and by assistance in the preparation of cost tables. Mr. Louis F. Murphy, forest economist of the United States Forest Service, cooperated most heartily not only by attending conferences of the committee, but by placing at the disposal of the members of the field staff his wealth of information and experience regarding the status of forest taxation in other States. To all these organizations and individuals — as well as to others who aided by information, suggestions and criticism — the committee desires to acknowledge its indebtedness

and to express its thanks. There is no intention on the committee's part, however, to imply by citing those to whom special thanks are due that these persons support in their entirety the committee's conclusions.

The present distribution of taxes on public utilities in this State is conspicuously unfair. We have therefore given further study to this question during the current year and have extended considerably the examination of the problem of interstate apportionment of public utility taxes as between the States where such utilities operate in more than one jurisdiction. This problem is destined to become more important as an increasing number of States adopt classified public utility taxes, especially where earnings are used in some form in determining the amount of the tax. This part of our work has been carried on in cooperation with a committee of the National Tax Association. Mr. Luther Gulick, chief of the committee's research staff, was in charge of the study undertaken in this connection. We are particularly indebted to the following individuals for their assistance in this work: A. E. Holcomb, American Telephone and Telegraph Company; M. T. Sanders, Northern Pacific Railway Company; F. N. Whitney, Western Union Telegraph Company; Edward N. Goodwin, Union Tank Line; William H. Blodgett, Tax Commissioner of Connecticut; Henry F. Long, Commissioner of the Massachusetts Department of Corporations and Taxation; Z. W. Bliss, Chairman of the Rhode Island Tax Commission; F. W. Bird, Montana Power Company; H. C. Black, The Prairie Pipe Line Company, and F. B. Odlum, Electric Bond and Share Company.

Retrenchment of expenditures in government administration must accompany tax reduction. For this reason we are calling to your attention again the material presented in our 1923 report dealing with the opportunities which exist in our county and local governments for retrenchment without the sacrifice of service. In our report we were able to point to an annual saving of some \$2,620,000 which could be effected by the adoption of the specific minor recommendations which we made. All of these recommendations are based upon the practical suggestions or experience of county supervisors or other officials, and many of them represent methods of management already in use in certain parts of the State.

In our study of county government in 1922 we found few matters of greater importance than salary inequality. The lack of any salary policy appeared to be at the root of much discontent and unrest in the county government service. Such a condition undermines the efficiency of county service to a greater extent than is generally recognized. As a means of getting at this question further and in order to set up a salary standardization model as a suggestion to the larger counties of the State, we have undertaken this year a salary study of a single typical county and present in this report a simple salary standardization plan which can be followed in its general outlines by the larger counties of

the State. Dr. William E. Mosher, of the committee's staff, was in charge of this part of our work.

The report which we are presenting this year supplements the previous work of this committee. During the past five years we have examined the State tax problem from different angles. We have approached it from the standpoint of the State's need for revenue, of the need of local units for revenue, of State tax administration, of tax administration in cities, counties and towns, and also from the standpoint of the individual taxpayer and the comparative payments of individuals and corporations under our laws. We were instructed to examine the practical methods of retrenchment in connection with these studies of taxation. In carrying out this instruction we have examined with care the whole work of local government in this State. The task we have carried through has not been duplicated in any other State.*

The scope of our investigation has been so wide that of course we do not pretend to find conclusions upon all matters which we discuss but we trust that it will appear from the text what conclusions seem to us to be tentative and incomplete and what on the whole may be considered as reasonably arrived at.

The committee acknowledges its obligation to county, town and village officials both for their cooperation in the work we have carried through and for many valuable suggestions which they have offered the committee. The State Tax Department, the State Comptroller and the Conservation Commission have rendered valuable assistance. The committee has been constantly supported by an efficient and experienced research staff. The chief burden of the research work this year has fallen upon Philip H. Cornick in connection with the study of forest taxation. Several members of the staff have been drawn from the National Institute of Public Administration as in past years, and we wish to express our appreciation of the services rendered. Professor Edwin R. A. Seligman of Columbia University has aided the committee with his expert counsel.

(Signed)

THOMAS I. SHERIDAN,

Chairman.

F. M. DAVENPORT,
NATHAN STRAUS, JR.,
F. TRUBEE DAVISON,

Vice-Chairman.

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* The published reports of the Special Joint Committee on Taxation and Retrenchment are as follows:

Retrenchment in City Government; 1920 Legislative Document 80.
The Tax System of New York State; 1921 Legislative Document 57.
A Critical Survey of the Tax System of the State of New York, with a Statistical Analysis of the Tax Burden on Corporations; 1922, Legislative Document 72.

Retrenchment in County, Town and Village Government, with a Review of the Progress in City Government since 1920 and a Statistical Analysis of Local Government Costs; 1923 Legislative Document 55.

SUMMARY OF RECOMMENDATIONS

Forest Taxation

For a number of years past bills have been introduced in the Legislature for the purpose of relieving lands dedicated to forest production of all or part of the burden of recurrent annual taxes now imposed on such property under the general property tax laws of the State. The bills themselves varied considerably in their details but all of them proposed either tax exemption or tax postponement as a means of relief for forest lands. Officials of the State Conservation Commission, certain of our colleagues in the State Legislature, influential economists, recognized authorities on forestry and owners of timberlands joined in telling us that the present tax policy of the State of New York was largely responsible for the denudation of timberlands, the uneconomical lumbering and the lack of reforestation. At the hearings and conferences which were held on the bills, however, very little definite information was advanced in support of these theories, and even less information was available as to the probable effects on local taxes generally which would follow the granting of tax exemption or tax postponement to timberlands.

In spite of the fact that this committee had endeavored consistently to halt the hitherto steady increase in tax exemptions, its realization of the need for conservation and reforestation, and the weight of authority which supported the movement for tax reform as regards forestry, tended to incline the committee to favor the general plan of tax relief for forests if some means could be found for avoiding undue hardships on the communities in which forest lands are located. In harmony with its past policy, however, it felt the necessity of supplementing statements of opinion even from authoritative sources by as great an array of facts as possible.

With this end in view, a special study has been made of this problem. From this study it appears (1) that the average taxes per acre on timber lands are not as high under the present system of taxation as they are commonly reported to be by the advocates of changes in the methods of taxing forests; (2) that full value assessments would tend to increase taxes per acre only on mature timber and would decrease them on immature timber, because at the present time immature timber is assessed more nearly at full value than is grown timber; and (3) that any attempt either to exempt standing timber from taxation or to postpone the taxes on it until it was cut would tend to increase for a time at least the tax burden on other rural occupations. Some of these occupations, notably agriculture, are already paying out in general property taxes a larger percentage both of gross and of net income than most of the forty-four other occupations for which statistics are available.

It was found that the holders of timberlands in this State in spite of the present tax law are very reluctant to sell, and that the practice of allowing timberlands to go to tax sale, which reached alarming proportions some forty or more years ago, has almost entirely disappeared. In addition to the 2,000,000 acres of land in State ownership which are protected against all cutting, an area of 500,000 acres in private ownership is being managed on a basis which closely approximates the sustained yield plan of management advocated by conservationists and forestry experts. Furthermore, the demand for planting stock to be used in reforestation is so great that the State and private nurseries have not been able to fill all the orders sent in.

On the basis of these facts, incomplete as they undoubtedly are, the committee feels justified in stating that *there is no immediate crisis in forestry in this State attributable to the present tax laws*. Changes in the present system may be, and probably are, desirable in the case of forest lands as they are in the case of other types of property to which your committee has devoted its attention. The need is not one, however, which calls for immediate action—a fact which is especially gratifying in view of the disconcerting lack of unanimity among advocates of forest tax reform as to the system of forest taxation to be adopted.

The committee, therefore, confines its definite recommendations to the following points:

1.—The repeal of section 16 of the present Tax Law which grants tax exemption not only to the standing timber classified under it, but also to the land on which the timber stands.

2.—The enactment of legislation to provide a prompt and inexpensive means of relief from arbitrary assessments by town assessors, by means of an administrative review rather than by application to the Supreme Court as the law provides at present.

3.—Legislative provision for full value assessment of State-owned wild or forest lands by the State Tax Department and the certification to the local assessors of the equalized value of such lands for inclusion on the town rolls under a procedure similar to that already in effect in the case of special franchises.

Public Utility Taxes

The present public utility taxes of New York State are unequal, arbitrary, uncertain and complicated. We are able to show this statistically on the basis of our 1922 study. To remedy this situation, we recommend the enactment of a gross-net tax in place of the present franchise, special franchise and other taxes.

The constitutional amendment proposed by this committee to clear the way for a better system of public utility taxes failed of ratification at the polls in November, 1923. Those who op-

posed the amendment have assured us that they are nevertheless in hearty accord with principles underlying the committee's program. As soon as an amendment can be agreed upon which reasonably eliminates the features to which exception was taken, it should receive the immediately favorable consideration of the legislature and the people.

Gasoline Tax

Our present taxes on motor vehicles do not take into account the variation in the use of highways and streets by different individuals. We charge a registrant the same fee for 1,000 miles as we do for 10,000. Since wear and tear on pavements is the chief public expense due to motor vehicles, we believe the tax should recognize the variation in the use of highways. This can be done easily and equitably through the introduction of a gasoline tax. Such a tax serves also to reach those who use our highways without paying even a license tax. While this committee is not prepared to recommend such a tax this year, we have presented the information on this subject so that it may be available. It appears that gasoline taxes have already been adopted in thirty-six states and in the District of Columbia. On the basis of our computations a tax of one cent a gallon would produce \$6,000,000 in this State.

County Government

There are few phases of county administration which are in a more chaotic condition than salary rates. This has been due to the fact that there is no salary policy in county government. This condition cannot be remedied by the Legislature, though it can help by refusing to fix such county salaries as ought to be determined by boards of supervisors. As an aid to those counties which may wish to standardize their salaries in a businesslike manner, we are presenting with this report a salary classification outline for a typical county. It is based on present positions in a number of counties and the salary rates are intended to meet present costs. We commend this classification to the attention of county officials.

PART I

—
FOREST TAXATION
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**CHAPTER I—LAWS GOVERNING THE TAXATION OF
FORESTS IN THE STATE OF NEW YORK AND PRO-
POSED AMENDMENTS**

CHAPTER I—LAWS GOVERNING THE TAXATION OF FORESTS IN THE STATE OF NEW YORK AND PROPOSED AMENDMENTS

Prior to 1912 all forests in the State of New York with the exception of those on land specifically exempted under sections of the law providing exemptions for park, religious, charitable, cemetery or other similar property were subject to taxation under the provisions of the General Property Tax Law. In 1912 three laws were enacted providing for special classification under the law of certain types of forests and woodlots. These remedial measures have had an almost negligible influence on the taxation of timber lands in this State and, with the exception of a very small area, forests are still being taxed under the general tax law.

In the opinion of many sincere and able men, the current form of taxation is inimical to the development of a sound forestry policy. Dr. Hugh P. Baker, representing the American Paper and Pulp Association and the National Forest Program Committee, voiced this opinion clearly and forcibly in his testimony before the Select Committee on Reforestation of the United States Senate last March. He said: "I believe that wrong taxing has wiped out more forests in this country than all the furniture industry has wiped out in this country."*

This belief is not new. It has been advanced by many individuals and organizations in this country since conservation and reforestation first began to receive public attention. It has borne fruit in many laws for the special taxation of forests in a number of states and in a much larger number of proposed amendments to the existing tax laws.

It is the purpose of this study to test the validity of this widely held opinion on the basis of such facts as may be available; to determine if possible the extent to which the present methods of taxing forests can be held responsible for the destruction of our timber lands and the prevention of replanting; to compare with one another the many and conflicting proposals for changes in existing tax laws relative to wooded areas; and to outline as far as may be such measures for relief as the situation clearly demands.

A—MOVEMENT FOR FOREST TAX REFORM IN STATE OF NEW YORK

Since the opening of the legislative session of 1912, forty-eight bills affecting the taxation of forest lands have been introduced in one or both houses of the Legislature of the State of New York.

* Hearings Before a Select Committee on Reforestation United States Senate (67th Congress, 4th Session, S. Res. 398) p. 30.

Of this number twenty-eight bills died in committee without coming to a vote in either house, eleven passed one house, nine passed both houses, three were vetoed, and six became law. In addition, one bill providing for a subsidy to timber land owners in the form of free trees for reforestation was also enacted into law.

The movement for amending the Tax Law to give a special status to forest lands began in this State as early as 1908, in which year a bill with that end in view passed both houses but was vetoed by the Governor.* Because of the form, however, in which the legislative index was kept prior to 1912, it is difficult to carry the analysis of bills introduced farther back than that year.

Analysis of Forest Tax Legislation

Of the six bills relating to forest taxation which were enacted into law, two were made necessary by general amendments to the Conservation Law. They involved simply, in one case, a change in section number and, in the other, a change in terminology without in either case affecting the methods of taxing forests. A third bill passed in 1923 transferred to the State Tax Commission certain duties with regard to the valuation of taxable wild or forest lands owned by the State which had previously been discharged by the Comptroller. The provisions of the remaining three acts are summarized below.

1—Section 16, Tax Law (Chap. 249—1912):

Any tract of land of one or more acres and not exceeding one hundred acres, which is not located within twenty miles of a city of the first class, ten miles of a city of the second class, five miles of a city of the third class, and one mile of a village, and which has been planted for forestry purposes with not less than eight hundred trees to the acre is eligible for total exemption from taxation both on land and on forest growth for a period of thirty-five years. In order to obtain such exemption from taxes, the owner of the tract must file with the Conservation Commission an affidavit making due proof of such planting and giving an accurate description of the land and its location. After the Commission has verified the statements contained in the owner's application by means of an inspection of the lands by an agent of the commission, it shall execute under the seal of its office a certificate of exemption from taxes and shall file it with the treasurer of the county in which the land is located. The treasurer in turn shall submit a certified copy of the certificate to the assessors of the town in which the tract is located within ten days after receipt, and the assessors shall thereupon exempt the land and the trees on it from taxation, noting on the margin of the roll the authority for such exemption and the date of its expiration.

Under similar restrictions as to location and area, and by the same procedure, the section further provides that the owner of existing forest or brush lands may, by underplanting with not less

*Annual Report of Conservation Commission, 1913, p. 117.

than three hundred trees to the acre, obtain exemption from taxation of all the forest tree growth on his tract for a period of thirty-five years, and the exemption of one-half of the bare land value for a similar period.

After the expiration of the thirty-five year period, provided the tract continues to be used exclusively for the growth of a planted forest, the full bare land value is to become subject to taxation, but the forest growth thereon is to remain exempt. Any timber cut, however, within five years after the expiration of the thirty-five year period, unless such cuttings are thinnings made under the supervision of the Conservation Commission, shall be subject to a yield tax of 5 per cent on the estimated stumpage value.

In case any tract exempted under the provisions of this law ceases to be used exclusively as a forest plantation, the local assessor is authorized to assess the lands and the tree growth thereon under the terms of the General Tax Law.

The section was made applicable not only to lands planted or underplanted after the enactment of the law but also to any lands coming within its general provisions as to area and location which had been properly planted or underplanted subsequent to April 10, 1909. The time limit within which this provision of the section could be made effective expired on April 10, 1913.

2—*Section 17, Tax Law (Chap. 363-1912):*

Any tract of land not exceeding fifty acres, which is occupied by a natural or planted forest growth, and which is not located within twenty miles of a first-class city, ten miles of a second-class city, five miles of a third-class city, or one mile of a village, may on application of the owner to the Conservation Commission be separately classified for taxation. After inspection, made by a competent forester to verify the statements contained in the owner's application, the Commission shall submit to the owner a plan for the management of the tract in question, and shall file a certificate of exemption with the treasurer of the county in which the land is located, who in turn shall submit a copy of such certificate to the assessors of the town in which the land lies. As long as the land so classified is maintained as a woodlot in accordance with the plan of management submitted by the commission, the value of the trees thereon shall be exempt from taxation. The land shall be assessed at a value per acre not in excess of that of similar lands in the tax district which contain no forest growth, but in no case at a greater value than ten dollars per acre. Any live trees cut from the tract, other than for firewood or building material for domestic use by the owner or his tenant, shall be cut under the supervision of the Conservation Commission, and shall be subject to a yield tax of 5 per cent on the estimated stumpage value of the cut.

In case the owner fails to comply with the plan of management, the commission is authorized to direct the assessors to assess the land, together with the trees thereon, under the provisions of the General Tax Law.

3—*Section 57,* Conservation Law (Chap. 444-1912):*

The owner of any tract of waste, denuded or wild forest lands of the area of five acres or upward, may enter into an agreement with the Conservation Commission to set apart for reforestation the whole or any part of such tract, subject to the following provisions:

The application by the owner for such agreement must contain a declaration of intention to plant or underplant such land according to plans to be submitted by the Conservation Commission, and must be accompanied by maps and a description of the property, and by a certificate from the local assessors setting forth the assessed valuation of the land as it appeared on each of the assessment rolls for the five years next preceding the date of application. If it appears from the matter accompanying the application that the land is suitable for reforestation, and that the average of the five successive assessed valuations is not in excess of five dollars per acre, the Commission shall proceed to have the land examined. If the report on the land is favorable, the Commission is empowered to enter into an agreement with the owner of the land covering the kind and number of trees per acre to be planted or underplanted, the delivery of the requisite nursery stock to the owner at not to exceed the cost of production, and the plan of management and protection to be followed by the owner. This agreement is to be recorded in the office of the county clerk of the county in which the land is located, and shall be considered a covenant running with the land.

Within one year after the agreement is entered into, the owner is to file an affidavit of the completion of the work of planting or underplanting. After an inspection of the tract by its agent, the Commission is to file with the county treasurer a certificate to the effect that the lands have been separately classified for taxation; that the natural or planted forest growth on the tract is to be exempt from taxation for a period of thirty-five years, and that the land is to be assessed during the same period at a value per acre not in excess of the average assessed value for the five years preceding the date of application. The treasurer is to submit a copy of this certificate to the local assessors in whose tax district the land lies, and the assessors shall enter the land so classified on rolls at a value not in excess of the value certified by the Commission, and not in excess, furthermore, of the assessed valuation of similar lands in the same tax district. On the margin of each successive roll opposite the entry for the land in question, the assessors are to note the character of the exemption and the date of its classification.

In case the land for which application is made has been lumbered or denuded within the five-year period preceding the date of application, or in case the particular tract to be reforested has

* The number of this section when originally passed was 89. Chap. 451-1916, a general amendment to the conservation law changed the section number to 57 but did not change the text.

not been separately assessed on the rolls, the assessors are to submit a sworn statement as to the value of such lands, valuing the lands at the same rate as other waste, denuded or wild forest lands in the same tax district, similarly situated. In such case the maximum value established by the Commission at which the lands are to be assessed during the period of the agreement is to be based on the value established in such sworn statement.

Should the owner violate the terms of his agreement in any way, the Commission may direct the assessors to void the exemptions and to assess the lands in question under the provisions of the General Tax Law. So long, however, as the owner complies with the agreement, the right to the exemption shall be inviolable and irrevocable as a contract obligation of the State during the full period of thirty-five years.

4—*Section 50, Subdivision 3, Conservation Law (Chap. 460-1920)*:

In addition to the indirect subsidies to owners of timber lands provided in the three sections of the law just cited, an amendment to the Conservation Law in 1920 made provision for a direct subsidy in the form of free trees to persons desirous of engaging in reforestation. The only condition attached to the distribution of such trees is that the recipient shall enter into an agreement with the Commission as to the management of the areas reforested, which agreement shall be recorded and shall be a covenant running with the land.

The Attitude of the Conservation Commission Toward Movement for Forest Tax Revision

Relative to the three laws granting exemptions from taxation to owners of forest lands, the Conservation Commission made the following statement in the year of their enactment:*

“In Chapter 444 and in two special acts amending the tax law the past legislature initiated a new policy relative to the taxation of forest lands. The underlying principle of these laws is that the owner of woodlots ought to be upon a parity with the owner of agricultural lands; that is to say he ought not to be subjected to an annual tax when it is impossible for him to harvest an annual crop. Necessarily a long term of years must elapse during the process of reforestation, before the owner can realize any profit from his investment.”

The statements which follow appeared in earlier reports of Forest, Fish and Game Commission:

“Trees should be furnished below cost and land dedicated to tree growing and *planted* ought to be exempt from taxation.” †

* Annual Report of Conservation Commission, 1912, p. 23.

† Annual Report Forest, Fish and Game Commission, 1909, p. 30.

"The state should offer every inducement within reason to encourage the people generally to undertake this work (of reforestation) extensively. To do this, the suggestion of trees, practically free, seems to us to be one inducement that may be very consistent with the general policy of the state. That to relieve land dedicated to planting and growing trees, at least from increased taxes over and above its present value when it is so dedicated and used, seems to us to be another eminently proper inducement to offer as encouragement to forestry."*

In 1909 the following very definite recommendation for legislation on forest taxation appeared in the report of the Commission:

"That land dedicated to tree growing and planted with trees be relieved from increased taxation for, say thirty years."†

In short, it is apparent that the legislation of 1912 was along the lines of the repeated recommendations of the Conservation Commission and its predecessor, the Forest, Fish and Game Commission, and that the Commission expected great things from its enactment. The high hopes, however, were destined to be short-lived. In 1913, the following statement appears in the report:

"Three laws enacted in 1912 essayed to provide more equitable assessment and taxation of forest lands. While a beginning was made, the details and confusion of these several statutes have discouraged many applicants from entering their lands for classification. In all, eight out of nineteen applications for classification under the laws have been granted. The existing statutes should be perfected and clarified so as to better serve their intent."‡

The disappointment with the results obtained under the laws seems to have increased year by year until, in 1920, one finds the following comments:

"The application of these tax laws has been found very unsatisfactory. Section 16 is the best of the three laws, but is limited to reforested tracts of not more than 100 acres. * * * Section 17 applies to woodlots of not more than fifty acres in extent. The object of this law is usually defeated by the local assessors. * * * Section 57 is so cumbersome and entails so much red tape that only two parcels have been classified under its provisions during the eight years it has been in force. * * * Both this law and the woodlot law fail to meet the desired object, and it would prove a benefit if they were repealed."§

* Annual Report Forest, Fish and Game Commission, 1909, p. 30.

† Annual Report Forest, Fish and Game Commission, 1909, p. 40.

‡ Annual Report Conservation Commission, 1913, p. 25.

§ Reprint from 9th Annual Report of Conservation Commission, p. 21.

Actual Results from the Operation of the Laws

The total area of land classified under the three laws since their enactment, according to information supplied by the Conservation Commission follows:

ACREAGE OF LANDS CLASSIFIED UNDER FOREST TAX LAWS				
Year	Sec. 16	Sec. 17	Sec. 57	Total
1912	3			3
1913	213.5	107.5		321
1914	50			50
1915	96.9	347	10	453.9
1916	105	167.5	88	360.5
1917	50	4.75		54.75
1918		36		36
1919				
1920				
1921				
1922				
1923	49			49
Totals	567.4	662.75	98	1,328.15

According to the report of the State Tax Commission for 1922, the value of the property exempted from taxation under the provisions of these three laws is as follows:

REFORESTED LANDS EXEMPT FROM TAXATION *	
County	Value Exempt
Cayuga	200
Columbia	240
Genesee	1,200
Hamilton	12
Madison	50
Oneida	1,000
Ontario	6,720
Oswego	1,900
Saint Lawrence	240
Saratoga	660
Ulster	1,120
Warren	240
Totals	13,582

In view of this showing, the pessimistic attitude of the Conservation Commission in regard to the existing special legislation relative to the taxation of forest lands is entirely justified. The three laws have these factors in common: That they all provide for the special classification of timber lands under them on application of the owner, subject to approval by the Conservation Commission, and that they involve the acceptance by the owner of a

* Report of the State Tax Commission, 1922, p. 135. The table as it appears in the report includes \$13,000 as exempt in Cattaraugus County. Upon investigation, it developed that two tracts of land which are exempt from taxation under other sections of the tax law had been erroneously reported under this heading in the report submitted by the county officials to the tax commission.

plan of management to be submitted by the Conservation Commission. Furthermore, the three laws do not—and cannot—limit the power of local assessors to assess local property as they see fit. This power is based on a long line of judicial decisions which hold that neither the legislature, nor the State Tax Commission, nor the Conservation Commission can dictate to the local assessors in matters of valuations. Their acts are subject to review only by the courts under a writ of certiorari.

Correspondence on file in the offices of the Conservation Commission indicates that in some cases assessors ignored the certificate of exemption issued by the Conservation Commission; and that in others they increased the assessments on other property belonging to the owner of the exempt forest land by more than the amount of the exemption allowed. In such cases the only recourse of the owner lay in relatively expensive certiorari proceedings, and no case was discovered by your committee in which the owners had resorted to the courts in an attempt to enforce the exemptions granted under the forest tax laws.

Whether the owners of forest lands and woodlots which are eligible for classification under the existing laws have refrained from making application for exemption because of a realization of this fact, because of a reluctance to submit to a plan of forest management under the supervision of the Conservation Commission, or because there is no general need for exemptions on forest lands are questions which it is not easy to answer. Some light will be thrown on these questions by Chapters III and IV of this report.

In the meantime, it should be of interest to analyze the bills which have been introduced in the Legislature during the past eleven years with a view to correcting the situation.

B—OTHER PROPOSED CHANGES IN THE LAWS GOVERNING THE TAXATION OF FORESTS

Of the forty-two bills relating to the taxation of forest lands which have been introduced in the Legislature and failed of passage since the beginning of the session of 1912, thirteen applied to the taxation of State-owned wild or forest lands only. Of this group of thirteen, ten aimed at the exemption from taxation of such lands, and the other three attempted to bring about a change in the manner of assessing such lands. Further analysis of this group of bills, because of their nature, would throw no light on the subject of forest taxation as a whole.

Types of Amendments Proposed

With the exception of a few poorly drafted bills, which received practically no consideration by the Legislature, and of repealers aimed at the three sections of the existing law dealing with forest taxation, the bills dealing with the taxation of privately owned forest lands which have been introduced since 1912 fall roughly into four groups. The grouping is based on the outstanding features of the bills, but, because of the fact that the bills reflected

the prevailing trend in theories of forest taxation, not only in this State, but in other States as well, the classification tends also to become roughly chronological. As certain of the advocates of changes in the methods of taxing forests were persistent, and reintroduced revised versions of their bills in session after session, the bills in some cases tended to become hybrids in that they took on certain characteristics from each of two or more of the general groups.

Group I. Bills providing for the compulsory reforestation of privately owned watersheds under orders to be issued by the Conservation Commission. In case an owner failed to comply with such order, the Conservation Commission was to enter on the lands and reforest them at the expense of the State, retaining a lien on the land and the timber as security. All lands reforested under this plan were to be subject to a tax on the bare land value only.

No bills of this type were enacted into law in any State, but they were widely advocated by small groups of enthusiasts imbued by the zeal of the pioneers in the movement for conservation and reforestation.

Group II. Bills providing for the establishment of auxiliary forest preserves, such preserves to be composed of privately owned lands offered by the owners and accepted for classification by the Conservation Commission. The auxiliary preserves were to be managed under the supervision of the Commission. The land was to be taxed on an assessed valuation not in excess of \$1 per acre, and the timber when cut was to be subject to a yield tax of 10 per cent on the stumpage value.

A bill almost identical in wording with the New York bills was enacted into law in Pennsylvania in 1913. Twenty-six thousand two hundred and thirteen acres have been classified as auxiliary preserves in that State since the law took effect out of an estimated total of thirteen million acres of forest land within the State.*

Group III. Bills providing for the separate classification of lands not suitable for agriculture and dedicated to continuous forest production by the owner under rules laid down by the Conservation Commission. The owner of lands so classified was to pay taxes on the assessed bare land value only; the State was to pay to the county treasurer the tax on the standing timber under a procedure similar to that now provided for the payment of taxes on State-owned wild or forest lands; and the owner was to pay to the the State a yield tax on the timber cut from the land on a sliding scale, ranging from 2 per cent on the stumpage value of timber cut within ten years of the date of classification to 15 per cent on timber cut more than forty years after classification.

The advocates of the bills of this type have been most persistent, their first measure being introduced in 1913 and the last in 1922. They were responsive not only to the influence exerted by the strong points in bills falling in Groups I and II, but also to the changes in attitude on the part of the outstanding leaders of

* Letter dated December 15, 1923, from the chief of the Bureau of Silviculture of the Pennsylvania Department of Forests and Waters.

thought in forest taxation throughout the country. It is not surprising, therefore, that they should have succeeded in passing bills incorporating a part of their program both in 1918 and in 1920. Both bills were vetoed.

Group IV. A bill whose intent was to exempt from the general property tax all natural or planted forest growth in the State, and to leave the proceeds from timber cut subject simply to the taxes levied under the income tax laws.

The only bill in this group was introduced in 1923. It is interesting, not only because it reflected a marked change in attitude among the outstanding leaders of thought on forest taxation, but also because of the method hit upon for carrying its intent into effect.

Defects Inherent in Groups II and III

An analysis of the bills falling under Groups II and III reveals the fact that they have at least three points in common with the three laws already on the books. All provide for the separate classification of forest lands at the option of the owner, and all require the acceptance by the owner of a plan of forest management to be submitted by the Conservation Commission. None of them, furthermore, provided any method for the review of assessments of forest lands other than the petition to the Supreme Court provided by Article XIII of the Tax Law.

Because of the almost complete failure of laws of this type, not only in New York but in other States as well, there has been a marked movement among advocates of special laws for the taxation of forests away from this so-called "red tape" and in the direction of general laws applying in some cases to planted forests alone, in others to both natural and planted growth.

Defects Inherent in Group IV

The bill in Group IV was in entire harmony with this latest attempt to find a workable forest tax law. In the method adopted for the accomplishment of this purpose, however, it is unique. Its authors assumed that agricultural crops are legally exempt from taxation under the general property tax in the State of New York. In order to place standing timber in the same category they hit on the expedient of amending the definition of real estate in subdivision 6, section 2, of the Tax Law, by the insertion of the words "except natural or planted forest growth." By this means they hoped to exempt all forest growth from the general property tax and to leave the income from timber yield subject only to the provisions of the law governing taxes on incomes.

As a matter of fact, there is no legal exemption of growing crops in the State of New York. There is a very general administrative exemption of such crops on the part of the assessors for which no warrant is to be found in the law, just as there is already a similar exemption of standing forests in the numerous cases where timberlands with a value of from \$20 to \$200 per acre are carried on the assessment rolls at \$5 or less.

Furthermore, the simple exclusion of standing timber from the definition of real estate would not have served to exempt it from taxation. So far as the Tax Law is concerned, there are two mutually exclusive classes of property. What does not belong in one class belongs in the other. The mere fact that a certain type of property is declared not to be real estate, whether such declaration rests on a judicial decision or on legislative enactment, would not be a legal warrant for exempting it from taxation. Section 3 of the Tax Law states plainly that "all real property within this state, and all personal property situated or owned within this state, is taxable unless exempt from taxation by law."

So far as forest lands belonging to private individuals or to partnerships is concerned, there would seem to be no provisions in the law which would entitle the owner of standing timber, if it were classed as personal property, to any exemption from taxation. Under section 6 of the Tax Law, such owners would no doubt be entitled to a deduction from the full value of all their personal property, including timber, to the extent of their just debts. Under section 8, personal property is taxable in the tax district where the owner resides, and not in the district where it is located. With these two exceptions the enactment of the bill under discussion into law would probably have had no effect on the taxation of standing timber other than that owned by corporations.

The effect of the bill on the timber holdings of corporations is problematical. Article 9-A of the Tax Law was not drawn with any idea in mind that standing timber might some day be classed as personal property. Whether companies engaged in holding timber lands, but not actively engaged in lumbering, would be excluded from the provisions of that article under subdivision 1 of section 210, and whether corporations actively engaged in lumbering would be entitled to the exemption of their standing timber from local taxation under section 219-1, would depend on the judicial interpretation of the sections in question in the light of the new conditions created by the passage of such a bill as that under discussion.

In short, although the intent of its advocates to exempt standing timber from the general property tax was frankly stated in the arguments they advanced in favor of the bill, it is apparent that the bill would not have accomplished the object intended. At most, it would have introduced a very complicated tangle into the Tax Law.

Summary of Defects in Proposals

It is apparent from the foregoing analysis that the bills in Groups II and III, as well as those in Group I in so far as their provisions relate to taxation, retained at least three major defects inherent in the three laws adopted in 1912. The bill in Group IV endeavored to correct these defects in a manner which would have defeated its own primary purpose, in that standing timber, whether natural or planted, would still have remained subject to taxation under the General Property Tax Law.

**CHAPTER II — THEORETICAL BACKGROUND OF MOVE-
MENT FOR FOREST TAXATION IN STATE OF NEW YORK**

CHAPTER II — THEORETICAL BACKGROUND OF MOVEMENT FOR FOREST TAXATION IN STATE OF NEW YORK

As has already been indicated by the citation of specific instances, there has been a very close relationship between the development of theories of forest taxation in this State and that in the country as a whole. This is shown by the changes in character of the bills introduced from year to year and by the marked similarity between bills introduced in this State and in other states at about the same time. Leaving out of consideration the early "inducement laws" designed to stimulate forest planting by tax exemptions, bounties and rebates, the movement for which began in the comparatively treeless states of the middle west in the sixties of the last century, the endeavor to formulate better methods of taxing forests first took definite form in the very able and scholarly report of the National Conservation Commission which was appointed by the President in 1908. The report was submitted in 1909, but its recommendations were ably presented at the second conference of the International Tax Association in 1908.*

Forest Tax Program of 1908

Briefly summarized, the arguments contained in the report are as follows: The United States is confronted by a serious problem because of the rapid denudation of its forest areas and the fact that little or no effort is being made to plant new forests or to foster natural reproduction on lumbered areas. The general property tax, inequitable at best, is especially onerous in the case of an occupation such as that of forest culture, because of the fact that it imposes an annual and progressively increasing tax burden on property which cannot in the nature of things yield an income for a long term of years. In Europe where forestry has been practiced successfully for generations, taxes, except for a few relatively minor annual taxes, are levied on the basis of the income from the forest.

After suggesting certain alternative plans for the taxation of forests on an annual basis, and rejecting them because of the administrative difficulties involved, the recommendations of the Commission were substantially as follows: Since the people of the United States are still remote from the adoption generally of the principle of taxation on the basis of income, and since the rigid enforcement of the prevalent general property tax would impose intolerable and ruinous burdens on forests, it is essential that forests be separately classified for taxation, that the plan of recurrent annual taxes on such property be abandoned, and that

* Proceedings International Tax Association, Address of Fred Rogers Fairchild, (pp. 69-82).

they be taxed on the yield of the timber when cut, at a rate sufficiently high to establish approximate equality of tax burden between forests and other property.

The Commission realized clearly that constitutional obstacles would have to be removed in certain States before such a plan could be adopted, and that difficult problems in connection with the maintenance of a steady stream of income to local bodies would arise. It was felt, however, that these were problems which would have to be solved after consideration of the purely local factors in each case.

Forest Tax Program of 1913

In 1913 the problems raised by the difficulties of providing revenues for local governing bodies in forest regions under the original pure yield tax plan, moved the Committee on Forest Taxation of the National Tax Association to modify that plan by the addition of an annual tax on the bare land value of the forest. This proposal* was much more explicit than its predecessor had been from the standpoint of local tax administration. It divided forest lands into two classes—"new forests" and "established forests"—and provided for their reassessment for purposes of taxation at intervals of twenty years. For new forests, it proposed a tax on the assessed bare land value at one-half the general property tax rate plus a 10 per cent stumpage tax on the yield. For the established forests, the tax on the assessed valuation of land and trees was to be at the full general property tax rate plus a tax on the yield to be levied on a sliding scale ranging from 1 per cent on timber cut less than five years after date of classification to 5 per cent if cut more than twenty years after such date. Provisions for optional classification and for State supervision of forest management on lands so classified were included among the recommendations contained in the plan.

This proposal, it will be observed, marks quite a radical departure from the original pure yield tax plan. Its objects seem to have been to protect local governing bodies in forest regions which are not yet on a sustained yield basis against too great a contraction of the tax base and at the same time to insure the forest owners against the uncertainty created by the possibility of ruinous future increases in the tax burden.

Massachusetts Program of 1914

At about the time that this revised plan of forest taxation was formulated, the Commission on the Taxation of Wild or Forest Lands, which was appointed under a resolution of the Massachusetts Legislature of 1913, was engaged in the task of trying to insert into a revenue system based on the general property tax a provision for the separate classification of forest lands. The difficulties encountered in this attempt are very clearly set forth in the report of that commission which was submitted to the

* Proceedings National Tax Association, 1913, pp. 413-420.

Legislature of the State of Massachusetts in January, 1914. The following excerpts from that report will serve to state the problem clearly:*

“Starting with the principle that forest lands ought to be taxed upon their income, the commission has sought to find the best practicable method of applying this principle to the conditions which exist in Massachusetts. Since we have not, and for many years cannot, have forests cultivated for a sustained yield, a simple tax upon the net income from forests is not practicable. In time, if conditions change, such a tax may become preferable to any other; but at present it is necessary to adopt a tax upon the timber when cut, which is a tax upon the gross income of forests.

“While the tax upon the cut must be the principal tax, we believe it is not the only one that is needed, since in many districts land is so valuable that it would be very undesirable to exempt it from annual taxation. Such a course would encourage land speculation rather than timber culture, and would be in all respects unjustifiable. We therefore believe that the tax upon the cut should be supplemented by an annual tax upon the value of the land, exclusive of the trees growing thereon. * * *

“For such a combination of income and land taxes we have valuable precedents in Europe and in the recent legislation of some of the American States previously mentioned. (Michigan—1911, New York—1912, Pennsylvania—1913, Connecticut—1913, Vermont—1913.) * * *

“The commission would greatly prefer, if it were practicable under the conditions existing in Massachusetts, to recommend the immediate exemption of growing timber from taxation, the retention of the tax on forest lands, and the introduction of a tax upon timber when cut. If it were possible to limit our recommendations to these three points, we could draft a brief act comparatively simple in its provisions.

“Such a course, however, would mean an abrupt transition from conditions under which many towns derive substantial revenues from growing timber to conditions under which these revenues would be lost, and the towns required to wait for some years before any considerable revenue would be received from the tax upon cut timber. This would seriously embarrass the finances of many towns, which would be most undesirable. * * *

“This very practical consideration has led to the proposal that timber should be exempted, and that the state should then act as banker for the towns. This might be done by having the state assess and collect the tax upon cut timber, and, upon the security of this resource, reimburse the towns

* Report of Massachusetts Commission on the Taxation of Wild or Forest Lands, 1914, pp. 15, 16 and 17.

for the present taxes upon growing timber. Such a plan is undoubtedly practicable, but it would require the transfer from the towns to the State of the taxation of wild and forest lands. We do not believe that this necessary detail of the scheme would find favor in Massachusetts. * * *

"We have therefore been obliged to find some other method of safeguarding the revenues of forest towns during the period of transition from the present tax upon growing timber to the new tax upon cut timber. Without such provision we should not venture to recommend any plan to the favorable consideration of the General Court.

"We find that all the needs of the situation can be met by adding, to the land tax and the tax upon cut timber, a third tax levied in fixed amount upon growing timber subject to taxation in 1913. This tax, which would be in commutation of existing liabilities of timber owners for taxation upon the growing crop, we have called a forest commutation tax."

It would be difficult to formulate a clearer statement than that contained in the foregoing quotation of the difficulties involved in endeavoring to incorporate a yield tax for forests into a fiscal system based primarily on the general property tax. The statement is interesting furthermore because of its dismissal of a proposal similar to that contained in the New York bills classified under Group III (see above) and of the substitute adopted in lieu thereof.

Incidentally, the recommendations for a land tax, a yield tax and a commutation tax were enacted into law by the Legislature of the State of Massachusetts in 1914. Among the other provisions of the law were those for optional classification on application by the owner and the imposition on land so classified of a definite plan of forest management. For some reason the law proved unpopular, less than 2,000 acres having been classified under it from 1914 to 1922. In 1922 a simplified forest tax law was passed, which retained the land tax, the yield tax and the optional classification features, but eliminated the forest commutation tax on lands classified under its provisions, as well as many of the details in connection with the plan of forest management. It is too early to say whether the new law will be more successful than its predecessor.

Movement for General Rather than Optional Forest Tax Laws

The failure of one after another of the optional classification laws brought about a movement among the students of forest taxation for general laws that would apply to all forest lands. This brought up a new difficulty. Should mature timber be included in the scope of the proposed laws, and if not, where should the line be drawn between mature and immature timber? The new viewpoint was ably voiced by Professor H. H. Chapman of Yale at the fourteenth annual conference of the National Tax Association, held in 1921. He said in the course of his address:

“The universal failure of special classification to date as an effective economic measure is the strongest argument for attempting either the substitution of the general principle applicable to all forest property, or a great simplification in procedure for special laws, or both.”*

Forest Tax Program of 1922

At that session of the association a committee was appointed to report on the matter of forest taxation at the conference in 1922. The high lights in the ensuing report† appear in the following brief extracts:

“Some of the earlier plans of forest tax reform involved special favors to the forest owner, in return for certain specified management of his forest, under a contract with the state. Forest owners have been very reluctant to bind themselves by such contracts and the laws containing this feature have everywhere failed to produce results. But even where there is no intention to give any ultimate favor to the forest owner, the presence of an initial concession requires some safeguard against abuse. Hence nearly every plan of forest taxation that has appeared in the last ten years has involved restrictions upon its application similar to those contained in the plan of the former committee. This is believed to have been the chief reason for the failure of all these plans to obtain more general acceptance. Your committee believes that it is of the utmost importance to develop a plan which shall be of universal application; which shall be compulsory and not optional, and which shall not be hedged about with the red tape of applications, inspections, and official sanctions.

“This goal which seemed quite unattainable to those of us who were working on the problem ten years ago, has, we believe, been brought within our reach by certain developments of the past decade in the field of general taxation. * * * The one great achievement of our earlier efforts was to develop the idea of the yield tax. * * * While we have been struggling to secure the yield principle as a special concession to the forests, the general tax reform movement has caught up with us.

“When we were seeking a special forest tax, in lieu of all other taxes, it was felt that the annual land tax at the regular rate, paid for many years in advance of an income from the forest, was a serious hardship. Now we are assuming that forests are to be subject to the individual income tax and the business tax, and we are seeking only an adaptation of the property tax. This is not the whole tax on forests but only a part of the system. The simple solution becomes practicable and not unduly burdensome; i. e., the annual tax on the land only, at the regular rate of the property tax, with

* Proceedings National Tax Conference, 1921, p. 47.

† Proceedings National Tax Association, 1922, pp. 127-139.

entire exemption of growing trees. No additional yield tax is required so far as the property tax is concerned. With such a tax, there remains no necessity for any optional feature, for applications or inspections, for contracts or official interference with the owner's management of his forest. The law would apply to all lands and would simply have to provide that in assessing real estate no account should be taken of the value of growing trees." (Pages 132, 133, 134.)

Simple as this proposal sounds, it is complicated by the fact that the committee feels "that the mature or virgin forest presents a distinct problem, toward the solution of which little has yet been accomplished." (Page 129.) The final conclusion of the committee on this point is summed up in this sentence: "Taking everything into consideration, your committee is of the opinion that the only practicable solution of the problem of taxing mature forests is to seek to make the property tax as equitable and convenient as may be." (Pages 133, 139.)

The difficulty of drafting a law that would differentiate between mature forests and growing forests led the advocates of the bill under Group IV (see above), which was introduced in this State in 1923, to include all timber lands under the provisions of their first draft. When the bill was later amended, only planted forests were to come within its scope. In California and Oregon, where similar bills were introduced in the spring of 1923, only lands accepted by the State forester as "reforestation" lands were to be taxed under their provisions. Evidently, then, the most recent of the long series of recommendations on forest taxation has not yet succeeded in laying the old spectre of "red tape"—of "applications, inspections and official sanctions."

Furthermore, in spite of the committee's statement that "no subsidy or special favor to forest owners is contemplated" (page 130), it would be hard to convince a farmer, a merchant, or a manufacturer, who in addition to his tax on land values and to his tax on corporate and personal income, pays taxes on his improvements and certain types of personal property, that the forest owner paying only a land tax plus a corporate or personal income tax as the case might be, was not getting special favors. Whether the committee in its recommendation for a land tax plus the normal income tax for forests alone has gone too far or not far enough depends on one's viewpoint. Certainly its present position is open to attack on both flanks.

Minor Forest Tax Plans

That the rank and file of the advocates for changes in the methods of forest taxation have been thrown into confusion by the frequent changes in the plans recommended by the leaders is to be expected. It is impossible within the scope of this report to set forth even briefly the numerous conflicting theories that are being strenuously advocated by small groups almost every-

where. It is sufficient to say that they range all the way from the total exemption theories of the early tax inducement advocates through the various proposals advanced by the more authoritative committee reports.

One of the outstanding recent proposals is that of the Committee on National Forestry Policy of the United States Chamber of Commerce. On pages 24 and 26 of a report dated October 3, 1923, the following recommendation is made:

“We recommend that proper and, as far as possible, uniform tax laws covering idle lands, cut-over lands and forest areas be at once adopted by each state; young growing forests to be taxed on the principle of the yield, and annual tax to be laid only on the land at a nominal value.”

This idea of a nominal value as a basis for the land tax has already been written into law in several States, among them Pennsylvania, Indiana and Louisiana. It contravenes the very clear arguments relative to the need for a tax on full land value advanced by the Massachusetts Commission of 1914 already quoted above. Furthermore, it embodies in modified form the 1913 proposals of the Forest Tax Committee of the National Tax Association which, in the light of later experience, the committee of 1922 rejected as unworkable and undesirable.

Negative Forest Tax Plans

In the foregoing analysis we have endeavored to outline the evolution of the dominant theories of forest taxation in the United States since 1908.

In fairness to the successive committees whose findings have been summarized above, it must be stated that they have never failed to stress the opinion that the taxation of forest property under the general property tax as at present administered cannot be charged with responsibility for the denudation of our forest lands nor for premature cuttings of growing timber. The active advocates of bills for forest tax revision, however, have as a rule painted lurid pictures of the devastation wrought in our forest areas by the intolerable burdens imposed under the general property tax.

During all the period of study and agitation for reform in the methods of taxing forests, there has been a small minority which has contended not only that these extremists were in error, but even that the more moderate arguments of the official committees had placed undue emphasis on the importance of taxation as a factor in a general forest policy. In 1908, at the meeting of the International Tax Conference at which Professor Fairchild presented his preliminary outline of the recommendations of the National Conservation Commission, Dean B. E. Fernow, whose name is closely associated with the early developments in forestry in the United States, said: “While, no doubt, the tax power can be used to encourage or discourage certain practices, it must not

be overlooked that other powerful influences are also at work, which may encourage or discourage the other way.”*

During the general discussion from the floor which followed the presentation of the set speeches, Mr. Morrill N. Drew, chairman of the State Tax Commission of Maine, stated that “the total tax on wild land in Maine today does not exceed one and one-quarter cents per acre; and with that low rate of taxation we have seen no wild landowner starting out to reforest his land where he can cut over or burn.”†

Bewilderment consequent upon the realization that no plan for the revision of present methods of forest taxation seems capable of enduring as much as a decade at a time; disappointment because of the fact that the recommendations when enacted into law won't work; and resentment against the tactics of the active proponents of bills for reform in forest taxation have strengthened this former undertone in the discussion until it is beginning to assume the proportions of the dominant note. The Michigan Committee on Inquiry into Taxation sounded this note in 1922, as will appear from the following excerpts:

“From the investigation we have made of this subject, we are of the opinion that the effect of our system of taxation on premature cutting of timber and reforestation is greatly over-emphasized. * * *

“What we desire to emphasize particularly is that there should be no hasty action taken in changing the present system of taxing timber lands. The legislature should be furnished with something more definite than academic theories, propaganda, arguments of those financially interested directly or indirectly, and the pleas of paid lobbyists. * * *

“We recommend that there be a further investigation of the whole subject of forestry in Michigan, to be made by competent men under the authority of the state, before any radical changes are made in our laws relating to forestry, especially the laws relating to taxation of forest lands.”‡

Summary of Current Theories

After fifteen years of study and effort on the part of advocates of reform in the method of taxing forests, the net results may be summed up as follows: The outstanding leaders of thought on the subject have advocated first a pure yield tax on timber when cut with no annual tax of any kind on either land or timber; next, a land tax plus a yield tax on “new” forests and a tax on land and timber plus a yield tax on “established” forests; and finally a pure land tax with no yield tax for growing forests, mature or virgin forests to be left subject to the general property tax.

* Proceedings International Tax Conference, 1908, page 94.

† Proceedings International Tax Conference, 1908, p. 106.

‡ Report of the Michigan Committee of Inquiry into Taxation, 1922, pp. 33 and 35.

The few laws which have been enacted in harmony with the theory in vogue at the time of their enactment remain practically dead letters on the statute books. The difficulties of drafting bills which will incorporate the apparently simple recommendations of the leaders without making the drafts unduly complicated are no less numerous under the latest series of recommendations than under their earlier predecessors.

These facts have made it difficult for the men charged with the duty of writing tax laws, not only for forest lands, but for other property and other occupations as well, to formulate a definite policy for the taxation of forest lands. They have adopted a do-nothing policy. Quite recently they have even mustered up courage to defend their inaction on the ground that there was no pressing demand for legislation on forest taxation.

This state of mind on the part of legislators and tax officials has made itself evident in the State of New York as well as in other states. Whether or not the resultant inaction has been inimical to the best interests of the State will be touched on in the next chapter.

**CHAPTER III—ECONOMIC BACKGROUND OF FOREST
TAXATION**

CHAPTER III—ECONOMIC BACKGROUND OF FOREST TAXATION

A—STAGES IN THE CYCLE OF DENUDATION

Because of the fact that the movement for reform in the methods of taxing forests has been country-wide, there has naturally been a tendency to advance in support of bills introduced in one State arguments based on conditions existing in another. Those who have fallen into this error overlook the fact that this country, in the process of developing its vast regions of unbroken forests into highly specialized and differentiated areas, passed through a distinct cycle, and that all parts of the country did not pass through the same stages in the cycle at the same time.

In the first stage of development, the forest was an obstacle to be removed ruthlessly, not only by the axe, but by fire. The amount of timber which had to be cleared away in order to make room for settlements and farms—and at one time as a measure of security against attacks by enemies—was so much in excess of the amount required for purposes of building and later for commerce, that the surplus was left to rot or be destroyed by fire. Even when commerce created a demand for greater supplies of lumber, there was still an unbroken wilderness stretching from the eastern seaboard inland, and the wasteful habits engendered by the constantly increasing need of clearings for settlements and farms were carried over into the new business of commercial lumbering. The forest was looked upon primarily, not as a resource to be conserved, but rather as an impediment standing in the way of progress. Under this plan of forestry first one section and then another of the original forest region woke up to find itself without readily accessible timber supplies, whether for fuel or for construction. Then came the realization that forests were an indispensable asset in the life of the nation.

This point in the cycle was reached first in the regions bordering on the eastern seaboard. Then the more accessible forest regions contiguous to the great centers of population in the States of New York and Pennsylvania fell under the axe. Next came the virgin stands in the Great Lake States. When they had become exhausted, denudation began in the Southern States. The depletion of the supply in that region is now creating a nation-wide demand for lumber from the Pacific coast.

Effect of Taxation During the Several Stages of the Cycle

Now, what part did taxation play in these successive stages in the cycle? In the first stage, governmental costs were low and the burden on forest lands negligible. On the basis of reasoning analogous to that now employed by many advocates of reform in forest taxation, tax reformers of that period might have been justified in imposing a heavier tax on standing timber than on other

property for the purpose of stimulating clearing. Had they done so, it is doubtful whether the "reform" could have done much to intensify the social, economic and cultural forces of the period, which were all directed to the destruction of the forests.

During the period of active lumbering in regions outside the areas needed for settlement and agriculture, the tax burden was similarly unimportant, in its influence on the progress of the cutting. Taxes in regions of this type entered into the cost of production, and if they influenced the situation at all, they tended simply to increase lumber prices to the extent of the taxes all along the line. Under such conditions lumbermen did not worry much about taxes.

Critical Period in Cycle of Denudation

The crisis, however, came in regions of this type when denudation within them had reached a stage where the output was falling off. In such regions small communities had grown up; schools and roads had been built, not infrequently out of money raised by the sale of bonds. The more fertile and easily tillable lands had been taken up by farmers whose products in great part were consumed locally, but the remoteness of the regions from the established trade routes and general markets prevented the extension of agricultural activities to include more than a very small portion of the denuded area. Here, then, you had a situation where the tax question became acute.

As tract after tract was denuded logging crews were thrown out of employment and moved on to other fields. Mills were dismantled or abandoned. The local farmers were pinched by a falling off in the demand for their produce. Tax aggregates showed a tendency to decline in value. Meanwhile the costs of maintaining the local government remained relatively stationary. The assessed values of the old forests which had been established in the first place in a haphazard manner were copied from roll to roll, regardless of the facts that the timber had been cut off and that the bare land alone remained. The reason for this cannot be attributed simply to inherent stupidity on the part of assessors. It is due rather to the following combination of circumstances: The resident property owners, other than owners of timber lands, dominated the local political situation. In the face of decreases in their own business, they were not in a mood to grant reduced assessments to the comparatively wealthy owners of denuded timber lands, when they knew that such reductions would inevitably increase their own share of the tax burden. Consequently, taxes on denuded areas remained stationary and in some cases even increased. The owners, meanwhile, could not hope to derive an immediate income from their lands. Neither could they dispose of them, since the lands in many cases were not adapted either by location, topography or natural fertility to agricultural development. There was only one outcome possible. The lands went to tax sale.

It is at this stage in the cycle of denudation that the tax problem attracts general attention. The tax system is blamed for a situation which it did little or nothing to create. Amendments to the tax law are adopted in the hope that they will undo the results of years of economic mismanagement. That the hope is vain is indicated by the experience of every State that has relied on it in the past.

Stage of Recovery

But time is certain to bring changes. No crisis, however acute, can persist for long. In several of the states, notably in New York, Pennsylvania, Michigan and Wisconsin, much of the land offered at tax sale went to lay the foundation for State forest preserves. That was a long step toward the adoption of a conservation policy. Furthermore, in some of these states the pressure of taxation on other occupations was relieved by the adoption of a plan for the payment by the States to local governing bodies of taxes on the State holdings. This in turn made local taxpayers less hostile to a slow downward revision of assessed values on denuded lands in private hands. In cases where there was not an actual reduction in the assessed values of denuded timber lands, the same result was attained by holding the assessed values of such lands relatively stationary while other classes of property were subjected to increased assessments. A region which has reached that stage in the cycle has passed the crisis and is entering on a period in which private owners of forest land can lay the groundwork for an adequate plan of forest management.

Many of the arguments for new methods of taxing forests are drawn from states which are just entering or just emerging from the period of crisis. In the nature of things, however, they are not applicable in regions which have not yet reached the critical period, nor in those which have emerged from it.

New York Has Passed Critical Stage in Cycle

The question now arises as to the point in the cycle which the State of New York has reached.

In point of lumber production, the State of New York ranked first among American States in 1850, but the maximum production in the State had been reached a decade or two earlier.* The critical point in denudation was reached between 1870 and 1880. Between 600,000 and 700,000 acres of wild or forest lands were bought in by the State at the tax sales of 1871, 1877 and 1881. That marked the high point in tax sales. In 1920 only about 500 acres of lands in this class went to tax sale, and most of that area is in process of being redeemed by the owners. In short, the cost in taxes of owning timber lands in the State of New York is no longer so onerous as to outweigh, in the opinion of the owners, the advantages resultant from such ownership.

* Timber Depletion, Prices, Exports and Ownership. Report of U. S. Forest Service on Senate Resolution 311, 1920, p. 13.

Conservative Cutting

Are private owners of forest lands in the State of New York endeavoring to develop plans of forest management? No comprehensive mass of information is available on which to base an answer, but the following facts indicate that the practice of forestry is making progress in establishing itself as an important factor in the management of commercial timber lands.

When lumbering operations were confined principally to the extraction of saw timber, the investment in machinery was small as compared with the amount of material handled. The loss in machinery and improvements when the supply in one region was exhausted and the plant was abandoned or dismantled was negligible. Today, however, in the State of New York, the bulk of the logging operations are carried on in connection with the pulp and paper industry, in which the investment in plant runs into the millions. Where the old time lumber operators led a nomadic life, moving from one region to another, the pulp and paper industry is tied to one location by the very magnitude of the investment in plant and machinery. This has exercised a very profound influence on the methods of logging. Every pulp and paper company of any magnitude in this State has a trained forester in its employ. Diameter limits in cutting are set and observed. Young growth is protected against damage during logging operations. Waste has been reduced by a closer utilization of the timber cut. Slash is handled in such a manner as to minimize the danger of fires.* In short, many of the larger holdings of timber land in the State are being managed in a manner more nearly approaching the methods taught in the schools of forestry. An estimate by an eminent forest engineer who is conversant with the situation places the area of privately owned timber land in the State which has reached a close approximation to a sustained yield basis at 500,000 acres.

Exercise of Police Power Over Forest Management

As this practice grows, as company after company falls in line, as individual companies improve their methods, the groundwork is being laid in public opinion for general laws, based on the police power, governing the handling of forest lands. When that time comes, it will no longer be necessary for the State to say to the timber land owner: "If you will manage your forest thus and so, we will give you a certain amount of relief from taxation." The two questions will be dissociated and the State will say to the land owner simply this: "In the interest of the welfare of the State, you will conform to certain standards of forest management."

European countries have long exercised the police power in this respect. The enormous development in recent years of zoning

* The conservation commission in cooperation with private land owners has established an effective plan for fire control covering 7,270,000 acres in the Adirondack and Catskill regions. This area, under authority granted by Chap. 38, 1923, is being considerably extended.

in municipalities, which is based on the exercise of the police power in connection with the utilization of urban property, gives ground for hope that the same principles may soon be applied to forest property also. The technique of administration in the urban field, furthermore, points the way to avoiding the features of highly centralized administration which have characterized the forest management bills hitherto introduced in this State. The type of flexible administrative machinery which has been proven successful in the administration of zoning ordinances may well be adapted in decentralized form for the enforcement of district forest management regulations.

Reforestation

But it is not alone in the management of existing stands of timber that forestry is making progress. More than 76,000,000 seedlings and transplants produced by the State nurseries have been set out in forest plantations since 1901. At the rate of 1,000 trees per acre, this means that more than 75,000 acres of denuded lands have been replanted. Considerably more than 40,000 acres of this area consists of privately owned forest lands. Just how much of this area is eligible for separate classification under the three sections of the existing law, there is no immediate means of ascertaining. Certainly it is far in excess of the 1,300 acres separately classified.* If, now, the burden imposed by the general property tax had been as serious as some of the advocates of changes in the law insist, it is reasonable to assume that there would have been a much greater tendency on the part of those actively engaged in reforestation to escape the tax burden by taking advantage of the provisions of the existing laws.

The accompanying table, headed "Summary of Forest Trees Planted in New York State Including Only Stock from State Nurseries, 1901-1923," is based on information obtained from the Conservation Commission and gives the distribution of the trees planted by years and by classes of ownership. The very steady increase in plantings by private owners, except during the war years, when labor was scarce, is especially notable, together with the further fact that the State nurseries during 1923 were unable to supply the demand from private owners for trees. Among such unfilled orders at the end of the past year was one for 500,000 trees. In order to meet the growing demand, the State nurseries are being enlarged to supply 12,000,000 trees in 1924 and 17,000,000 in 1925.

It must be borne in mind also that these trees do not include those planted from other than State nurseries. Some of the large timber companies are developing their own nurseries.

In the light of these facts, it is apparent that forestry in this State, at least, is in a convalescent stage in spite of the present tax laws. Not only are many second growth and virgin areas being conservatively managed, but denuded areas are being replanted every year at a rapidly accelerating rate.

* See page 21.

SUMMARY OF FOREST TREES PLANTED IN NEW YORK STATE INCLUDING ONLY STOCK FROM STATE NURSERIES, 1901-1923

	State Institutions	Forest Preserve	Total State	Other than State land	Total per year
1901-1908.....		*2,186,000	*2,186,000		*2,186,000
1909.....		90,000	90,000	1,005,000	1,095,000
1910.....		44,000	44,000	1,700,000	1,744,000
1911.....		120,000	120,000	1,670,000	1,790,000
1912.....	500,000	1,346,000	1,846,000	2,978,000	4,824,000
1913.....	804,000	76,000	880,000	3,242,000	4,122,000
1914.....	908,000	1,094,000	2,002,000	2,609,000	4,611,000
1915.....	1,141,450	3,030,000	4,171,450	3,776,000	7,947,450
1916.....	862,000	2,875,000	3,737,000	2,949,000	6,686,000
1917.....	1,065,800	4,059,120	5,124,920	1,636,215	6,761,135
1918.....	426,000	4,213,100	4,639,100	2,597,785	7,236,885
1919.....	107,800	5,160,100	5,267,900	2,265,055	7,532,955
1920.....	51,500	1,257,425	1,308,925	2,470,475	3,779,400
1921.....	135,625	165,000	300,625	3,020,770	3,321,395
1922.....	61,550	106,100	167,650	4,140,773	4,308,423
1923.....	294,810	1,297,000	1,591,810	7,079,900	8,671,710
Total.....	6,358,535	27,118,845	33,477,380	43,139,973	76,617,353

* Total for eight years.

† A discrepancy of 100 trees occurs at these points in the state's official figures. The figures here set down are adjusted, totals based on the sum of the first two columns.

B — TAXABLE CAPACITY OF FORESTS

In spite of the fact that a great deal has been written of late years on forest taxation, your committee has been able to gather little or no information as to the taxable capacity of forests. What is the average annual gross or net income from any given type of forest lands in this State? What percentage of that gross or net income can be taken in taxes without acting as a deterrent to reforestation or as an incentive to premature cutting? To neither of these questions has your committee been able to formulate a clear-cut and definite answer.

The reasons for this lack of information on questions so fundamental to the entire discussion of forest taxation are not far to seek. In the first place, the practice of forestry in this country is so new that the necessary information as to the annual increment in timber volume on virgin or second growth stands has not yet been collected over a long enough period to provide a basis for a well founded judgment. In the second place, the stumpage value to be applied to the annual increments in timber volume is still largely a matter of opinion because of the constant but uneven increases in stumpage values in all parts of the country.

In this contingency the advocates of reform in the methods of taxing forests have had recourse to the following methods of arriving at the taxable capacity of forests. They assume a given

land value per acre, annual costs of management and protection, and annual taxes, and then proceed to compound all these elements in the cost of producing the forest for the estimated period of growth. In the case of a forest plantation, they also include the cost of planting. They then apply an assumed stumpage value to the estimated volume at the period of maturity and strike a balance. Not infrequently they succeed in proving by this method, not only that forest lands can stand no tax burden whatsoever, but that the owner will face a loss even after the complete remission of taxes. Mr. R. B. Goodman, representing the Northern Hemlock and Hardwood Manufacturers' Association, submitted to the United States Senate Committee on Reforestation one estimate of \$3,838.22 as the cost of carrying one acre of naturally reseeded land to maturity in one hundred years. This estimate included simply the compounded interest at 6 per cent on an investment of \$5 an acre in land, and the compounded value at the same rate of annual taxes at 30 cents, and of annual costs of risk, care and fire protection at 8 cents per acre. Even if the taxes of 30 cents per acre per annum, which Mr. Goodman compounds to \$1,691.10 were entirely remitted, the owner would still have to sell his estimated volume of four to eight thousand board feet of timber at the end of the period for between \$268 and \$536 per thousand on the stump in order to break even.*

In all fairness to the advocates of tax reform in this State, the committee must admit that no figures submitted to it for its consideration have reached any such totals as those just quoted. This extreme case was cited simply to illustrate the remarkable results which can be achieved by the use of the method.

The criticism of the method itself is a matter of some delicacy, since it seems to have the sanction of the outstanding experts in the science of forestry.† Nevertheless, your committee ventures to point out certain oversights in the usual plan of applying the method. The criticisms are based on the results of the comparison of a number of cost tables, some of which were submitted to the committee in manuscript form and others of which are to be found in the current literature on the subject.

The Rate of Interest

As a rule the cost tables are built up by compounding at rates of interest between 4 and 6 per cent. The following table, quoted from an article by C. H. Guise, entitled "The Rate of Interest as a Factor in the Cost of Growing Timber," ‡ will bring into clear relief the extreme importance of the rate selected for compounding. The table indicates the amounts to which \$1,000 will accumulate in fifty years at rates of from 3 to 6 per cent compounded annually, and the corresponding rates of simple interest which it would be necessary to earn on the capital in order to yield as great an accumulation at the end of the period:

* Hearings Select Committee on Reforestation U. S. Senate, p. 589.

† Cf. Pulpwood and Wood Pulp in North America by Royal S. Kellogg, 1923, Chap. XVI "The Cost of Forestry."

‡ Journal of Forestry, Vol. 20, 1922, pp. 589-592.

COMPARISON OF SIMPLE AND COMPOUND INTEREST ON BASIS OF EARNINGS OF \$1,000 IN FIFTY YEARS

Rate of interest compound	Value of capital and interest at end of 50 years	Value of compound interest alone	Rate of simple interest to be earned to equal amount in column 3
3.0.....	\$4,383.90	\$3,383.90	6.76
3.5.....	5,584.90	4,584.90	9.17
4.0.....	7,106.70	6,106.70	12.21
4.5.....	9,032.60	8,032.60	16.06
5.0.....	11,467.40	10,467.40	20.93
5.5.....	14,542.00	13,542.00	27.08
6.0.....	18,420.00	17,420.00	34.84

By means of this table Mr. Guise drives home forcibly the need for extreme care in the selection of a compound interest rate for use in building up cost estimates. A rate of 3 per cent compounded annually is equivalent to a simple rate of 6.76 per cent for a period of fifty years, while a rate of 6 per cent compounded for the same period is equivalent to a simple rate of 34.84 per cent.

Period During Which Interest Is To Be Compounded

Not only the rate, however, but also the length of time for which compounding is to be carried on, exercises a profound influence on the results obtained. In order to make this point clear, your committee submits the following table showing the accumulations of \$1,000 at 6 per cent compounded for periods ranging from forty to one hundred years, together with the corresponding simple rates required to yield equivalent sums:

COMPARISON OF SIMPLE AND COMPOUND INTEREST ON BASIS OF EARNINGS OF \$1,000 AT 6 PER CENT COMPOUND INTEREST FOR VARYING TERMS

Term of years	Value of capital and interest at end of period	Value of compound interest alone	Rate of simple interest to be earned to equal amount in column 3
40.....	\$10,286	\$9,286	<i>Per cent</i> 23.21
50.....	18,420	17,420	34.84
60.....	32,988	31,988	53.31
70.....	59,077	58,077	82.95
80.....	105,798	104,798	130.99
90.....	189,469	188,469	209.41
100.....	339,312	338,312	338.31

On the basis of this table it is clear, not only that the selection of a rate of interest is of prime importance in setting up timber cost tables, but that the selection of a period for compounding is of even greater importance.

Most of the printed cost tables which we have encountered have been used in support of two contentions: First, that forest lands should be freed from the burden of recurrent annual taxes because of the high figure to which the taxes compound; and second, that the Federal and State governments should assume the burden of bringing certain types of timber to maturity because of the long period required for that purpose. Granting the validity of the method employed it must be conceded that the arguments sound convincing. It would be possible to apply the same method quite as convincingly, however, in support of the contention that the Federal government itself would eventually face bankruptcy were it to engage extensively in the business of producing timber which requires a long time to mature.

Small wonder then that one well known forester exclaimed at one of the conferences held by your committee: "Compound interest has kept and is keeping more forestry out of the woods than the menaces of all the fires and taxation combined."

The Items To Be Compounded

In many of the cost tables which your committee examined a tendency was disclosed to place the original investment in land at a point somewhat in excess of the actual value of such lands as indicated both by sales data and expert appraisals.

In one table, for instance, \$20 an acre was assumed as the cost of land and stocking. According to cost data on stocking submitted by one company which has set out about 1,000,000 trees, the total costs per acre planted, including 1,200 transplants per acre, freight and labor, averaged \$13.80 in 1921, \$12 in 1922 and \$10.80 in 1923. Taking even the high average cost of stocking for 1921, the balance chargeable to bare land would have been in excess of \$6 per acre in the cost table under discussion. A study of sales and appraisals indicates that the assumption of a bare land value of \$2 to \$3 per acre would have been more in keeping with actual conditions in the region to which the table was designed to apply.

In the matter of taxes also, the estimates include items running from 25 to 30 cents an acre for the entire period of compounding. Here again the estimates are somewhat in excess of the actual figures revealed in the towns studied. (See Chapter IV.)

The effect on the final results of the assumption of bare land values and taxes which are in excess of the actual figures is in arithmetic proportion to the amount of that excess. Doubling either of these items will also double the corresponding accumulations for any period and at any rate of compound interest which may be used in the table.

Whether or not it is justifiable to compound costs of protection, care and maintenance will depend somewhat on the circumstances. In the case of a going concern—one which is at present cutting on a portion of its holdings—good arguments can be made for

charging all such items to current operation and maintenance on the ground that they are essential to providing and safeguarding the current supply of timber. In the case of many tracts, on the other hand, which are not being cut at present, it was found that the owners were expending nothing for care, and were relying on the State for protection against fire. In such cases, manifestly, a table of cost estimates which compounds annual costs for these items is not applicable.

Estimate of Credit Items at End of Period

Those of the tables examined which presented estimates of the probable cash value of the standing timber at the end of the compounding period as a rule multiplied the estimated volume by a conservative figure for the present stumpage values. In one case \$6 per cord was assumed as the present stumpage value for cordwood in the region under consideration. This was no doubt a fair figure. There are several points to be considered, however, before it can be assumed that the fair present figure in that region is a fair figure for use in estimating the value of the yield several decades from now.

According to the December pulpwood statement compiled by the Woodlands Section of the American Paper and Pulp Association, the average contract price for peeled wood for 1924 delivery at New York mills was \$20.77 per cord. A forest engineer in close touch with the situation estimated the cost of logging and transportation per peeled cord, including allowances for overhead and miscellaneous items, at from \$12 to \$15 in the areas of the Adirondacks where the more important logging operations are at present being carried on. This would indicate a present stumpage value for pulpwood in those sections ranging, in round numbers, between \$6 and \$9 per cord.

As has been pointed out, the estimate of \$6 per cord which was assumed in the table may be a fair one for the region to which the table was designed to apply. It may well be that the region is at present so remote and inaccessible that transportation costs constitute an unduly large percentage of the value of the pulpwood laid down at the mill. Nevertheless, remoteness from market is not an irremediable condition. In forty years from now, when the available supply on plantations and second growth areas in the present high cost regions has assumed considerable proportions, it is by no means fantastic to assume that logging and transportation costs in those regions will have been considerably reduced. Even assuming that there will be no further increase in pulpwood prices at the mills—an assumption entirely contrary to all available facts—it would seem to be fair to multiply the estimated volume at the end of any future period by pulpwood prices considerably in excess of those used in the table in question.

Furthermore, none of the typical tables make any allowance for intermediate cuttings or thinnings in advance of the final cutting.

Both in second growth stands and in plantations, periodic cuttings and thinnings are beneficial and tend to increase the volume in the final stand. If it is defensible to compound all debit items to the end of the rotation period, why is it not equally defensible to compound similarly also the credit items?

An experimental table of this type was set up for a sixty-year rotation, using 4 per cent as the interest rate.* Four thinnings were assumed at ten-year intervals, beginning with the twentieth year. Only the second, third and fourth thinnings were assumed to yield merchantable products. The compounded value of the products of the thinnings amounted to 73 per cent of the value of the final cut, and reached a larger total than the sum of all the compounded costs of carrying the timber for the sixty-year period.†

Validity of Results Obtained

In view of the fact that so many assumptions have to be made in formulating cost and yield tables, it is doubtful whether the data obtained by their use under present conditions can ever be accepted as conclusive evidence either as to the taxable capacity of forests or as to their desirability from the standpoint of the investor. Long before the information necessary for their accurate application can have been collected, it is probable that there will be enough timber producing areas in the United States on a sustained yield basis to make it possible to estimate yields and costs without the use of long term compounding. In the meantime those who believe in the accuracy of the method will no doubt continue to use it in order to prove whatever preconceived notions they may happen to have. By judicious discrimination in the choice of interest rates, period of rotation and other factors in the method, those who believe in tax exemption or tax postponement can make up convincing tables in support of their belief; those who feel that the government should take cut-over lands off their hands at a price in excess of what such lands would bring at a tax sale, can prove that timber culture is a losing business for a private owner. Conversely, those who believe the opposite can sustain their beliefs admirably by applying exactly the same method with lower interest rates and other minor changes in its application.

While all this is going on, other men will no doubt continue to plant new forests each year at an accelerating rate and still others will carefully manage the second growth stands they have. At any rate, such has been the experience of the State of New York during the last two decades.

* For full text of tables prepared by N. Y. State College of Forestry, see Appendix.

† The committee is well aware of the fact that the U. S. Forest Service compounds intermediate yields in arriving at the "expectation value" of the government's holdings. Its criticism is not directed at tables of that type but simply at those tables used by advocates of changes in existing laws which pile up debit items and ignore or minimize credit items.

C—RELATIVE TAX BURDENS BORNE BY FORESTS AND OTHER FORMS OF RURAL PROPERTY

Many of the ardent and sincere group of individuals who in some circles have come to be known as "ultra-conservationists" overlook the fact that the problem of forest taxation cannot be considered as a separate and distinct problem. It is part and parcel of a very much larger problem—that of taxation as it affects all groups and classes in the community and not simply the forest owners.

Your committee, now in the fifth year of its study of the problem of taxation in the State of New York, has had this fact brought forcibly home to it, as its several reports clearly indicate. Whenever specific problems have been attacked, those engaged in the occupation in question have frequently been loud in their protestations that their own burden of taxation is far in excess of that imposed on other occupations. In certain cases, but not in all, these statements upon careful investigation proved to be well founded. In its recommendations for reform in the methods of taxing these occupations, the committee found itself forced, however, to consider not only problems of tax relief for the occupation immediately concerned, but also the probable effect of the change in the law on the tax burden imposed on other groups.

In keeping with this general method of procedure, your committee has endeavored to keep in mind, in its study of forest taxation, not only the probable effect of the several proposals on the owners of timber lands, but also their effect on the other taxpayers in the communities where the forest lands are located.

In the nature of things, commercial forests are not located in villages or in cities. The problem so far as local taxes are concerned—and those constitute the bulk of the taxes levied under the General Property Tax Law which the advocates of changes in forest taxation are seeking to have modified—is concerned primarily, therefore, with the problem of relative tax burdens on the occupations to be found in rural communities. Communities of this type are by no means homogeneous in character. There are a number in the Adirondacks where timber culture and its related occupations of logging, lumbering, milling and pulp making share the tax burden with property devoted to seasonal recreation, transportation and small retail merchandising. In the woodlot sections of the State, agricultural property assumes the most important place on the tax roll. Leaving out the property devoted to transportation which, in certain tax districts, looms very large, it is true that agriculture would bear the brunt of any change in the present law governing the taxation of timber lands, whether the change involved an actual shift in the tax burden or merely a postponement of it. The position of agriculture in respect to relative tax burden under the existing law becomes one of prime importance, therefore, in a study of forest taxation.

The report of the State Tax Commission for 1922 contains some very interesting information on this point, based on an analysis of all individual income tax returns filed in this State for the year 1920.* Because of the fact that subdivision 3, section 360, of the Tax Law permits the deduction from the amounts taxable under the State Income Tax Law of taxes levied by Federal, State or local governments, other than income taxes and special assessments, it is possible to deduce from the majority of the returns filed the amounts deducted for such taxes. From this it is an easy step to calculate the percentages of gross and net income represented by such deductions.

The bureau of statistics of the State Tax Department classified all the individual returns filed by persons working for themselves into forty-five occupational groups and distributed the total sales and income from business for each of these groups into net income and twelve deductible items of business costs, one of the twelve items being taxes.

The accompanying table is based on the work of this bureau, and presents in parallel columns the designations of fifteen of the forty-five occupations, the number of returns filed by individuals working for themselves in each of the occupations; the number of returns in each occupation which proved susceptible of analysis; the percentage of the gross income reported on the returns analyzed which was deducted for taxes; the rank of the several occupations in point of taxes deducted with reference to the other forty-five; the percentage of the net income which was deducted for taxes; and the rank of each occupation among the forty-five in that respect.

* Report of New York State Tax Commission, 1922, pp. 473-481.

COMPARATIVE TAX BURDENS ON SELECTED OCCUPATIONS, STATE OF NEW YORK

OCCUPATION	Number of returns filed by those working for themselves	Number of these returns analysed	Per cent of gross income deducted for taxes	Rank in 45 occupations	Per cent of net income deducted for taxes	Rank in 45 occupations
Farming	6,318	4,104	1.83	1	7.20	4
Non metal mining	174	113	1.43	2	4.12	10
Public utilities (owners and proprietors of)	82	23	1.31	3	10.24	2
Real estate, insurance and loan agencies	5,959	2,611	1.17	4	2.88	18
Amusements	1,049	514	1.15	5	7.22	3
Manufacturing food products, beverages and tobacco	3,751	2,032	.74	6	13.03	1
Realty holdings and developments	1,162	72	.71	7	6.51	5
Agricultural, forestry or mining not elsewhere specified	677	398	.60	8	4.52	9
Retailers of metals and metal products	2,374	1,185	.60	9	6.38	6
Quarries	13	3	.58	11	3.29	14
Lumber and logging	55	12	.52	13	3.24	15
Transportation	3,561	1,894	.45	15	3.91	11
Manufacturing lumber and wood products	1,009	410	.25	21	2.74	19
Manufacturing pulp and paper products	416	145	.24	22	2.71	20
Manufacturing stone, clay and glass products	543	273	.21	24	2.07	24
Total of those working for themselves in 45 occupations†	†167,465	82,518	.24	.....	2.29	.....

* Based on Annual Report, New York State Tax Commission, 1922, pp. 473-481.

† Excludes five occupations with an aggregate of 434 returns for which the state report contained no data.

This table discloses that of all the occupational groups listed, those engaged in farming ranked first in the percentage of gross income paid out in taxes, not only among the fifteen occupations listed on the table, but also among the entire list of forty-five occupations analyzed in the State report, and fourth in point of percentage of net income similarly paid out. The farmers paid out in taxes seven and one-half times as much of their gross receipts as the weighted average paid out by the forty-five occupations, and more than three and one-half times as much of the net income.

In connection with these figures it must be remembered also that they are based on the income tax returns and that, therefore, there are no returns for farmers with net incomes of less than \$2,000. These figures, therefore, represent almost exclusively the more prosperous farmers. It is reasonable to assume that average for *all* farmers would show an appreciably higher tax burden. This conclusion is borne out by the testimony of Mr. H. C. McKenzie, of the New York State Farm Bureau Federation, before a legislative committee during the current year, to the effect that the proportion of net income from farms consumed by taxes in New York State is approximately 30 per cent.

The Bureau of Agricultural Economics of the United States Department of Agriculture has just made an extensive study of agricultural tax burdens. This study includes thirty-one counties in twenty-six States. Two of these counties are in New York State. Though the results of this study have not yet been released for publication, we are indebted to the bureau and to Mr. C. O. Brannen, Associate Agricultural Economist, for permission to present the following facts drawn from this government study:

AGRICULTURAL TAX BURDENS IN TWO NEW YORK STATE COUNTIES, 1919

COUNTY	Number of farms studied	Acres	Net rent or income per acre before deducting taxes	Tax per acre	Ratio of tax to net rent or income (per cent)
Delaware.....	137	20,794	\$1.23	\$.33	30.9
Niagara.....	86	6,170	2.75	.85	30.9

In connection with this same study, the Bureau of Agricultural Economics gathered figures in Niagara county with regard to the tax burden on urban real estate. For the properties studied the ratio of taxes to net rent or income, comparable with the last column above, was but 12.3 per cent. From these figures it would appear that farm land is bearing a burden two and one-half times as heavy as urban land on the basis of income.

A recent report of the National Industrial Conference Board, which is not open to the charge that it is biased in favor of the farmer, presents the following figures:

RATIO OF TAXES TO INCOME FOR FARMERS COMPARED WITH OTHER OCCUPATIONS *

YEAR	RATIO OF TAXES TO INCOME	
	Farmers	Other occupations
1913.....	10.6	4.1
1919.....	8.3	13.2
1921.....	17.2	15.7
1922.....	16.6	11.9

* Tax Burdens and Exemptions, Research Report No. 64, p. 32.

These figures of the Industrial Conference Board are for the United States as a whole. In the State of New York, where farming is less productive than in the great agricultural States, and where the tax burden is probably heavier, it is reasonable to conclude that the ratio of taxes to income for the farmers is even larger than for the country as a whole.

On the basis of the conclusions drawn from the New York State income tax returns, the studies of actual farms in representative counties by the United States Department of Agriculture, and the economic studies of the Industrial Conference Board, it may be definitely stated (1) that *farmers in New York State are paying more taxes in proportion to their income than any other group* and (2) that the *other rural occupations*, including lumber and logging, manufacturing lumber and wood products, manufacturing pulp and paper products, quarries, transportation and forestry, *pay far less of their income in taxes than do farmers*. These facts would seem to constitute an ample base for the recommendation that no legislation for the amelioration or postponement of tax burdens on forests be enacted until definite proof can be adduced that such action will not result in shifting tax burdens to farming and other already overburdened agricultural occupations.

**CHAPTER IV—TAX BURDEN ON FOREST LANDS IN
SELECTED TOWNS**

CHAPTER IV—TAX BURDEN ON FOREST LANDS IN SELECTED TOWNS

In the arguments made before the Legislature, both for and against the bills on forest taxation which were discussed in Chapters I and II, very little definite information was advanced relative to the actual tax burden per acre on forest lands. Consequently, your committee deemed it advisable to collect as much information as possible on this point before proceeding to formulate definite recommendations as to future policy. The resources at its disposal precluded the possibility of undertaking an extensive survey in the field. It was necessary, therefore, to build up this information on the basis of data already available in condensed form.

A—SOURCES OF INFORMATION

A search of the files of the various State departments revealed the following reliable sources of information:

1—Copies of Assessment Rolls

Section 22 of the Tax Law, prior to its amendment by chapter 650-1923, required the assessors of every town in the forest preserve counties to submit one copy of the town assessment roll to the Conservation Commission and another to the Comptroller. Under regulations issued by the Comptroller, such copies were to set forth, in addition to the name of the owners, the description of each parcel and its area, and the character of the land in each parcel classified according to the following definitions:

(a) Forest, meaning virgin forests, unharmed or untouched by axe, fire or floods.

(b) Lumbered, meaning forest lands from which the soft timber has been removed.

(c) Denuded, meaning lands stripped of timber by fire, or from any other cause, at any time, and not yet occupied by a new growth of trees.

(d) Burnt, meaning land burnt over during the past two years.

(e) Waste, meaning rocky, barren or sterile lands incapable of raising a forest.

(f) Meadow, meaning wild unused meadow lands.

(g) Cleared, meaning improved lands of any kind, including fallows and meadows, if pastured or mowed.

(h) Water, meaning lands covered by considerable bodies of water.

The rolls of this type which were examined with a view to selecting certain towns for analysis were those filed in the offices

of the Conservation Commission. Because of the fact that these rolls were long-hand copies of the original rolls, and because of the fact that the original rolls were subject to correction by the assessors, and to revision on appeals by taxpayers after the copy had been made, your committee realized that there would be discrepancies between summaries based on these copies and those based on the actual official assessment rolls. In order to ascertain the amount of these discrepancies, your committee resorted to the summaries of areas and assessed values by towns published in the Tax Commission's report for 1922.

After an examination of a number of the copies on file in the offices of the Conservation Commission, your committee selected two towns in the Adirondack Forest Preserve for analysis—the town of Webb in Herkimer county and the town of Franklin in Franklin county—and the town of Kingston in Ulster county, which lies in the Catskill Forest Preserve.

2—Assessment Rolls on File in Offices of County Treasurers

With the aid of the State Tax Commission a search was made for towns outside the forest preserve counties whose rolls were carried in a manner comparable to that prescribed for the forest preserve counties by the State Comptroller. None such were found, but in order to obtain as much information as possible relative to conditions in mixed farming and woodland towns, the county seats of Delaware and Schenectady counties were visited and abstracts were made of the pertinent information on the rolls of the town of Duanesburg in Schenectady county and of the towns of Andes and Bovina in Delaware county.

3—Data on Sales

An abstract was made of all data on file in the offices of the State Tax Commission, relative to sales of real estate since 1917 in the towns selected for analysis. No sales of lands to the State are included in this data. The field men of the Tax Commission scrutinize every sale recorded in the offices of county clerks throughout the State. Approximately one-half of all sales recorded are accepted as being sales between a willing buyer and a willing seller. On sales of this type, all information as to true considerations, mortgages, revenue stamps and other indices of value, is tabulated and filed in the offices of the Commission for use in making up equalization tables.

4—Appraisals for the State Land Board

Because of the fact that timber lands are closely held, comparatively few private sales of land of this type are recorded. It became necessary, therefore, to find other sources of information on the value of timber lands. The Conservation Commission very kindly threw open to the committee its records of appraised values on timber lands in the Adirondack and Catskill regions.

5—Other Appraisals and Data on Sales

Through the courtesy of private individuals and of county officials, it was possible to supplement the data obtained from State sources. In this manner information was collected making it possible in some instances to check private and public appraisals against one another, or against public or private sales.

6—List of Lands in the Forest Preserve—1920

The list of lands published by the Conservation Commission in 1920, in addition to other information, sets forth for every parcel of land in the State forest preserve the year in which the land was acquired by the State. This data was used for checking the classification placed on State lands by the local assessors.

7—Conservation Commission Fire Protection Map—1916

This map classifies all the land in the Adirondack Forest Preserve in a manner roughly comparable to the classification required of local assessors by the Comptroller's office. The classes indicated on the map are green timber (virgin and second growth), logged for soft wood only, logged for both soft and hard wood, burned over area, waste and denuded lands, and open lands. In addition, one hundred-foot contours are shown.

8—Conservation Commission Maps of Adirondack Forest—1920—and of Catskill Forest—1911

These maps indicate the lines of surveys, townships and lots for the forest preserve regions and adjoining areas, and also the location of State-owned wild or forest lands.

On the basis of the information obtained from these sources, your committee has endeavored to arrive at the tax burden per acre which was levied in 1922, and collectible in 1923, on the various types of forest land in the towns analyzed. The statement is frequently made that present taxes under the general property tax are not burdensome, but that the burden would be ruinous if timber lands were assessed at full value. Consequently, your committee has also endeavored to find out what the relative tax burdens would have been if the present law had been rigidly enforced. Wherever the data permitted, the percentage of the total tax burden borne by the major groups of property owners has been indicated, as well as the probable shifts in these percentages that would result under certain of the proposed amendments to the present law.

B—TOWN OF WEBB, HERKIMER COUNTY**1—Assessed Values and Tax Levies**

According to the statement of the aggregate valuations, real and personal, and the amount of taxes levied for the year 1922, as reported by the State Tax Commission, the total assessed values in the town of Webb amounted to \$2,285,605; and the total

general property taxes levied in the town, exclusive of village taxes, but inclusive of \$45,632.10 in school taxes, amounted to \$114,721.65.* The aggregate assessed values developed by the analysis of the copy of the assessment roll on file in the Conservation Commission office is \$2,256,338. This discrepancy may be due to any one or all of a number of causes: the dropping of items by the assessors in making the copy; the dropping of items by our field staff in making the summary; increases in assessed values made by the assessors after the copy was made but before the rolls were closed, and errors made by the clerk of the board of supervisors in making his report to the State Tax Commission. In order to eliminate this discrepancy of 1.26 per cent without rechecking all the items on a 250-page copy against the original roll, it was thought best to apply the average tax rate—\$5.0193 per \$100—developed by the Tax Commission's summary to the assessed values developed by our analysis. This gives a tax yield of \$113,253 instead of \$114,722 reported by the State. The actual error in this procedure is, in the nature of things, well within the probable error inherent in the other material used in the study.

2—Estimated Full Values

An examination of the seventy-one conveyances of real estate in the town since 1917, which were accepted by the field men of the State Tax Commission as being indicative of market value, revealed the fact that they involved only property in the village of Old Forge or in the residential subdivisions along the principal highways, rivers and lakes. No sales of timber land were included in their number. The sales were, therefore, divided into two groups—those within the village of Old Forge and those without. The respective ratios of assessed value to market value revealed by those sales were applied separately to the aggregate assessed values within the village and the assessed values of subdivisions outside the village.

This made it necessary to rely on the other sources of information listed above for data as to the full value of wild or forest lands. It so happened that information was available on the sale of timber on a tract of 3,160 acres which is to be flooded. The stumpage value at which the timber sold was slightly in excess of \$50 per acre. This figure was taken, therefore, as the value of the timber on land classified as forest land under the Comptroller's definition. The land was exceptionally well located as regards highways and railways, and it was felt that this value was in excess of what other land more remote from railways and lying in broken and precipitous regions would bring. All the forest land in the town, therefore, was distributed into four classes based on accessibility and on the terrain as revealed by the contour lines on the fire map. The classes below the best class, in the absence of more detailed information on which to

* Report of State Tax Commission, 1922, pp. 234-237.

base an estimate, were assigned timber values of \$40, \$30, and \$20 per acre respectively. This was done on the theory that logging and transportation costs would be progressively higher in the three classes and would decrease stumpage values correspondingly. Two dollars an acre bare land value—a figure which occurred with the greatest frequency in appraisals by a number of individuals not only in Webb but in other towns as well—was added to each of the estimates of timber value in order to arrive at the full value of the forest lands.

Only one pertinent appraisal was found for the type of land classified under the Comptroller's definition as lumbered land. It placed the value of a tract of over 12,000 acres at \$8 per acre, including a fine natural reproduction of young soft woods below merchantable size as well as a small amount of merchantable hard woods. This value was accepted as full value for all land in this class on the assessment roll.

On the basis of appraisals in Webb and in other Adirondack towns, the three classes distinguished as waste, denuded and burnt land were assigned a full bare land value of \$2 per acre.

No information was available from any source as to the exact definition or value of second growth land—a class of land which appeared on the Webb roll in addition to the other classes prescribed generally by the Comptroller's office. The State owns roughly 39,000 acres of land which was classed by the assessors in Webb under this heading. Two-thirds of this land had been in State ownership for between 23 and 27 years. No State land classified under this group was found which had not been in the State's possession for at least fourteen years. It is reasonable to assume, in view of the fact that all State lands are protected against cutting, that the term second growth, as used by the assessors in Webb, means lands with a growth of timber at least fifteen years old.

On the basis of this assumption, and in the absence of more definite information, a value of \$15 an acre was assigned to this class. This is just halfway between the value of lumbered land and the value of the lowest grade of virgin land.

Absolutely no information was available from any source for establishing a full value for railways. An estimated full value per mile was arrived at by an examination of the appraisals of railways comparable to those operating in the town of Webb which have been completed by the Interstate Commerce Commission. Care was exercised to exclude the value of terminals from the appraisals in arriving at the appraised values per mile. If anything, the estimated full value assigned to railways in Webb are 25 per cent or more below the actual physical value contemplated by the present Tax Law.

For special franchises, the full value reported by the State Tax Commission was taken.

In view of the fact that the tendency in this State for some years past has been to greater and greater exemption of personal property, both by legislative and by administrative means, no attempt was made to arrive at the full value of personal property.

TABLE I

TOWN OF WEBB—HERKIMER COUNTY

Areas and assessed values based on analysis of 1922 assessment roll and full values based on sales values and appraisals

CLASS OF PROPERTY	Area in acres	Assessed valuation	Estimated full value	Percentage of assessed value to estimated full value	Average assessed value per acre	Average estimated full value per acre
Forest land:						
First class.....	21,925	\$108,281	\$1,140,100	9.50	\$4 94	\$52 00
Second class.....	17,277	85,326	725,634	11.76	4 94	42 00
Third class.....	13,042	64,411	417,344	15.43	4 94	32 00
Fourth class.....	22,721	112,212	499,862	22.45	4 94	22 00
Total.....	74,965	\$370,230	\$2,782,940	13.30	*\$4 94	\$37 12
Second growth land.....	73,438	\$221,900	\$1,100,157	20.17	\$3 02	\$15 00
Lumbered land.....	99,770	199,556	798,160	25.00	2 00	8 00
Brush, denuded and burnt land.....	28,518	28,541	57,036	50.04	1 00	2 00
Water.....	4,332					
Total wild or forest land exclusive of water area.....	276,691	820,227	4,738,293	17.31	2 96	17 12
Village of Old Forge and improved and subdivided land.....	†10,870	1,142,016	3,928,270	†29.07		
Railways and Public Service corporations.....		285,695	1,597,500	17.88		
Personal property.....		8,400	8,400			
Grand total.....	‡291,893	\$2,256,338	\$10,272,463	21.96		

* All privately owned lands classed as forest land were assessed uniformly at \$5.00 per acre. Assessments on state owned lands in this class ranged from \$3.00 to \$7.10 per acre.

† Because of the fact that no column footings on the areas of allotments were available, it became necessary to estimate the area. The figure given is an approximation at best. Consequently no figures on assessed or estimated full values per acre for this class of land are presented.

‡ The tax commission's equalization ratio for 1923 is 35, both for the village of Old Forge and for the town of Webb as a whole. The discrepancy is attributable to the fact that the committee's figures are based on sales which were not available when the commission's last figures were compiled.

§ The tax commission's summary contained in its 1922 report gives the area of the town as 292,970 acres, based on figures submitted by the clerk of the board of supervisors.

TABLE II
TOWN OF WEBB—HERKIMER COUNTY
*Actual taxes levied in 1922 distributed by classes of property compared with estimated taxes on the same classes under three assumed cases**

CLASS OF PROPERTY	UNDER PRESENT LAW				UNDER PROPOSED PLAN FOR EXEMPTION OF STANDING TIMBER			
	TAXES LEVIED ON 1922 ROLL		CASE I		CASE II		CASE III	
	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax
Forest land:								
First class.....	\$5,435	4.80	\$12,570	11.10	\$1,450	1.28	\$816	0.72
Second class.....	4,283	3.78	8,000	7.06	1,142	1.01	643	.57
Third class.....	3,233	2.86	4,601	4.06	862	.76	485	.43
Fourth class.....	5,632	4.97	5,511	4.87	1,502	1.33	845	.74
Total.....	\$18,583	16.41	\$30,682	27.09	\$4,956	4.38	2,789	2.46
Second growth land.....	\$11,138	9.83	\$12,129	10.71	\$4,856	4.29	\$2,733	2.41
Lumbered land.....	10,016	8.84	8,800	7.77	6,597	5.82	3,712	3.28
Brush, denuded and burnt land.....	1,433	1.27	629	.56	1,886	1.66	1,061	.94
Total wild or forest land.....	41,170	36.35	52,240	46.13	18,295	16.15	10,295	9.09
Village of Old Forge and improved and subdivided land.....	57,321	50.61	43,309	38.24	75,512	66.68	73,082	64.53
Railways and Public Service corporations.....	14,340	12.66	17,612	15.55	18,891	16.68	29,720	26.24
Personal property.....	422	.37	93	.08	555	.49	156	.14
Grand total.....	\$113,253	99.99	\$113,254	100.00	\$113,253	100.00	\$113,253	100.00
Tax rate per \$100 necessary to yield tax requirements.....	5.0193	.....	1.1025	.....	6.8122	.....	1.8604	.....

* Case I — Assumes full value assessment under existing law.
Case II — Assumes the assessment of all property on the basis of the present roll, with the exception that standing timber is assumed to be exempt, and that the bare land value is assessed at \$1.00 per acre.
Case III — Assumes the full value assessment of all property on the rolls with the exception that standing timber is assumed to be exempt. Full bare land value for forest lands is assumed to be \$2.00 per acre.

TABLE III
TOWN OF WEBB—HERKIMER COUNTY
*Actual taxes in cents per acre on timber lands and estimated taxes per acre under three assumptions**

CLASS OF PROPERTY	Average taxes per acre levied in 1922	ESTIMATED TAXES PER ACRE UNDER ASSUMED CASES		
		Case I	Case II	Case III
Forest land:				
1st class.....	24.8	57.3	6.6	3.7
2nd class.....	24.8	46.3	6.6	3.7
3rd class.....	24.8	35.3	6.6	3.7
4th class.....	24.8	24.3	6.6	3.7
Average.....	24.8	41.8	6.6	3.7
Second growth land.....	15.2	16.5	6.6	3.7
Lumbered land.....	10.0	8.8	6.6	3.7
Bush, denuded and waste land.....	5.0	2.2	6.6	3.7
Average.....	14.88	18.88	6.6	3.7

* Same as in Table II.
3

3—Summary of Findings—Town of Webb

On the basis of the 1922 assessment roll, it appears that average annual taxes per acre on the various classes of land devoted to timber production range from five cents an acre on denuded lands to less than twenty-five cents an acre on virgin forest. The averages, furthermore, are very closely adhered to on privately owned lands. In the case of State owned lands, there are minor variations from the average on second growth lands. On virgin forest owned by the State, the taxes range from fifteen cents to about thirty-five cents an acre, the average being slightly below that on privately owned lands.

Under a plan of assessment on the basis of the full values assumed in our tables, the average taxes per acre on virgin forest land would be increased to 41.8 cents instead of 24.8 as at present; and the average tax per acre on all classes of timber land would be 18.88 cents instead of 14.88. The taxes per acre would be decreased, however, on fourth class virgin forest, and on lumbered and denuded lands—on three of the four classes, in other words, on which taxes per acre compound to a high figure in the usual cost estimates.

C—TOWN OF FRANKLIN, FRANKLIN COUNTY

1—Assessed Values and Tax Levies

The report of the Tax Commission for 1922 gives \$688,403 as the aggregate of all taxable property in the town of Franklin, and \$61,053.33 as the tax levy. The latter item includes not only the taxes for State, county and town purposes, but also an item of \$13,563.05 for school purposes. The summary of the copy of the town tax roll which forms the basis for the tables below resulted in total taxable values amounting to \$691,841. As in the case of the town of Webb, the tax rate yielded by the figures presented in the Tax Commission's report was applied to the taxable value revealed by the summary, in order to arrive at the total tax burden. This method gave an aggregate tax levy of \$61,358, and this amount, instead of that reported by the State, was used as a basis for all the calculations.

2—Estimated Full Values

The estimates of full value of bare land and of railways used in Franklin are made on the same basis as those in the town of Webb.

An analysis of the twenty sales made in the town since 1917, on which information was available, revealed the fact that nineteen applied to property located entirely within or on the margin of the area indicated on the 1916 fire map as open land. The remaining sale, involving about 6½ per cent of the total acreage of the town, was shown on the map as being about one-half second growth, with the remainder divided about equally between denuded land and land which had been logged for both soft and hard woods.

Eight appraisals were available for deserted farms in the open land areas of the town, and another appraisal was available covering the large timber tract sold.

The nineteen sales covering properties in the open sections of the town were further subdivided into sales involving farms, and those involving camp sites and business property. The ratios of assessed values to estimated full values presented on the accompanying tables were based on the composite figures indicated by both sales and appraisals. The evidence as to the full value of the larger hotels was necessarily limited, and was drawn partly from sales of property of that type in other towns in the vicinity.

The assessment roll indicated the existence of 6,904 acres of land classified as forest land under the comptroller's definition. This is scattered about in a number of relatively small parcels, located as a rule on mountain tops. In some cases, furthermore, the fire map indicated that little if any virgin forest existed in the lots classed as forest land on the roll. These factors made it difficult to do more than make a rough guess as to the full value of lands of this type. Because of the fact that it occurred in relatively small and inaccessible tracts, it was felt that no value in excess of \$20 an acre could be assigned to it. That value is \$2 below the value assigned to the most remote and inaccessible virgin forest areas in Webb.

A total of 4,743 acres appears on the assessment roll as reforested land. The value assigned to it represents a bare land value of \$2 per acre plus 1923 cost of planting, with a small amount in addition for increase in value due to growth.

Included in the area shown as lumbered land on the accompanying table is an area of 105 acres classed as waste land. This area was assessed at a slightly higher value per acre than the lumbered land. The remainder of the amount shown as lumbered can hardly be accepted as conforming to the Comptroller's definition for that class—"lands from which the soft timber has been removed." Judging by the evidence contained in the fire map, the lands classified by the assessors as lumbered include not only lands coming under the Comptroller's definition for that type, but also lands that should properly have been classed under the definitions as burnt and denuded.

The tract included in the one sale of timber lands in the town which has already been described is classed as lumbered land on the roll, although it is a composite of lumbered land and waste and denuded lands. That tract has been taken as fairly representative of the land classed as lumbered land throughout the town as a whole. It apparently has a better stand of young growth than some of the other lands placed in the same class by the assessors. On the other hand, it is somewhat more inaccessible than the bulk of the land in the class. For these reasons, it seemed justifiable to apply the value established by the sale of the tract in question, and by an appraisal on the tract, to all lands classed as lumbered on the 1922 roll.

TABLE IV

TOWN OF FRANKLIN—FRANKLIN COUNTY

Areas and assessed values based on analysis of copy of 1922 assessment roll and full values based on sales and appraisals

CLASS OF PROPERTY	Area in acres	Assessed valuation	Estimated full value	Percentage of assessed value to estimated full value	Average assessed value per acre	Estimated full value per acre
Forest land.....	6,904	\$19,750	\$138,080	14.30	\$2.86	\$20.00
Reforested land.....	4,743	13,160	75,888	17.34	2.77	16.00
Lumbered land.....	61,241	91,141	153,102	59.53	1.49	2.50
Total timber lands.....	72,888	124,051	367,070	33.79	1.70	5.04
Hotels, clubs and camp sites.....	1,977	236,070	1,573,800	15.00	.....	.....
Open land including improvements.....	30,029	85,115	457,240	18.61	2.83	15.23
Railways and public utilities.....	.....	246,605	978,600	25.20	.....	.....
Totals.....	104,894	\$691,841	\$3,376,710	20.49	.....	.....

TABLE V

TOWN OF FRANKLIN—FRANKLIN COUNTY

Actual taxes levied in 1923 distributed by classes of property compared with estimated taxes on the same classes under three assumed cases*

CLASS OF PROPERTY	UNDER PRESENT LAW				UNDER PROPOSED PLAN FOR EXEMPTION OF STANDING TIMBER			
	TAXES LEVIED ON 1922 ROLL		CASE I		CASE II		CASE III	
	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax	Amount of tax	Per cent of tax
Forest land.....	\$1,752	2.85	\$2,509	4.09	\$661	1.08	\$269	.44
Reforested land.....	1,167	1.90	1,379	2.25	454	.74	184	.30
Lumbered land.....	8,083	13.17	2,782	4.53	5,865	9.56	2,382	3.88
Total timber land.....	11,002	17.93	6,670	10.87	6,980	11.38	2,835	4.62
Open land including improvements.....	7,548	12.30	8,308	13.54	8,152	13.28	8,891	14.49
Hotels, clubs and camp sites.....	20,937	34.12	28,598	46.61	22,609	36.85	30,603	49.88
Railways and public utilities.....	21,871	35.64	17,782	28.98	23,617	38.49	19,029	31.01
Totals.....	61,358	99.99	61,358	100.00	61,358	100.00	61,358	100.00
Tax rate per \$100, necessary to yield tax requirements..	\$8.8688	.....	\$1.8171	.....	\$9.5770	.....	\$1.9445	.....

* Case I—Assumes full value assessment under existing law.

Case II—Assumes the assessment of all property on the basis of the present roll, with the exception that standing timber is assumed to be exempt, and that the bare land value is assessed at \$1.00 per acre.

Case III—Assumes the full value assessment of all property on the rolls with the exception that standing timber is assumed to be exempt. Full bare land value for forest lands is assumed to be \$2.00 per acre.

TABLE VI

TOWN OF FRANKLIN — FRANKLIN COUNTY

*Actual taxes in cents per acre on timber lands and estimated taxes per acre under three assumptions**

CLASS OF PROPERTY	Average taxes per acre levied in 1922	ESTIMATED TAXES PER ACRE UNDER ASSUMED CASES		
		Case I	Case II	Case III
Forest.....	25.36	36.34	9.58	3.89
Reforested.....	24.57	29.07	9.58	3.89
Lumbered.....	13.21	4.54	9.58	3.89
Average.....	15.08	9.16	9.58	3.89
Open land including improvements..	25.10	27.67	27.10	29.61

*Same as in Table V.

3 — Summary of Findings — Town of Franklin

The average taxes on all classes of land in the town of Franklin which were classed as timberlands on the 1922 roll amounted to 15.08 cents per acre. The average tax on lands classed as virgin forest was 25.36 cents; that on reforested land 24.57 cents and that on lands classed as lumbered was 13.21 cents. The average taxes per acre were not as closely adhered to in Franklin, however, as in Webb. The taxes on forest land ranged from 24 cents an acre to 51 cents on one small tract of 50 acres. On reforested land, the range was between 26.60 and 24.48 cents per acre. In the case of lumbered land, taxes varied from 10.40 to 18.35 cents per acre, but in the maximum in this case, it is possible that the tract in question had other elements of value. In all classes, except lumbered land, the State paid the lowest taxes per acre.

As was the case in the town of Webb, the effect of full value assessment would be to lower the annual taxes per acre on lumbered land. In Franklin, furthermore, the average tax per acre on all classes of timber land would be reduced from 15.08 cents to 9.16 cents. This is due to the fact that the town has so small a proportion of acreage classed as virgin forest.

The taxes of reforested lands, on the other hand, would be increased under full value assessment from 24.57 cents an acre to 29.07 cents. In view of the fact that it would hardly be logical to assign a lower full value to reforested lands than the cost of reproduction plus an allowance for increased value due to growth; and in view of the further fact that a number of years must elapse before any yield whatsoever can be obtained from lands of this type, this fact is worthy of note.

The tables for Franklin bring into clear relief information on one point not developed in the case of Webb. Present taxes on the open lands together with their improvements — the lands on

which the permanent residents and voters of the town live—average 25.10 cents an acre. Under full value assessments this average would be increased to 27.67 cents; under cases II and III, which assume the exemption of all standing timber, the taxes per acre would rise to 27.10 and 29.61 cents, respectively. This is especially significant in the light of the data presented in the preceding chapter in regard to relative tax burdens on agriculture and on other occupations.

D—TOWN OF ANDES, DELAWARE COUNTY

The town of Andes lies partly within and partly without the western boundary of the Catskill Forest Preserve. It is primarily, however, a farming and dairying community. The fact that it collects taxes from the State on certain State owned lands has affected the manner in which its assessment roll is kept. The term forest land as it is used on the assessment roll, however, does not conform to the Comptroller's definition of that term. It is applied indiscriminately to all types of woodland.

There is no virgin timber left in the town. The bulk of the wooded holdings consists principally of young second growth hardwoods with a scattering of more mature trees. The cutting which is going on today is chiefly for domestic purposes on the part of the owners of wood lots, and for the production of acid wood on the part of the larger companies.

1—Assessed Values and Tax Levies

The Tax Commission summary for 1922 fixes the aggregate assessed valuation of the town at \$887,347 and the tax levies for all purposes, exclusive of village taxes but inclusive of \$10,896.66 for schools, at a total of \$33,562.55. The figures developed by an analysis of the assessment roll on file in the office of the county treasurer indicate a total assessed value of \$891,517—an excess of \$4,170 over the amount reported in the Tax Commission's summary. As in the towns of Webb and Franklin, the tax rate yielded by the Tax Commission's figures was applied to the assessed valuation revealed by our summary of the assessment roll. This indicated an aggregate tax burden of \$33,720 which was used as the base for all calculations.

2—Estimated Full Values

The forty-two sales of real estate in the town, for which information was available in the office of the Tax Commission, were divided as follows:

Sales of farm property	22
Sales of timber land	1
Sales of residential and business property outside of village of Andes	9
Sales of property in the village of Andes.....	10

The information on the market value of woodlands was supplemented by information drawn from four sales in the adjoining town of Colchester. No information as to appraised values was available for the town of Andes.

On the basis of the ratios established by these figures, the assessed values appearing on the assessment roll were raised to an estimated full value. In the case of railways and public utilities, the same difficulty was encountered as in the towns of Webb and Franklin. Because of the very low assessed values per mile applied to properties in this class, the assessed valuations were multiplied by ten, which still gave a very conservative figure for the full value in comparison with appraisals by the Interstate Commission and the New Jersey State Board of Taxes and Assessment for comparable lines. Special franchises were assigned the full value reported by the State Tax Commission. The rate indicated on the accompanying table is the weighted average of these estimates.

In the case of bare land value, the figures assigned are little more than guesses. Because of the fact that the town is engaged primarily in dairying—a fact which would make existing woodlands available for an alternative use as grazing lands—it was felt that the bare land value assigned in the towns of Webb and Franklin on the basis of appraisals would probably be too low. This factor would make itself felt least in the more remote and broken sections of the town where the larger holdings of woodland are located, and most in the fringe of wood lots in farms along the valleys where the dairying industry centers. On the basis of this reasoning, full bare land values were arbitrarily assigned to the three general classes of woodland holdings in the town, as indicated on the accompanying tables, at rates of \$3, \$3.50 and \$4 per acre, respectively. Present assessed values of bare land were estimated similarly. No attempt was made to follow the assessments on parcels readily identifiable on the roll as bare land without improvements, which averaged \$4.12 an acre, because of the influence of the comparatively wide range of alternative uses on the more favorably located valley lands.

For reasons already pointed out, no attempt was made to arrive at an estimated full value for personal property. In Table IX the taxes levied against farmers' personal property are distributed by cents per acre of cleared farming land. Of the aggregate personal property assessment in the town—\$37,300—a total of \$9,100 is assessed against the village. Assuming that the ratio of personal property to real estate is the same in business and residential property outside the village as within the village, the assessment against farmers for personal property would be \$23,650. The taxes against this amount at the four tax rates shown on Table VIII represent the totals distributed against cleared farming land in this manner.

No attempt was made to arrive at an estimated full value for the 169 acres of land under water which were assessed on the roll.

REPORT OF SPECIAL JOINT COMMITTEE

TABLE VII

TOWN OF ANDES — DELAWARE COUNTY

Areas and assessed values based on analysis of 1922 assessment roll and estimated full values based on sales values

CLASS OF PROPERTY	Area in acres	Assessed valuation	Estimated full value	Percentage of assessed value to estimated full value	Average assessed value per acre	Estimated full value per acre
State holdings.....	2,759	\$4,090	\$23,838	17.16	\$1 48	\$8 64
Large private timber holdings..	4,331	18,375	37,852	48.54	4 19	8 64
91 separate wood-lots.....	6,326	23,125	54,656	42.31	3 66	8 64
290 woodlots in farms.....	19,239	76,200	166,225	45.84	3 96	8 64
Total woodlands.....	32,705	\$121,790	\$282,571	43.10	\$3 72	\$8 64
290 farms exclusive of woodlots.	28,576	\$408,250	\$788,889	51.75	\$14 29	\$27 60
56 farms without woodlots.....	5,263	83,775	161,884	51.75	15 92	30 76
11 unimproved cleared parcels..	631	2,600	5,024	51.75	4 12	7 96
Cleared land.....	34,470	\$494,625	\$955,797	51 75	\$14 35	\$27 73
Village of Andes and business and residential property outside village.....	808	\$203,825	\$450,597	45.23	\$252 25	\$557 67
Railroads and public utilities.....	.....	33,327	307,650	10.83	.....	.....
Water.....	169	650	650	.....	3 85	.....
Personal property.....	.....	37,300	37,300	.....	.....	.....
Total.....	68,152	\$891,517	\$2,034,565	43.82	\$13 08	\$29 85
SUMMARY						
Woodlands except farm woodlots	13,466	\$45,590	\$116,346	36.00	\$3 39	\$8 64
290 farms including woodlots....	47,815	484,450	955,114	48.80	10 13	19 98
67 parcels without woodlots....	5,894	86,375	166,908	51.75	14 65	28 32
All other property.....	977	275,102	796,197	.....	.....	.....
Total.....	68,152	891,517	\$2,034,565	43.82	.....	.....

TABLE VII-A

TOWN OF ANDES — DELAWARE COUNTY

Estimated assessed and full values assigned to bare land on woodlands

CLASS OF PROPERTY	Area	ESTIMATED ASSESSED VALUE		ESTIMATED FULL VALUE	
		Per acre	Total for class	Per acre	Total for class
State holdings.....	2,759	\$0 50	\$1,380	\$3 00	\$8,277
Holdings of large private owners	4,331	1 50	6,572	3 00	13,143
91 woodlots not in farms.....	6,326	1 75	11,071	2 50	22,141
290 woodlots in farms.....	19,239	2 00	38,478	4 00	76,956
Totals.....	32,705	.....	57,501	.....	120,517
All other taxable property.....	.....	.....	769,727	.....	1,751,994
Tax base in Case II.....	.....	.....	827,228	.....	.....
Tax base in Case III.....	.....	.....	.....	.....	1,872,511

TABLE VIII
TOWN OF ANDES — DELAWARE COUNTY
*Total taxes levied in 1922 distributed by classes of property compared with estimated taxes on the same classes under three assumed cases**

CLASS OF PROPERTY	ACTUAL TAXES		CASE I		CASE II		CASE III	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
State	\$155	.46	\$395	1.17	\$56	.17	\$149	.44
Large timber owners.....	695	2.06	627	1.86	268	.79	237	.70
91 woodlots separate.....	875	2.59	906	2.69	451	1.34	399	1.18
290 farm woodlots.....	2,882	8.55	2,755	8.17	1,568	4.65	1,386	4.11
All woodlands.....	4,607	13.66	\$4,683	13.89	\$2,343	6.95	\$2,171	6.43
290 farms excluding woodlots.....	\$15,441	45.79	\$13,075	38.77	\$16,641	49.35	\$14,206	42.13
56 farms without woodlots.....	3,168	9.40	2,683	7.96	3,415	10.13	2,915	8.64
11 unimproved cleared parcels.....	98	.29	83	.25	106	.31	90	.27
Village and other business and residential property.....	7,709	22.86	7,468	22.15	8,309	24.64	8,114	24.06
Railroads and public utilities.....	1,261	3.74	5,099	15.12	1,359	4.03	5,540	16.43
Water.....	25	.07	11	.03	27	.08	12	.04
Personal property.....	1,411	4.18	618	1.83	1,520	4.51	672	1.99
Grand total.....	33,720	99.99	\$33,720	100.00	\$33,720	100.00	\$33,720	99.99
Tax base.....	\$891,517	.....	\$2,034,565	.....	\$827,228	.....	\$1,872,511	.....
Tax rate per \$100.....	3.7823	.....	1.6574	.....	4.0763	.....	1.8008	.....
SUMMARY								
Woodlands except farm woodlots.....	\$1,725	5.11	\$1,928	5.72	\$775	2.30	\$785	2.32
290 farms including farm woodlots.....	18,323	54.34	15,830	46.94	18,209	54.00	15,592	46.24
67 farms without woodlots.....	3,266	9.69	2,766	8.21	3,521	10.44	3,005	8.91
All other property.....	10,406	30.85	13,196	39.13	11,215	33.26	14,338	42.52
Total.....	\$33,720	99.99	\$33,720	100.00	\$33,720	100.00	\$33,720	99.99

* The cases assumed are the same as those in Tables II and V.

TABLE IX

TOWN OF ANDES — DELAWARE COUNTY

Comparison of actual taxes in cents per acre with estimated taxes per acre under three assumed cases*

CLASS OF PROPERTY	Average taxes per acre levied on 1922 roll	ESTIMATED TAXES PER ACRE UNDER ASSUMED CASES		
		Case I	Case II	Case III
State owned lands.....	5.62	14.32	2.04	5.40
Holdings of large private owners.....	15.86	14.32	6.11	5.40
91 woodlots not in farms.....	13.83	14.32	7.13	6.30
290 woodlots in farms.....	14.98	14.32	8.15	7.20
Average on all woodlands.....	14.09	14.32	7.16	6.64
11 unimproved cleared parcels.....	15.53	13.15	16.80	14.26
240 farms including woodlots.....	38.33	33.11	38.08	32.61
290 farms excluding woodlots.....	54.03	45.76	58.23	49.71
56 farms without woodlots.....	60.19	50.99	64.89	55.39
Average taxes, per acre of cleared farming land levied against farmers' personal property.....	2.64	1.16	2.85	1.26

* Based on Table VIII

3— Summary of Findings — Town of Andes

The average tax levied on woodlands of all classes on the basis of the assessment-roll of 1922 for the town of Andes was 14.09 cents per acre. The State, as in the cases of the other towns examined, paid the lowest average — 5.62 cents. The large private owners of woodlands — including one chemical company which is reported locally to be on a sustained yield basis — paid the highest average taxes on woodlands of 15.86 cents per acre.

Maximum and minimum taxes per acre on woodlands vary rather widely in individual cases from the averages indicated above. The highest taxes per acre occur in the case of eight woodlots in which the land is in one ownership and the timber rights in another. The average assessed values for land and timber on the 453 acres of woodlots involved reached the total of \$9.65 per acre, and the average taxes amounted to 36.53 cents per acre. In one case involving 25 acres, the land alone was assessed at \$6 per acre, the timber rights at \$24 per acre, and the total tax on land and timber reached the total of \$1.1347 per acre.

The absence of data on sales involving timber rights precluded the possibility of analyzing the ratio of assessed value to full value on property of this type. It was assumed, therefore, that for the small area of woodland involved — less than 1.39 per cent of the total wooded area — the assessors had attempted to approximate full value. It is not improbable that the timber rights covered choice tracts which were purchased with a view to cutting in the

near future, and that the assessed timber values approached rather closely to the market value of the timber to be removed. The high assessments represented the attempt of the assessors to get one last substantial tax out of property which would soon disappear from the assessment roll.

It so happens that the average taxes per acre in Andes on the 290 farms which include woodlots would not be materially affected by the exemption of standing timber. This is due to the fact that the reduced taxes per acre of woodland would about offset the increased taxes on cleared land resulting from that exemption. If the taxable property in the town were composed entirely of farms with woodlots; and if the ratio for each farm between the assessed values of its cleared farming land and of its woodland were the same as that for every other farm; then, regardless of the size of the individual holdings, the exemption of standing timber from current taxes would be a matter of indifference to the taxpayers. Such a constant ratio does not exist however in the town as a whole, nor even among the actual group of 290 farms with woodlots on which average taxes per acre would remain relatively constant. The farms in that group with approximately three acres of cleared land to two of timber land would remain unaffected by the proposed changes in the method of taxing forests. For all other properties in that group, as well as for all holdings in the town outside that group, exemption or tax postponement for standing timber would bring about a discernible shift in the tax burden. The decrease in burden, on the basis of assessed values as they are carried on the 1922 roll, would become progressively greater as the ratio of woodland to cleared land increased. Similarly, a progressive increase in burden would make itself felt as the ratio of woodlands to other taxable property declined.

Unfortunately, the full effect on other property of the exemption of standing timber from current taxes is somewhat masked in the town of Andes by the relatively small amount of timber land carried on the rolls. Even so, the result of such a plan would be to increase the taxes on the farmer without woodlots by about 8 per cent over his present burden.

E—TOWN OF KINGSTON, ULSTER COUNTY

The limited number of conveyances of real estate in the town of Kingston, together with the extreme variations between the assessed values per acre of parcels of property apparently similar as regards topography, accessibility and type of forest cover, make it impossible to undertake as complete an analysis of the assessment roll as was submitted for the other towns analyzed.

1—Assessed Valuations and Tax Levies

The accompanying table sets forth the average assessed valuations for each class of land appearing on the roll. The State was charged only with waste or denuded lands at an average of \$2 per

acre. This figure in both cases was considerably below the average for similar lands in private ownership. The defects inherent in the roll are brought out clearly by the fact that denuded land is assessed at a higher rate per acre on the average than forest land.

It is probable, however, that the unusually high taxes per acre on all classes of land in Kingston are attributable rather to a marked shift in economic status than to the inequalities in assessments. The population decreased from 343 in 1910 to 166 in 1920. Aggregate taxes increased from \$2,690.82 in 1915 to \$5,068.94 in 1922. In 1915, the town had no indebtedness. In 1922, the indebtedness was \$10,000, or about \$60 per capita.

TABLE X
TOWN OF KINGSTON — ULSTER COUNTY
Summary of 1922 Tax Roll

CLASS OF PROPERTY	Area in acres	Assessed values	Taxes levied	Assessed value per acre	Taxes per acre in dollars
Cleared land with im- provements.....	642.01	\$28,790	\$1,864	\$44.84	\$2.90
Cleared land, no improve- ments.....	227.25	3,047	197	13.41	.87
Forest land.....	1,132.31	7,228	468	6.38	.41
Waste land.....	1,672.10	5,795	375	3.47	.22
Denuded land.....	165.40	1,150	74	6.95	.45
Burnt land.....	712.95	2,540	164	3.56	.23
Quarries.....	85.	4,160	269	48.94	3.17
Railways and public ser- vice corporations.....		25,565	1,656		
Totals.....	4,637.02	\$78,275	\$5,067		
Tax Commission Summary	4,504.00	\$78,271	\$5,068.94		
Tax rate per \$100.....		\$ 6.4761			

F — DATA FROM OTHER TOWNS

1 — Assessed Valuation for Selected Classes of Land

Two towns were encountered outside the forest preserve whose rolls yielded a certain amount of information on average taxes per acre on woodlands. In neither case was it possible to make complete analyses along the lines followed in the towns of Webb, Franklin and Andes.

TABLE XI

TOWN OF BOVINA—DELAWARE COUNTY
Average taxes per acre levied on 1922 assessment roll

CLASS OF PROPERTY	Area	Assessed value	Assessed value per acre	Tax per acre (in cents)
Lands and improvements including residential and business property and woodlots not separately classified.....	25,964	\$580,775	\$22.60	75.43
Cleared farm lands (no buildings)....	547	4,725	8.64	28.84
5 woodlots separately assessed.....	83	365	4.40	14.69
Timber rights separately assessed.....	*	500	.....	.....
Buildings and machinery (separately assessed).....	.....	9,950	.....	.....
Telephone and water companies.....	2	2,135	.....	.....
Special franchises.....	.....	2,999	.....	.....
Personal property.....	.....	24,900	.....	.....
Total.....	26,596	\$626,449	.....	.....
Tax Commission summary.....	27,279	625,099	.....	.....
Aggregate taxes levied.....	.....	20,864.80	.....	.....
Tax rate per \$100.....	.....	3.3378	.....	.....

* Not stated.

TABLE XII

TOWN OF DUANESBURG—SCHENECTADY COUNTY
Average taxes per acre levied on 1922 assessment roll

CLASS OF PROPERTY	Area	Assessed value	Assessed value per acre	Tax per acre (in cents)
Farms — including woodlots not separately assessed.....	42,078	\$683,425	\$16.24	46.79
1 pasture lot separately assessed.....	29	200	6.90	19.88
1 brush lot separately assessed.....	12	50	4.17	12.01
28 woodlots separately assessed.....	359	3,300	9.19	26.48
Village of Delanson and other residential and business property.....	.....	409,255	.....	.....
Railways and public utilities.....	.....	450,932	.....	.....
Personal property.....	.....	13,237	.....	.....
Total.....	.....	\$1,560,399	.....	.....
Tax Commission summary.....	42,666	1,560,398	.....	.....
Total taxes levied exclusive of village taxes.....	.....	\$44,956.57	.....	.....
Tax rate per \$100.....	.....	2.8811	.....	.....

2—Summary and Findings—Towns of Bovina and Duanesburg

In the town of Bovina, it will be observed, the average taxes per acre of woodlots assessed separately on the roll are approximately the same as those in the adjoining town of Andes, for which more complete figures are available.

The town of Duanesburg has the highest average taxes per acre on woodlands assessed separately from other property that were encountered in any of the towns examined with the exception of the town of Kingston, where all taxes on rural property are abnormally high.

G—INFLUENCES AFFECTING GENERAL VALIDITY OF AVERAGE TAXES PER ACRE BASED ON SELECTED TOWNS

Your committee was unable to discover any fund of collected material that would have enabled it to formulate a well-grounded conclusion as to whether or not the results developed by the analyses of the tax rolls in the towns selected could be taken as representative of taxes per acre in towns generally. For the towns in the forest preserve counties, there is a great deal of information available in the tax rolls on file in the offices of the State Comptroller and the State Conservation Commission. Those rolls, as has already been pointed out, classify all lands in the respective towns more or less accurately according to the classification hitherto laid down by the Comptroller's office. Unfortunately, the results have never been tabulated, and the limited time at the disposal of the committee prevented its undertaking this work. Under the amendment to section 22 of the Tax Law, which placed the control over local assessments of State-owned wild or forest lands in the hands of the State Tax Commission, there would seem to be ample authority for requiring local assessors to file summarized reports which would make it possible to compile promptly and with reasonable accuracy definite information as to average taxes per acre on each of the classes of timberland involved in every town in the forest preserve.

In the counties outside of the forest preserve, on the other hand, it will require under existing law an analysis of a large number of sample rolls by the State tax authorities in order to arrive at any valid conclusions on this point. Because of the form in which the rolls are kept, such a procedure will not only be difficult in the great majority of cases, but will be absolutely impossible in some. The rolls in many towns are not kept in such a manner as to form a basis for analysis on these points.

Whether or not, therefore, the results obtained by the committee's analyses of sample towns are generally applicable can only be determined by the installation of permanent machinery in the State Tax Commission designed to develop more general material with a bearing on the points in question. As the matter stands at present, the committee presents information simply on six isolated towns, on only three of which it was possible to develop relatively complete information.

There are certain factors, however, which affect the validity of the results obtained by your committee's analyses, even in the towns where the greatest amount of material was available. These are involved in the taxes levied by the towns for special improvement districts, and the taxes levied by the school districts within the towns.

1—Special District Taxes

Towns may levy special taxes for a great number of special purposes. These taxes are levied simply on the property within the special district created by the action of local taxpayers for the purpose of defraying the costs of certain types of local improvements and of certain special services. They are included under the heading "amount for town purposes" on the Tax Commission's summary, and enter into the general item "aggregate taxes" in that summary on which the committee based its figures for total taxes levied in the towns.

If it had been possible to segregate and deduct with any degree of accuracy the items levied for these purposes within the special districts, it would have tended to lower somewhat the average taxes per acre levied on forest and agricultural lands. Because of the manner in which town finances are handled, however, and because of the rather loose budget system in use, the segregation of the items levied within special districts of this type could have been undertaken with assurance only after an audit of the town finances.*

In short, if it had been possible to eliminate those items which in the nature of things are rarely levied on forest property, the resultant taxes per acre would have been somewhat lower than those disclosed in our tables.

2—School District Taxes

Among the items included in the tax levies which were distributed against all property in the towns was one for school taxes. This item in each case represented the total school taxes levied by all the school districts within the town. As a matter of fact, these taxes are levied, not on the town as a whole, but on the individual districts within the town. Not infrequently the assessed value within such district does not coincide with the assessed valuation assigned to it on the town roll. Furthermore, expenditures per capita, or per thousand dollars of assessed valuation, vary widely from district to district, and result in extremely wide variations in the rates for school taxes among the several districts within the town.

In the town of Franklin, for instance, there are eleven school districts, each one of which levies its own taxes on its own tax roll. The aggregate assessed valuations for all the districts total

* For a fuller description of town and district budgets and town and district financial reporting, see report of this committee submitted February 1, 1923, pp. 194-195, and pp. 259-275.

\$648,321, as compared with a total of \$688,403 for the town roll. The tax rate in one district was 80 cents per \$100 of assessed value as it appeared on the school district roll. In another, the rate was \$8.37 per \$100.

In the town of Webb, on the other hand, there are only two school districts. The assessed valuations on the school rolls totaled \$2,320,717, as compared with the Tax Commission's summary of \$2,285,605 for the town roll, and the tax rates were \$1.22 and \$2 per \$100, respectively.

Manifestly, variations in assessed values and tax rates, as between districts within the same town, must bring about extreme variations from the average tax burden per acre levied on the timber lands in these towns. Since, however, the committee was unable to obtain accurate maps showing the boundaries of the districts, it was impracticable to ascertain average tax levies per acre on lands distributed by school districts.

That the extreme variations in tax burden per acre are not confined to the Adirondack mountain towns from which two of our examples were drawn is indicated by a manuscript table on file in the offices of the State Tax Commission. That table shows that among the 9,779 school districts for which reports were available, 24 had school tax rates of less than 5 cents on the \$100, while 1 had a rate of \$12.80. One-fourth of all the school districts had a school tax rate of 70 cents or less per \$100; another quarter between 70 cents and 90 cents; another quarter between 90 cents and \$1.20, and the remainder between \$1.20 and \$12.80.

H — INFLUENCES AFFECTING THE VALIDITY OF ESTIMATED TAXES PER ACRE ON BARE LAND VALUE UNDER THE ASSUMPTION OF THE EXEMPTION OF STANDING TIMBER FROM TAXATION

Under Cases II and III, both of which assume total exemption of all standing timber, taxes per acre on all classes of timberland in the towns of Webb, Franklin and Andes range between 3.7 cents per acre and 9.58 cents. Any conclusions drawn from these figures, however, are vitiated by the fact that the exemption of timber from taxation would undoubtedly tend to increase the market value of all lands suitable for timber production. In fact, the advocates of the single tax on the bare land value of forests only, base their arguments largely on the theory that the bare land value of a forest, if standing timber were exempted, would tend to approximate what the foresters call the "expectation value" of a forest.* Your committee has been able to collect no reliable information on this point, but considers the theory well supported by general economic theory, and worthy of further study. Its practical application, however, would be difficult under our present system of decentralized and inexpert assessments, and would undoubtedly tend to increase the tax burden on other

* Cf. Proceedings of the National Tax Association, 1922, Report of the Committee on Forest Taxation, p. 131.

property during the long period required for the readjustment of values to the new conditions, and the adjustment of assessments to the new values.

Under the latest proposals for a combined tax on bare land values and a tax on the timber yield when cut, on the other hand, as exemplified in the Massachusetts law of 1922, no mature forest is entitled to exemption. Even the report of the committee just referred to would leave mature forests subject to the general property tax. Both theories of forest taxation seem to proceed on the assumption that it is an economic waste to hold timber after it becomes mature, and would extend the privileges of tax exemption in the one case, or of deferred taxes in the other, only to those owners of mature timber lands who log their holdings and place them in the lumbered class.

**CHAPTER V—CONCLUSIONS AND RECOMMENDATIONS
REGARDING FOREST TAXATION**

CHAPTER V—CONCLUSIONS AND RECOMMENDATIONS REGARDING FOREST TAXATION

In summing up its conclusions on this phase of the work, your committee is well aware of the fact that its results are preliminary. Too little information is yet available relative to the taxable capacity of forests and the probable effects of the proposed changes in the law on the relative tax burdens on forestry and on other rural occupations to permit the formulation of a definite and well-grounded policy for the taxation of forests.

A—GENERAL FINDINGS

Certain general conclusions, however, seem to be fairly well supported. Among these are the following:

1—Tax Burdens per Acre Assumed in Cost Table Estimates in Excess of Actual Burdens

In many of the tables of cost estimates which came to the attention of the committee, the tax burdens per acre which were assumed in the estimates for purposes of compounding ran from 25 to 30 cents per acre. The average tax burdens encountered in the towns studied were considerably below this figure. In the cases cited, in which the tax burden per acre reached a point well above the average, it was evident that the remedy lay, not in the abolition of the general property tax, but in administrative and legislative measures for its more equitable enforcement in keeping with the plain intent of the present law.

2—Full Value Assessments Not a Menace to Immature Forest Property

The distribution of the present tax burden on estimated full value assessments for all property within a tax district would, contrary to the general opinion, have resulted, in the towns analyzed, in lower average taxes on immature forests than those which are actually being levied on the basis of present assessed values. The burden on forest plantations, and on virgin timber, would be considerably increased on the basis of general full value assessments. In the case of virgin or other mature forests, however, none of the proposals for reform analyzed in Chapter II would provide any relief, and there seems to be some doubt among their proponents as to whether forest property of that type is entitled to any relief. For the present only a very small area of timber land would be adversely affected by full value assessment in any event. It is estimated that only 3 per cent of the area of the forest preserve is virgin timber land.*

* The Forests of New York State, A. B. Recknagel, 1923, p. 20.

3—Present Tax Burdens Are Not Ruinous

In the absence of definite information as to the taxable capacity of any of the native forest types, it is nevertheless possible to draw certain conclusions relative to the influence of present taxes on forest management from other facts. Less than one-hundredth of 1 per cent of the forest land in the 7,270,000 acres included within the forest preserve and fire towns went to tax sale in 1920, as compared with almost 10 per cent forty years previously. In addition to the 27 per cent of that area which is in State ownership and protected against cutting by the provisions of the State Constitution, about 7 per cent in private ownership is approaching a permanent yield basis, *i. e.*, the annual cuttings on those lands are limited by the owners to the estimated amount of the annual increase in timber volume. Furthermore, the replanting of privately owned forest lands has been proceeding since the war at a rapidly accelerating rate per annum. The increase in the rate of planting has been checked, not by the present tax system, but by the inability of the State nurseries to supply the demand for trees.

These facts, certainly, do not indicate any immediate and pressing demand for a change in the method of taxing forests.

4—Majority of Forest Tax Plans Proposed Would Increase Tax Burdens on Other Rural Occupations

On the basis of our tables for the towns of Andes, Franklin and Webb, it is apparent that the exemption of standing timber from taxation would tend to increase the tax burdens on other property in the communities. In many towns the available supply of merchantable timber is small, and the annual proceeds of the yield tax under the several tax postponement plans would for a time be almost negligible. In such towns the effect of plans of this type on the tax burdens of other occupations would be practically identical for a considerable period of time with that of the proposals for the total exemption of timber.

On the basis of the latest and most comprehensive material available on the subject, it appears that agriculture is already subject to heavier general property taxes, when compared with either gross or net income, than almost any other occupation for which statistics have been compiled. Any plan, therefore, which involves any increase in burden on agricultural property should be subjected to the closest scrutiny from all angles before adoption.

Only one of the several types of bills proposed for adoption in this State takes this factor into consideration. The bills in this class are those in Group III in Chapter I of this report. This plan would require the State to advance taxes to towns and counties on privately owned timber lands and to recoup itself from the proceeds of the yield tax. The practically complete absence of adequate budget machinery in towns and counties;^{*} the con-

* Cf. Report of this committee submitted February 1, 1923, Chapter VII.

stitutional restrictions imposed on the control which the State Legislature and State administrative organizations can exercise over town assessments of privately owned taxable property;* and the confusion into which the State budget system would inevitably be thrown as a result of the adoption of these proposals, would tend to make the remedy suggested worse than the disease. In fact, as has been pointed out in the previous section, any disease which may exist in this State as a result of the present method of taxing forests is a mild one at best, while the remedy proposed can by no means be considered so lightly.

5 — Nearly All Plans for Forest Tax Reform Now on the Statute Books Combine Two Elements

Many of the forest tax laws now on the statute books in this and other states have treated tax amelioration or exemption not as an inherent right belonging to the owner on grounds of justice and equity, but as a privilege to be bought by the assumption of certain obligations. In spite of the fact that State laws, supported by judicial decisions, have delegated sweeping powers to urban communities looking to the exercise through zoning ordinances of the police power over private uses of privately owned property, no similar general application of the same power has been made in this country to forest lands. With the exception of a few laws in certain states requiring lumbermen to leave seed trees so as to provide for natural reseedling, the nearest approach to the exercise of the State's police power over forest lands is to be found in clauses incorporated in existing forest tax laws. In return for tax privileges granted by those laws, owners of timber lands submit to the specific application to their lands of the State's general police powers over all lands.

This committee realizes clearly that it has no authorization to make recommendations on conservation policies generally. Its scope is limited to the field of taxation and retrenchment. It feels justified in recommending, however, that hereafter provisions for the limited application of the State's police power be eliminated from all forest tax bills before they receive further consideration. We believe that the State has adequate power to regulate private forests under its police powers, and that the tax program of the State with regard to forests should be determined solely in the light of the general tax system, with a view, of course, to its effect on forestry, just as all taxes are to be judged partially by their economic effects. Forestry interests which are willing to be subject to State regulation *provided* tax exemption is granted, should understand that the State has the right of regulation in the public interest and that voluntary submission to regulation cannot be traded in for any preferential legislation.

* Cf. Report of the committee submitted March 1, 1922, pp. 58-60, and subsequent report submitted February 1, 1923, p. 116, pp. 126-127 and pp. 154-155.

6—No Single Plan for Forest Tax Reform is Widely Supported

The outstanding leaders among the advocates of forest tax reform are in marked disagreement among themselves concerning the proper plan to pursue. The pure bare land tax, the pure yield tax and combinations of the two; separate classification of certain limited types of forest land at the option of the owner, general classification of the same types without the option of the owner, and general classification of all forest lands without exception; central administration of the new laws and local administration—each of these alternatives, as well as others, are proposed in a wide variety of combinations by small groups of earnest men, each with a limited following. When one takes simply the arguments which advocates of forest tax reform advance for and against the conflicting elements in the several programs, it becomes apparent that they almost completely cancel one another.

7—Implied Constitutional Powers of Assessors to Nullify Legislative Enactments Regarding Assessments and Taxation

As has been pointed out repeatedly in previous reports by your committee, local assessors have an almost arbitrary power over assessments for taxation. In those towns in this State where practically all the lands lie which are suitable for forest culture, the three elected town assessors sit as a board of review to pass on the accuracy of their own assessments. Aggrieved taxpayers must appeal to the Supreme Court for relief if their arguments before the assessors themselves are fruitless. Except in the case of the larger property owners, the cost of appeals to the courts is so out of proportion to the savings in taxes that may reasonably be expected that the procedure is rarely resorted to.

Under the protection of this arbitrary power, local assessors have nullified, not only the enactments of the Legislature requiring full value assessments, but they have succeeded in nullifying also, where they so desired, the special laws for forest taxation which are already on the statute books. Until such time as steps can be taken to limit the powers wielded by town assessors by subjecting their acts to administrative review, on appeal both by individual taxpayers and by State and county administrative organizations, it will be difficult, if not impossible, to pass any special or general property tax law which cannot be similarly ignored. Any general law relating to the taxation of property as a whole, or any general or special law relating to one class of property, under present conditions, will tend to become special legislation for the benefit of the taxpayers who are able to afford relatively expensive court proceedings. The smaller taxpayers to whom such enactments are designed to apply will remain subject to the interpretation placed on those laws by the local assessors.

It is essential, therefore, that almost any law for forest taxation must be preceded, in order to become generally effective, either

by a constitutional amendment giving the Legislature the power to provide administrative boards of review, or by a reinterpretation by the courts of the clauses in the present Constitution on which the arbitrary powers of the assessors rest.

B—RECOMMENDATIONS FOR IMMEDIATE ACTION

There are certain things which can be done and which should be done at once in the way of providing a more equitable tax system for general property, including forest property.

1—Repeal of Section 16 of Tax Law

There is one point on which the forest tax committees which reported to the National Tax Association in 1913 and 1922, and the Massachusetts Commission of 1914 on the taxation of wild or forest lands are in substantial agreement. That point is the inadvisability of extending the exemption from taxes to include the lands on which forests are located. Section 16 of the present Tax Law violates this principle in that it grants total exemption from taxes for a period of thirty-five years on both the land classified under it and the forest growth thereon.

Your committee recommends that this section of the law be repealed. The other laws enacted at the same time—section 17 of the Tax Law and section 57 of the Conservation Law—while they appear to be ineffective and far from perfect in other respects, are not open to this criticism. Until such time as general legislation covering all forests can be formulated, as hereinafter proposed, it is suggested that these sections be left on the statute books in their present form. Pending the proposed enactment of laws providing for the administrative review of assessments for taxes, these sections may serve a useful purpose in providing avenues of escape for owners of small properties which are assessed at a higher percentage of full value than other properties in the same tax district.

2—Limitation of Arbitrary Powers of Local Assessors and Provision of Administrative Review

Under the limitations imposed by existing judicial interpretations of the State Constitution, local authorities alone are responsible for making assessments of the property lying within their respective tax districts. To make matters worse, the existing general law applicable to towns combines the functions of assessing and of passing on grievances in a board of three elected assessors. The injustice, as well as the administrative defects inherent in this plan have been pointed out at length in Chapter V of the report of this committee which was submitted in 1923, and have been summarized in a previous section of this report.

Since the submission of the report for 1923, the Legislature has enacted into law an amendment (chapter 565-1923) to the special

law governing assessments in Westchester County, which permits any town in that county to replace the present board of three elected assessors by one appointed assessor, and to vest the powers of review over assessments in a separately appointed town board of review. This law is especially interesting, not only because it represents the most recent attempt on the part of the Legislature to correct the evil referred to, but also because it seems to indicate clearly the limits beyond which the Legislature cannot go without exceeding its constitutional powers. Until such time as further power is granted the Legislature, the committee recommends that the provisions of this law be made general in their application, so that any town in the State may avail itself of its provisions. In the larger towns, at least, this plan would afford a comparatively inexpensive method of appeal from disproportionate assessments to a board which was not immediately concerned in making the assessment in question.

In compliance with previous recommendations of your committee, a resolution (S. 542) was introduced which proposed an amendment to the Constitution designed to remove the present limitations on the powers of the Legislature over local assessments. Opposition to the form of this proposed amendment developed during the session. Your committee has endeavored to meet these objections in a revised draft. Its adoption should go far to remove the danger of disproportionate assessments, and should grant relief in the more glaring cases of inequality in the assessment of forest lands which your committee discovered in its study.

3—Amendment of Sections of Tax Law Governing Assessment of State-owned Wild or Forest Land

In this connection, it is only necessary to repeat certain recommendations embodied on pages 150-152 of the last previous report of this committee. These recommendations may be briefly summarized as follows:

That the State Tax Department be vested with authority to value State-owned wild or forest lands for purposes of taxation at their full market value, and to certify to the local assessors the equalized value of the lands involved under a plan of procedure similar to that now followed with reference to the assessment of, and certification of equalized value on, special franchises.

Subsequent to the submission of these recommendations, the Legislature enacted into law (in chapter 650-1923) a portion of these recommendations. The power of supervision over local assessments of State-owned wild or forest lands was taken out of the hands of the State Comptroller, where it had previously rested, and vested in the State Tax Commission where it logically belongs. No action was taken, however, to make the Tax Commission responsible for the actual valuation in lieu of the local assessors, nor to grant the Commission power to certify the equalized values of property of this type to the local assessors for inclusion in the

tax rolls. Your committee again recommends that these provisions be enacted into law with a view to removing the existing inequalities under the present plan of assessing such property, and to eliminating the constant friction between State and local authorities which now arises. Because of the great amount of preliminary work that would be involved in the transition, care should be taken not to make the law effective immediately. Sufficient time should be allowed the State Tax Department to lay the foundation for its valuations before the law takes effect.

The more important results, however, which might be expected from this reform would not lie in the field simply of the more accurate and equitable assessment of State-owned forest lands, but in the opportunity which would be opened to the Tax Department to collect and correlate a vast amount of information on forest lands in general. On the basis of the definite and reliable information necessary to discharge the duty of valuing State lands, it should be possible to formulate a workable general tax law for forest property that would meet all the needs of the situation as it exists in this State today. The experience gained in the exercise of the functions created by such a law, furthermore, would be invaluable in the administration of such general tax laws for forest lands or other rural property as might be enacted on the basis of the information collected.

C—RECOMMENDATIONS FOR FURTHER STUDY

As has already been pointed out in Chapter II of this report, the first serious attempt to arrive at a workable and equitable forest tax law in this country is embodied in the report of the National Conservation Commission in 1909.* Practically all of the plans for forest taxation in Groups II and III which were discussed in the first chapter of this report, and certain of the elements in the bill in Group IV, may be traced directly to the several alternative proposals discussed in that document. It has already been pointed out that the major recommendation embodied in that report—that for the pure yield tax—has been superseded by the proposals contained in the latest report of the committee on forest taxation (1922) of the National Tax Association. This development is especially significant because the author of the forest tax study in the Conservation Commission report of 1909 was also the chairman of the National Tax Association's committee in 1922.

Among the more important points on which the majority of students of forest taxation are coming to be in substantial agreement is this: That any workable forest tax law must be general in its application at least with respect to all forest property within a certain well defined class. Even in states where the Legislature has power to classify property for taxation, certain constitutional

* Report of National Conservation Commission, 1909, Vol. II, Taxation of Timberlands, by Fred Rogers Fairchild, pp. 581-629.

objections have been raised to restricting such laws to a limited subdivision of the general class of forest property. It is not necessary to go into this at present beyond pointing out that the question has been seriously raised. Granting, however, the validity of the arguments for general and not special laws for forest taxation, it becomes evident that all bills containing provisions for optional classification and for a *quid pro quo* must be faulty in principle. This would at once eliminate from further consideration all bills in Groups II and III.

So far as your committee has been able to ascertain, the proposals for forest tax reform which meet the test of general applicability, and which are not open to the charge that they would seriously disturb local finances, fall under three heads, briefly described below. They should be further studied in the light of facts which develop in the course of the work of the State Tax Commission.

1 — Plan for Annual Taxes on Forest Land Based on Discounted Value of Ultimate Yield Tax

The plan for annual taxes on forest property which with interest thereon are to be applied on the yield tax levied on the stumpage when the forest is cut, was proposed briefly as one variation of the yield tax plan in the Conservation Commission report of 1909. Since that time it has been developed through the efforts of Mr. Louis S. Murphy, Forest Economist of the United States Forest Service, and a brief exposition of its major features may be found in the Proceedings of the National Tax Conference held in 1921.* An attempt has been made to develop this plan somewhat more in detail in connection with tentative outlines for forest tax programs in Minnesota and in New Hampshire. Up to the present, however, the plan has not been put into operation in any State.

Necessarily, so radical a departure from the existing methods of assessment and taxation as this plan represents must involve a rather complicated procedure during the transition period, and a great deal more centralized control over local assessments than is at present possible in the State of New York. It is not improbable that the salient features of this plan could be adapted for use in a simpler administrative scheme than that proposed.

2 — Plan for Tax on Bare Land Value Only

This plan, as has already been pointed out, is that advocated by the 1922 committee of the National Tax Association, and represents a modification of the tax on the expectation value of forests, which was discussed in the National Conservation Commission report of 1909. That report said:

“In the case of forests, the tax based on income may be applied in either of two ways, (1) as a tax on the yield whenever any timber is cut, or (2) as an annual tax on the present

* Remarks of Louis S. Murphy, Proc. Nat'l Tax Conf., 1921, pp. 52-55.

capital value of the forests, based on all its expected future incomes and expenditures — what the foresters call 'expectation value'. To illustrate by a single example, suppose that a forest is so managed as to yield a net income of \$150 sixty years from today, and again every sixty years thereafter, without any cost of planting. If interest is at five per cent, a simple calculation will show that the present expectation value of the forest is \$8.47. Suppose it is desired to tax this forest at the rate of 20 per cent of its net income. This may be accomplished either by a tax of 20 per cent of the net yield whenever it occurs, or by an annual tax of 1 per cent of the expectation value. The first would mean a tax of \$30 paid every sixty years when the timber was cut. The second would mean a tax of 8½ cents paid every year. The present value of the two taxes — that is \$30 paid sixty years from date and every sixty years thereafter, and 8½ cents paid every year, beginning at once — is exactly the same."*

Because of the difficulties involved in ascertaining the expectation value of a forest, as well as because of other difficulties in administration which the tax on expectation value would involve, this alternative was later rejected in the course of the report cited in favor of the pure yield tax on timber when cut. The objections to that plan, however, from the standpoint of local tax administration have been brought home forcibly to the author of the report in the meantime, and in 1922 in the report of his committee to the National Tax Association, which has previously been cited, he advocated a variation of his original tax on "expectation value," in the form of a tax on bare land value only. As was pointed out in the concluding section of Chapter IV, the advocacy of this plan by the committee of the National Tax Association is based on the assumption that the total exemption of standing timber would cause the bare land value of the forest to approximate the forester's expectation value.

Under a more general and direct supervision over local assessments than is now possible in the State of New York, this plan — provided the assumption on which it is based proves to be well founded — would be the simplest to administer of all the general plans for forest taxation which have been advanced. It has the further advantage — always provided, of course, that the theory on which it is founded proves to be tenable — of pointing the way to a plan which would be of general application not only to forest property, but to other rural property as well. In view of your committee's findings in Chapter III of this report, agricultural property would seem to be quite as much entitled to consideration in the tax laws as forest property.

3— Plan for Tax on Capital Value of Forest Property

This plan is one suggested in tentative form by Mr. Louis S. Murphy, forest economist of the United States Forest Service,

* Report of National Conservation Commission (1909), Vol. II, p. 615.

in the course of an address read before a recent Washington State forestry conference, and later published in the issue of the *West Coast Lumberman* for October 15, 1923.

In the course of the paper Mr. Murphy, after stating that the views expressed were his own and were not necessarily shared by the Forest Service, pointed out that, whether we liked it or not, the general property tax was the source of by far the greater part of all income of state and local government in all the forty-eight states. He then proceeded to outline very briefly a plan for forest taxation which could be integrated with the administration of the general property tax, which would provide an unbroken stream of revenue to local governing bodies, and which would at the same time protect the owner of immature timber lands against onerous taxes.

The plan would seem to be based on the theory that under a well administered scheme of assessments the general property tax is levied against most property on a valuation that closely approximates the capital value of the property, *i. e.*, the value on which it can earn a return at the going rate of interest.

Mr. Murphy's plan involves simply the current taxation of forests on their capital value, which he takes to be the value at which other property, roughly speaking, is assessed under the general property tax. Unfortunately, the administrative details required to put the plan into practice have not yet been published.

D—GENERAL CONCLUSIONS

In conclusion, your committee wishes to emphasize this fact—that forest taxation cannot be considered as a separate and distinct problem apart from all other tax problems. Any approach to the subject from a viewpoint limited in this manner must either be barren of the results hoped for or else must result in raising up new problems regarding other taxable property.

There is no intention on the part of your committee to imply that the general property tax constitutes an ideal form of taxation for forest property. Far from it. The time element alone—the existence of large amounts of property subject to recurrent annual taxes on which no immediate return can be obtained unless by premature cutting—makes it essential that some better plan of taxation be found. The same arguments apply also, however, to many other types of property taxable under that law. The farmer who is endeavoring to build up the fertility of his land by the use of fertilizer and the adoption of a long term crop rotation; the dairyman and the stockman who are building up new herds by breeding; the fruit grower who is setting out a new orchard that will not come into bearing for a period of years; the railway or public utility which, in designing new structures, takes into account, not only present needs, but also probable future requirements—all of these are subject also to annually recurrent taxes under the present law on property which can in no sense be considered immediately productive. The difference between prop-

erties of this kind and forests is one of degree rather than of kind, in so far as the effects of the general property tax is concerned.

The time has passed, in our complicated modern economic and social life, when a better system of taxation for this, that, or the other type of property can be devised on the basis of inspiration or improvisation. Our statute books are full of the results of such efforts. Solid advancement must be based on an analysis of facts, and before the facts can be analyzed they must first be collected, tested and correlated. That is a task which can be accomplished best by a full-time administrative organization, continuing from one year to another. For this reason the committee is especially anxious to have the State Tax Department charged with the duty of assessing and equalizing the State-owned forest lands. This step would meet the need for facts; it would provide the administrative machinery for collecting, analyzing and correlating them, and it would furnish the incentive for carrying the work through.

PART II

OTHER TAX PROBLEMS

CHAPTER VI—THE TAXATION OF PUBLIC UTILITIES

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A—SUMMARY OF THE 1922 STUDY

In the report of this committee to the Legislature in 1922* a careful analysis of public utility taxes was presented. In that report we presented (1) an analysis of the tax laws of this State affecting public utilities, (2) an analysis of the public utility tax laws of the other States, (3) a detailed statistical study of the tax burden imposed upon public utilities in this State by present laws, (4) a critical appraisal of the New York State system, and (5) a concrete program of legislation and constitutional amendment by means of which the taxation of public utilities in this State might be brought into line with the State tax system and with the demands of justice and fiscal policy. It is our purpose to summarize the outstanding features of that study at this point.

Provisions of Tax Law

In view of the changes which have been made in the Tax Law since the 1922 report of this committee, it is necessary to revise slightly the digest which was presented of the provisions of the Tax Law concerning the taxation of public utilities. These may be summarized as follows:

(1) All public utility corporations are subject to State franchise taxes: (a) In the case of steam railroads, telegraph and telephone companies and all other transportation companies, except elevated and surface railroads not operated by steam, the general franchise tax is based upon the par value of the capital stock of the corporation assignable to New York State. The capital stock of a corporation doing business both within and without the State is assigned in proportion to the location of the gross assets. The rate of the tax is one-fourth of one mill on each dollar of par value of stock for each 1 per cent of dividends if the dividends made or declared are 6 per cent or more. But in any case, and if the dividend is less than 6 per cent, a corporation must pay a minimum tax of not less than \$10 nor less than one mill per dollar of net value of capital stock assignable to New York State. This net value shall not be less than \$5 per share,

* Legislative Document (1922) No. 72.

Note—In view of the fact that the major portion of the report regarding the taxation of Public Utilities was prepared before we, the undersigned, were members of the joint committee, we wish to make clear that we are not sufficiently informed as to those matters either to approve or disapprove of the conclusions reached in relation thereto.

Signed, F. TRUBEE DAVISON,
W. L. PRATT.

nor than the difference between the assets and the liabilities, nor than the average price of stock sold during the year. (b) Elevated and surface railroads not operated by steam pay 1 per cent of their gross earnings from all sources within the State, and 3 per cent upon the amount of dividends in excess of 4 per cent upon the actual amount of paid-up capital. (c) Water, gas and electric companies are similarly taxed at $\frac{1}{2}$ per cent on gross earnings from all sources within the State, and 3 per cent upon dividends in excess of 4 per cent. (Tax Law, sections 182, 185, 186.)

(2) Steam railroads, other transportation corporations (except elevated or surface railroads not operated by steam) and telegraph and telephone corporations are subject also to the additional-franchise tax. This is a tax of one-half of 1 per cent of gross intra-state earnings (beginning and terminating within the State). (Tax Law, section 184.)

(3) The special-franchise tax is imposed upon all public utility corporations. It is a property tax upon the value of the right to occupation and use of the streets, highways, public places, or public waters of the State. The value of tangible property situated upon such streets, highways, etc., is included. The State Tax Commission determines annually the value of special franchises subject to assessment in each city, town or village. Upon these values, as finally equalized, the local authorities levy the local property tax rate. (Tax Law, sections 44-49.)

(4) Finally all public utility corporations are subject to a State tax on real estate, which, with the exception of the franchise, is locally assessed, and to the local general property tax on real estate and tangible personal property (except that assessed with special franchises). (Tax Law, articles 1-5.)

Except for the immaterial changes which have been made in section 182 of the Tax Law with regard to the general franchise tax, it will be seen that the State system of taxes on public utilities has not been altered since the extensive study made of these taxes by this committee in 1922. Nor has there been any marked change in the economic factors involved. It is, therefore, reasonable to assume the conditions which we found to exist at that time are equally true at the present time. We may, therefore, repeat here what we emphasized at that time.

Defects of New York State Public Utility Taxes

New York's taxation of public utility corporations is not a unified system based upon any recognized principle. It has grown up historically by piecemeal legislation applied at different times to different classes of corporations. The result violates nearly all the canons of sound taxation.

Lack of Certainty:

Certainty is one of the most essential features of a good tax system. Certainty requires that a tax be based upon and measured by certain definite indices, which should be matters of fact readily ascertainable by both the taxing officials and the taxpayer. Determination of the amount of tax due from any taxpayer should not be a matter of personal judgment. No matter how upright and efficient the taxing officials, no matter how willing the taxpayer to contribute his fair share, taxes based on judgment and opinion are sure to lead to inequality and suspicion. At the worst, the result will be gross injustice and corruption.

New York's taxation of public utility corporations is marred by great uncertainty. This is noticeably true of the special franchise tax. There is no entirely satisfactory way of determining the precise value of the special franchises to use the public highways. Such determination necessarily involves a large measure of personal judgment. Given exactly the same data, two experts of equal ability and honesty would never, except by accident, arrive at the same result. This situation is recognized by the Tax Commission in the methods for determining intangible franchise values which it has adopted in accordance with the so-called "net earnings rule" as prescribed by the courts, *i. e.*, by capitalizing the profits of the corporation in excess of a certain rate upon the value of the investment. This is probably the best way out of the difficulty, but the arbitrariness of the method and the uncertainty of the factors involved (in particular the value of the investment and the rate of interest) are strong testimony to the impossibility of finding any certain measure of intangible franchise value.

The tangible part of the special franchise tax presents scarcely less difficulty. How are the tracks, wires, poles, conduits, etc., of a public utility corporation to be valued? There is difference of opinion as to the proper basis of valuation (cost, replacement value, etc., with or without depreciation) and when a method is decided upon, the result itself is always a matter of opinion, more or less trustworthy. Such property is of value only as part of the whole equipment of the corporation as a going concern. Its separate valuation as a basis of taxation will always involve serious uncertainty.

As evidence of the difficulties which confront the State Tax Commission in administering the special franchise tax, the following extract from the Commission's annual report for 1919* is pertinent:

"Because of unusual and what appeared to be abnormal conditions during the past three years, increased cost of labor and material, and because of the fact that most of these public utilities are operating at a rate fixed before these changes in operating costs occurred, the computation of these values in many instances has become exceedingly difficult and complex,

* Page 24.

and the commission, believing that the value of the special franchise privilege ought not to be subject to violent fluctuations, either up or down, has deemed it fair as between the corporations and the public, to base its computations upon a condition shown by an average period of five years where this would produce fair valuations. This has been done without committing the commission to a hard and fast rule, but has been applied in the exercise of its best judgment to do as far as possible equal and exact justice in all cases."

What has been said of the special franchise tax applies also to the general property tax, especially to the tax upon personal property. Assessments are always a matter of judgment, often presenting the widest latitude for difference of opinion. The fatal uncertainty of the tax on personal property is too well known to require further explanation or emphasis in this report.

Arbitrariness:

A sound tax system will not be arbitrary, except as required by the necessities of effective administration. Arbitrariness means inequality and so defeats the requirement of justice. Arbitrariness is the natural result of uncertainty, as has been shown by the example of the special franchise tax. Arbitrariness may also occur in the statute itself. The general franchise tax on steam railroads and certain other transportation corporations and on telegraph and telephone companies is a case in point. The tax is based on the par value of the capital stock. Now par value may agree with the real value of the capital or it may not. Generally par value is meaningless as an index of either the book value or the market value of the investment. This fact is recognized in the statute, where the tax rate is made to depend also upon the dividend rate, the relation between assets and liabilities, and the market value of the stock. This is at best a clumsy attempt to put meaning into the tax on capital stock, to correct an arbitrary method by means of arbitrary refinements. The result can scarcely be called a success from the standpoint of equitable taxation.

The present taxes on dividends are based on no logical principle. Corporation taxes are to be regarded either as an impost upon the corporation as an entity or as a means of indirectly taxing the stockholders. Most of the existing taxes embody the former idea. On the other hand, the taxes on dividends, which form part of the franchise taxes on electric, elevated and surface railroads and water, gas and electric companies, involve the principle of a tax upon the stockholders. There is no excuse for a tax on dividends, if the purpose is to tax the corporation as such. In that case such a tax should be imposed on all corporate profits, whether distributed in dividends or not. On the other hand, if the purpose is to tax the stockholders upon their income from investment in utility corporations, the present taxes on dividends

are a very crude device. The correct means to this end is the individual income tax. New York now has the individual income tax and there is no longer any excuse for the collection of taxes on corporations based on dividends declared or paid.

Lack of Simplicity:

An important feature of a good tax system is simplicity. The extraordinary complexity of the New York tax on public utility corporations is obvious from the most cursory survey. It is indicated by the mere abstract of the laws given above. It is emphasized by the criticisms which have already been made. The general franchise tax upon steam railroads, etc., with its complicated system of rates on capital stock varying according to dividend rates, relation of assets and liabilities, and average price of stock sold, furnishes a fine example of failure to secure simplicity.

The complexities of the special franchise tax have been exposed in the criticism already made upon that tax.

The lack of simplicity in the general property tax is well known. It arises in part from the difficulties inherent in the assessment of the complicated properties of the public utility corporations. In part it is the result of local administration. A great railroad system or telegraph company is taxed on odd bits of its tracks or lines in hundreds of tax districts. Its officers must keep track of thousands of different assessments and thousands of different levies at as many different rates. It receives thousands of different tax bills for amounts varying from thousands of dollars down to a few cents. An enormous burden, quite in addition to the actual amount of its taxes, is thus placed upon the larger public utility corporations.

The New York system is the result of historical growth. There is no logical necessity for such lack of simplicity. No tax ought to be so complicated as the general franchise tax on steam railroads, etc. There is no need of so many different taxes or so much difference between the several classes of corporations. The lack of simplicity is a heavy burden upon the taxing officials. It is a burden and a source of annoyance to the taxpayers. It defeats equality and justice.

There is an important aspect of complexity which is often overlooked. The unnecessary cost of administering a tax is a dead loss. In return for taxes paid the citizens presumably receive governmental services. But it is only the net proceeds of a tax which enable the government to perform its services. The burden of a tax is measured by the amount taken from the taxpayers. The benefit is measured, at best, by the net yield of the tax to the government. The difference between these amounts is the cost of administration. A certain cost is of course unavoidable. But any excess above the necessary minimum is a dead loss. A century and a half ago Adam Smith, in his now famous maxims of taxation, made this statement: "Every tax ought to be so contrived as both to take out and to keep out of the pockets of

the people as little as possible over and above what it brings into the public treasury of the state.*” The more complicated the tax, the greater is the cost of administration. There can be no doubt that the simplification of the taxes on public utility corporations would materially reduce the dead loss of taxation in New York and make possible either increased service from the government or a reduced burden on the taxpayers.

The dead loss from taxation appears not only in the excessive cost to the State. It is just as truly represented by the burden of time and expense imposed upon the taxpayer in complying with complicated tax laws. The labor of keeping special accounts, of filling out complicated forms, of deciding doubtful points in the interpretation of the facts or of the law, of contesting assessments, etc., necessitates an expenditure for clerical force, accountants, tax experts, and attorneys, which is a very serious burden to many corporations.

In order to secure some indication of what this means to the public utilities of the State, the committee sent a questionnaire to the companies asking for an estimate of the expenses involved in paying their taxes and contesting their assessments. The detailed results of this inquiry are given in Part II of the 1922 report. It is obvious that, due to difficulties of accurate segregation, the expenses as reported contain a considerable margin of error. In general it appears that, for 330 out of a total of 1,623 corporations circularized, the total annual expenses involved in paying their taxes aggregated no less than \$256,868. In addition to this, 98 companies reported an annual cost of contesting assessments of \$109,917. Of the total, \$366,785, 48 per cent represents costs connected with the special franchise tax.

Whatever can be done to introduce simplicity into the tax system will relieve the taxpayers of what has become a very material business expense and will by just so much reduce the dead loss burden of taxation.

Unjust Inequality:

The final and most serious defect of the New York system of public utility taxes is their capricious inequality. In his famous canons of taxation, Adam Smith places “equality” at the head of the list. For similar reasons this committee devoted the major part of its attention in 1921-1922 to an extended statistical study of public utility and other taxes. This scientific study of tax burdens showed three facts: (1) that public utility taxes when compared with other taxes are in many cases grossly unfair; (2) that some kinds of public utilities are taxed much more heavily than others; and (3) that present taxes fall very much more heavily upon some individual companies than upon others of the same class or kind. In other words, there is inequality as between individuals in the same class, between classes, and be-

* *Wealth of Nations*, Book V, chap. 2.

tween utilities as a whole and other businesses. This seems to exhaust the possibilities of inequality.

The inequalities which exist as between individual corporations of the same class is well illustrated in the following table:

RELATION OF TOTAL STATE AND LOCAL TAXES TO NET INCOME
*Electric Railways in New York State, 1911-1920**

Class†	Number in class	Number showing deficit	PERCENTAGE OF NET INCOME PAID IN TAXES—NUMBER PAYING					
			Less than 50 per cent	50 per cent to 99 per cent	100 per cent to 149 per cent	200 per cent to 249 per cent	250 per cent to 299 per cent	600 per cent to 649 per cent
A.....	10	3	4	2	1	.....	.....	.....
B.....	27	8	10	4	1	.....	3	1
C.....	19	11	4	1	2	1	.....	.....
Total...	56	22	18	7	4	1	3	1

* Based on the average annual tax payments and the average annual income. See 1922 report p. 104. Medians are used as averages in these tables.

† Class A corporations are those with operating revenue \$1,000,000 or over. Class B those with operating revenues from \$100,000 to \$1,000,000. Class C those with operating revenue less than \$100,000.

While the inequalities prevailing in this group are more accentuated than in any other, the general situation presented is typical.

The following table shows the lack of equality as between the various groups of public service corporations:

RELATION OF TOTAL TAXES TO NET INCOME*

Public Service Corporations Operating at a Profit, 1911-1920

Public Utilities	Percentage of Taxes to Net Income
Steam Railroads †	27.25
Electric Railways	44.40
Telephone and Telegraph ‡	16.20
Gas and Electric.....	23.30
Electric light and power.....	23.7
Gas and electric (combined).....	28.1
Gas (manufacturing)	27.0
Gas (natural)	11.8

These figures indicate clearly the capricious nature of the present State tax system as applied to the various classes of utilities.

* This table is based on 1922 report, pp. 248,256.

† This percentage is 30.85 if operating roads only are included.

‡ This percentage is 22.70 if returns from one large company, primarily a holding company, are excluded.

While it is more difficult to compare utility taxes with taxes on other corporations in a significant way, the following figures are roughly comparable. They are fully presented and discussed in our 1922 report.

COMPARATIVE TAX BURDENS IN NEW YORK STATE

Relation of Total State and Local Taxes to Total Income

	Percentage of Taxes to Net Income
<i>Public Utilities:</i>	
Steam Railroads	27.25
Electric Railways	44.40
Telephone and Telegraph Companies.....	16.20
Gas and Electric Companies.....	23.30
<i>Financial Institutions:</i>	
National Banks	8.1
State Banks	9.6
Trust Companies	10.3
Investment Companies	3.3
Savings Banks	6.80
Fire Insurance Companies.....	5.10
Fire and Marine Companies.....	5.71
<i>Other Business Corporations:</i>	
Mercantile and Manufacturing Companies.....	<u>8.65</u>

The figures for public utilities are based on the table above. The figures for financial institutions are for the year 1920 alone. They are based on the 1922 report, pages 183, 196, 267. In the case of insurance companies, real estate taxes are not included. The median has been used as the average except in the case of banks, trust and investment companies where the mean is used.

In making these comparisons, the relation of taxes to net income has been used. While this method of comparison is subject to certain reservations, there appears to be no better general basis for considering tax burdens. In reviewing these figures, here, the committee wishes to have it clearly understood that they are to be considered in connection with the detailed supporting material presented in Part II of our 1922 report.

Summary of Recommendations

As a result of the uncertainty, arbitrariness, complexity and inequality of the present taxes on public utilities, we outlined a fundamental revision of the State tax system as applied to these corporations. We recommend (1) the abandonment of the State franchise tax, including the additional franchise tax on steam railroads, certain other transportation companies, and telegraph and telephone companies, retaining, under one alternative, only the gross receipts tax in an altered form; (2) the development of

a substitute for the special franchise tax; (3) the amendment of the State Constitution so that the elimination of the present special franchise tax will not operate to reduce the borrowing power of municipalities, and (4) the simplification of the general property tax by (a) defining the definition of real estate, (b) giving up the taxation of tangible personal property, and (c) providing for technical assistance by the State Tax Department to local assessors in arriving at the values of specialized types of real estate.*

After a careful consideration of the taxation of public utilities on the (a) *ad valorem* basis, (b) the capitalization basis, and (c) the earnings basis, we recommend earnings as the most satisfactory basis for conditions existing at the present time in New York State. We therefore recommend, as an initial step, the adoption of a tax on public utilities based on the elements of both gross and net income, which will replace the present series of State taxes and be articulated with the special franchise tax so long as it remains in existence, replacing it entirely after the passage of the proposed constitutional amendment.

The rates suggested by the committee were as follows:

Every company shall pay an annual tax which shall be based on gross earnings and which shall be the percentage of gross earnings fixed herein:

- (a) When it has no net earnings or its net earnings do not exceed 5 per cent of its gross earnings — 1 per cent;
- (b) When its net earnings exceed 5 per cent of its gross earnings but do not exceed 10 per cent — $1\frac{1}{4}$ per cent;
- (c) When its net earnings exceed 10 per cent of its gross earnings but do not exceed 15 per cent — $1\frac{1}{2}$ per cent;
- (d) When its net earnings exceed 15 per cent of its gross earnings but do not exceed 20 per cent — $1\frac{3}{4}$ per cent;
- (e) When its net earnings exceed 20 per cent of its gross earnings but do not exceed 25 per cent — 2 per cent;
- (f) When its net earnings exceed 25 per cent of its gross earnings but do not exceed 30 per cent — $2\frac{1}{4}$ per cent;
- (g) When its net earnings exceed 30 per cent of its gross earnings but do not exceed 35 per cent — $2\frac{1}{2}$ per cent;
- (h) When its net earnings exceed 35 per cent of its gross earnings but do not exceed 40 per cent — $2\frac{3}{4}$ per cent;
- (i) When its net earnings exceed 40 per cent of its gross earnings — 3 per cent.

Calculations by the staff of the committee indicated that these rates would produce \$350,000 less than the present taxes on public utilities. Railroads as a group, which were found to be taxed at a relatively low rate as compared with other groups, would pay substantially more than now, and all the other classes of utilities would pay slightly less. Under the changes recommended, the inequalities as between groups and as between individual corporations would largely disappear, and in place of the present

* For a detailed discussion of these recommendations see 1922 report, p. 106ff.

hodge-podge' of uncertain, arbitrary and complex laws, the State would have a well-rounded system of public utility taxes which would provide for a transition to fairer taxes without overlooking the fiscal needs of the State and the localities.

B — DEVELOPMENTS SINCE 1922

The Constitutional Amendment

The most important specific recommendation of the committee in 1922 was the passage by the Legislature and the ratification by the voters of an amendment to the State Constitution which would pave the way for the new program of utility taxes. Under the provisions of the Constitution (Art. VIII, § 10), the debt limit of cities is fixed at 10 per cent of the assessed valuation of taxable real estate. The Tax Law defines special franchises as real estate (Art. 1, § 2, par. 6). Special franchise valuations as carried on the local assessment-rolls are, therefore, taxable real estate and form part of the base from which debt limits are computed. The original historical and fiscal reason for this classification of special franchises, with their large elements of intangible value, as real estate, is explained in our earlier reports and will not be repeated here.* This unscientific classification, however, now serves to hinder new and better methods of taxation, because the special franchise valuations cannot be wiped off the local rolls — and this would follow with a revised tax system — without cutting down the borrowing power of the units of local government. To eliminate this practical difficulty, the committee had drafted and presented an amendment to the constitution which provided in effect that the elimination of special franchises as real estate should not cut down the local borrowing power. This amendment was reported favorably and passed through both houses of the Legislature in 1922 and again in 1923. At no time was it subject to criticism or alteration. The amendment was purely technical in character. It gave no additional powers to any unit of government. Its sole purpose was to clear away a practical difficulty which stood in the way of tax reform.

Unexpected Opposition

When this amendment appeared on the ballot in the fall of 1923, it soon became evident that there was a well-organized opposition to the amendment. An anonymous attack was widely circulated and on the basis of this a number of disinterested and influential individuals and organizations opposed the amendment. Some of these same individuals and organizations had previously endorsed it, and none of them had come forward with specific suggestions when the amendment was still before the Legislature. The committee was gratified to find, however, that the opponents of the amendment were, nevertheless, in complete accord with the committee's program for a revision of the public utility taxes. Their

* 1921 Report, p. 15; 1922 Report, p. 106.

opposition was directed, not at the thing which the committee desired to effect, but solely at the detailed provisions of the amendment.

Failure of the Amendment

It is always difficult to secure the ratification of a technical amendment, and as was natural with the opposition which developed, the amendment failed at the polls, though only by 45,000 votes. In New York City, where the opposition was the strongest and where the statements in reply prepared by the committee received publicity, the vote was in favor of the amendment by 55,000 votes. In Albany the amendment was endorsed by a two-to-one vote. The tax amendment polled the lightest vote of any question submitted at the November election.

Simplification of Franchise Law

A second development, since the presentation of our report, is the enactment of chapter 408 of the Laws of 1922, amending section 182 of the Tax Law. This change was made on the suggestion of the Tax Department and in conformity with the recommendations of this committee. The new provision serves to simplify the franchise tax on corporations somewhat and to facilitate the administration of the law. Its provisions are outlined above in the first section of this chapter.

While a number of bills were presented by the committee dealing with public utility taxation, together with its 1922 report, it has not been our intention to press for their consideration until after the ratification of the constitutional amendment dealing with debt limits.

C—THE PROBLEM OF APPORTIONMENT

Nature of the Problem

One of the great difficulties confronting the committee in devising fair taxes for public utilities is the problem presented by corporations whose business is carried on partially outside of the State of New York. Take a railway, for example: We in New York cannot lay a tax on all of its property or all of its earnings both within and without the State. That would not be constitutional, and it would not be fair. How, then, are we to determine what part of the property or what part of the gross or net earnings is legitimately taxable in this state? This question is known as the problem of apportionment, because it cannot be solved without working out methods whereby we may apportion to each State its fair share of the property or of the earnings of the corporation in question.

An Illustration

An unusual illustration of the need for a fair determination of this question is presented in a case arising under a public utility tax in the State of Nevada. The Nevada-California Power Company generates its electricity from water power in California, and transmits the power to Nevada, where it is sold to mining companies. Two-thirds of the power company's investment, including reservoirs, canals, and generating plants, is situated in California, while the balance, consisting of transmission lines, is in Nevada. The Nevada Tax Commission, capitalizing the net earnings of the company, found its total value in both States to be in the neighborhood of \$4,000,000. They also found that 85 per cent of its transmission system was in Nevada and, therefore, credited Nevada with 85 per cent of the full value of the property as the taxable valuation in the State of Nevada. The court said:*

"It is futile to urge that 85 per cent of the company's income is earned in Nevada. There is no evidence to that effect. Eighty-five per cent of the income may be collected in Nevada, because Nevada affords the company its principal market. The commission utterly ignored the fact that the company earns a part of its income by the use of its water rights, reservoirs, ditches, pipe lines and power plant. The company is engaged in two lines of business: it is a manufacturer, and as such its entire business is in California; there it generates all its power. It is also engaged in transmitting to, and selling electric power in Southern Nevada. If Nevada can capitalize all the net earnings of the company, both as a manufacturer in California and as a distributor in Nevada, and appropriate 85 per cent of the capitalized value for assessment and taxation, why may not the tax commission of California with equal justice capitalize the gross earnings of the company in both states, and tax the entire value thus ascertained because all the property used in manufacturing the company's product is situated in that state? Furthermore, if 85 per cent of the company's income is earned in Nevada, it necessarily follows that the earning power of each dollar invested by the company in Nevada transmission lines is more than eleven-fold greater than the earning power of each dollar invested in the California water rights and power plant."

This illustration calls attention to the importance of a practical solution of the problem of apportionment. The effort must be made to guard against a method of apportionment which is unfair to the taxpayer or unfair to the States involved. In either case there is danger that the courts will override the taxes levied, the methods of administration and possibly even the Tax Law itself.

* *Nevada-California Power Company v. Hamilton* (235 Federal 326).

Apportionment Problem Universal

The problem of apportionment arises not alone in connection with an earnings tax such as this committee has recommended. It is equally present in any other form of public utility tax. In fact, the case cited above arose under a property tax. The fact is that a public utility must be considered *as a unit* whether it is taxed on the *ad valorem* basis, the capitalization basis or the earnings basis. And where a utility extends into more than one State, the unit system automatically raises the question "How much of the value, how much of the capitalization, how much of the earnings falls in this state or that state?" Those who have criticized the tax proposal made by the committee because of the difficulties of apportionment involved have apparently overlooked the fact that the problem of apportionment cannot be dodged under any system of public utility taxes. The difficulties involved in an earnings tax upon public utilities are no more complex than those involved in other forms of such taxation. The apparent difficulty of our program is due solely to the fact that we have endeavored to meet the situation adequately, while many simpler proposals endeavor to dodge the issue completely.

Method of Approach

In studying this question your committee has joined forces with the Committee on Public Utility Taxes of the National Tax Association.* By this method it has been possible to avoid duplication in our research work and to make possible the bringing together of more information and points of view.

There are various methods of apportionment. In the case of railroads, for example, track mileage may be used. With such a measure of apportionment the total value, or the total earnings, of a railroad are divided, for tax purposes, among the States through which the system runs in proportion to the number of miles of track lying in each State. There are other possible measures, such as car mileage, train mileage, and traffic units. Such units may be used singly or in combination. These and other measures are discussed below. They are mentioned here solely as illustrations.

Obviously each kind of utility must be studied separately to determine what units may be used for apportioning property or earnings among the States. Car miles cannot be used in the case of telephone companies nor can the number of telephone instru-

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Frank B. Jess, State Board of Taxes and Assessment of N. J., Trenton.
M. T. Sanders, Northern Pacific Railway Co., St. Paul.
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Frederick M. Danenport, Chairman.

ments be used with a pipe line company. It is, therefore, necessary to list and arrange the public utilities which must be separately studied. This is done in the following table:

Public Utilities Classified

I— Steam railroad	IV— Motor transport
Street railway	V— Electric light and power
Express	Hydro-electric
Pipe line	Gas
Car line	Water
Parlor, sleeping and dining car	Heating
II— Telephone	Refrigerating
Telegraph	VI— Steamship
Cable	Ferry
III— Canal	Lighterage
Bridge	Towing
Tunnel	Canal boat

For each utility it is necessary (1) to examine the character of the business and to determine to what form of investment or activity the earnings of that business are attributable; (2) to determine by actual examination of representative companies in each class what measures may be readily ascertained from the normal administrative and accounting records; (3) to make a tentative selection of the most satisfactory measures of apportionment; (4) to apply the apportionment measures determined upon to a considerable number of individual corporations in order to test out the operation of the measure, and then, (5) after the approved measure has been officially adopted and put into use, to study its practical operation critically to discover at what points it may be improved. This last step is particularly necessary because the problems of public utilities and their methods of operation are continually undergoing change. The recent recognition of the "recapture" principle in rate regulation may serve to alter the situation entirely.

Characteristics Desired in Apportionment Measures

In selecting units of measurement to be used in apportionment formulae, it is desirable to decide in advance what characteristics are desirable. In the opinion of the committee, measurements of apportionment should be:

1. Relevant— distinctly related to the utility and its tax-paying capacity.
2. Accurate— so that it may serve as a fair index.
3. Simple— for reasons of administration and public policy.
4. Actual— based upon measurable facts as distinguished from judgments and guesses.
5. Accessible— in the normal administrative and accounting records of a public utility.

6. Distinct—especially where several measures are used in combination, so that the same basic factors may not be reflected more than once.*

In few cases is it possible to satisfy all of these criteria. In the following paragraphs the various utilities are discussed and the effort made to present apportionment measures which will possess these characteristics.

D—APPORTIONMENT MEASURES FOR INDIVIDUAL UTILITIES.†

Railroads

The committee has had opportunity to examine most closely the problem of apportionment in connection with railroads. We have examined the following methods of apportionment:

- All-track mileage.
- Single-track mileage.
- Net earnings.
- Gross earnings.
- Car mileage.
- Train mileage.
- Car and locomotive mileage.
- Traffic units (ton and passenger units combined).
- Physical valuation.

Track Mileage:

Single-track mileage is not a satisfactory index of property distribution because it ignores terminals, nor is it a fair index of business done, because it ignores density of traffic. All-track mileage which makes allowance for double tracking, sidings, etc., serves to overcome both of these shortcomings to a considerable degree. Where there are terminals, there are more tracks; where business is heavy, there are additional lines. Nevertheless, even all-track mileage has its weaknesses. For example, a State may have 10 per cent of the all-track mileage of a railway system, but not 10 per cent of the value or the business.

* An illustration will serve to clarify this last point. Among the units which may be used for apportioning railroad earnings are (a) car mileage, (b) locomotive mileage, and (c) car and locomotive mileage. A study of these factors will show that distributions based on car mileage and locomotive mileage are almost identical under normal circumstances, and of course that car and locomotive mileage, the third unit, is nothing more than the other two combined. In other words, these units are not "distinct"—they do not measure separate features of the railroad business. As a result, if two or more of them are used in an apportionment formula, the effect is the same as if one of them were used two or more times. It is possible to determine statistically when two units are distinct and to what extent.

† In this section we have followed closely the tentative conclusions reached jointly with the National Tax Association Committee.

Net Earnings:

Strange as it may seem, net earnings is perhaps the worst of all measures of apportionment. If net earnings figures were accurate there could be no need of a method of allocation; but the fact is that figures showing net earnings by States are so inexact as to be meaningless. System net earnings are accurate and exact, because they represent what is left after deducting the total system operating expenses from the total system gross earnings; but when attempt is made to ascertain what part of the net was made in each State, the task is hopeless. Many State commissions call for a report of net earnings by States, and in attempted compliance with the demand railroad accountants have worked out certain formulae for producing the figure; but a great part of system expenses are insusceptible of localization, and the result is that operating expenses allocated to a State do not even approximate the true figure. One State is given much less than her fair share of the total expense; another is given vastly more than her proper amount. This is now so obvious, and so well recognized, that few States pay any attention to net figures by States, either for valuation purposes or as fixing a ratio for apportionment. In any case the use of the so-called "net earnings" measure as a means for determining the apportionment of net earnings is merely chasing ourselves in a circle.

Gross Earnings:

This is a commonly accepted method of allocation. It is regarded by some as the best of all the methods. It must not be thought, however, that figures showing gross earnings by States are strictly accurate. They are always the result of formulae and do not purport to be the actual earnings made within the State. Interstate carriers have two classes of gross earnings, intrastate, or local earnings, and interstate earnings. The former are those made on business both beginning and ending in the State. They are easily ascertainable and are absolutely accurate. Not so with the interstate gross earnings, whose allocation to the several States over which the shipment passes is arbitrarily made. A common plan of allocation is to give to a State that ratio of the gross revenue derived from a single shipment which the mileage in that State bears to the total miles hauled. The effect of this is to give an undue earning power to a State having a long mileage across it, where the great bulk of the interstate business merely passes over the State. The committee believes, however, that gross earnings are a necessary element in an apportionment formula.

Car Mileage:

This is frequently used as a means of dividing system value between the States. It answers the question: "Of the total miles traveled by all the cars on the system, how many miles were traveled in a given state?" The ratio thus found is roughly indicative of the relative amount of business done in a given State, but,

as Professor Meyer points out, it fails to take account of the nature of the traffic, the character of the haul, the utilization of car capacity and other equally important transportation factors.

Train Mileage:

This method has little to recommend it, because it does not accurately reflect either earnings or density of traffic. In a mountainous State trains cannot be made up of as many cars as are pulled in a prairie State. The result is, more trains to perform the same volume of work. The car mileage basis has a good deal in its favor; the train mileage has nothing.

Car and Locomotive Mileage:

On the theory that some weight should be given to train mileage, but not as much weight as is given car mileage, Judge Haugen, of the Wisconsin Tax Commission, devised the car and locomotive mileage basis. This plan, as the name indicates, throws together the miles traveled by both the cars and the locomotives, and finds the ratio for the given State. This shows where the business is handled, and for this reason it is worthy of consideration.

Traffic Units:

A method of apportionment originating also with Judge Haugen and having much to recommend it. It ascertains how many tons of freight and how many passengers were carried one mile on the system and in the State, and from these figures the State ratio is produced. It may be objected that this plan ignores the character of the traffic and the nature of the haul, but any method suggested is open to attack, and Judge Haugen's scheme is not more subject to criticism than are any of the other methods.

Physical Valuation:

It is almost impossible to arrive at a satisfactory physical valuation of a railway system. In fact, this is one of the reasons for the general abandonment of physical valuation as the basis of railway taxation. The chief difficulty, however, is not the appraisal of the system, but the determination of an evaluation which would be fair, in comparison with other property. This difficulty ceases to be an obstacle when physical valuation is used merely as a basis of apportionment, inasmuch as all that is needed is the comparative figure. Physical valuation is a poor index of business done or of earnings. When compared with traffic units, it shows the highest degree of deviation of any of the indices here discussed, and, therefore, it is important that it should be employed as one of the apportionment factors. In addition to this, physical valuation is of course the very best index of property distribution, and if the alternative gross-net tax is to be an exclusive tax, in lieu of property taxes, distribution of property deserves some recognition.

The phrase "physical valuation," as used here, is broadly used and in fact refers not to "value" but to "cost," "cost of reproduction" or "investment," terms very different from "value."

A Composite Basis:

There is not a single known and accepted basis of allocation which is not weak at one point or another. Any one of them might work out admirably in one State, but produce an absurd result in another State. No one method is a safe guide to distribution, and hence it is necessary to use a composite basis, employing, however, only those bases which have something to recommend them. Too often composites are made up of units, some of which are good and some of which are bad. Composites and averages cannot be found by throwing in the bad with the good, and if a method such as the single-track basis is concededly wrong, it should never be permitted in a calculation to produce an average.

Of the nine methods of apportionment above referred to, we would use these five: All-track mileage; car mileage; physical valuation; traffic units, and gross earnings. No one is wholly satisfactory, but they complement one another, work substantial justice between the several States, and appear to come as close to accuracy as the complex nature of the subject will permit.

As fluctuations may occur in any of these figures, it is better to use them by five-year averages, as this tends toward stability and obviates freakish increases or decreases. However, the all-track mileage and physical valuation should be used as of the end of the last calendar year, and not for a five-year average, as, otherwise, newly constructed mileage or terminals would not receive proper recognition.

Test Application:

Before definitely adopting the basis of apportionment suggested above for railroads, it will be necessary to secure from various railway systems the statistical data by means of which the validity of the apportionment formula may be tested. Through the kindness of the Northern Pacific Railway Company the committee has secured certain pertinent information. The following table presents this material and shows the various ratios for each State through which the Northern Pacific railway passes. The corresponding percentage distribution under the apportionment formula recommended by the committee is indicated in column 11 of the following table, and seems to work out very equitably as between the States.

PERCENTAGE DISTRIBUTION BY STATES OF TRACK, TRAFFIC, EARNINGS AND
VALUATION OF THE NORTHERN PACIFIC RAILWAY (1922)

STATE	All track	Single track	Net earnings	Gross earnings	Car mileage
(1)	(2)	(3)	(4)	(5)	(6)
Wisconsin.....	1.83	1.86	*	.82	.68
Minnesota.....	19.08	15.13	32.00	25.42	22.47
North Dakota.....	18.76	23.16	16.91	15.90	17.26
Montana.....	23.51	24.74	29.62	27.09	33.56
Idaho.....	4.24	4.93	1.98	3.23	3.54
Washington.....	31.86	29.34	19.49	27.26	22.34
Oregon.....	.74	.84	*	.28	.14

STATE	Train mileage	Car and locomotive mileage	Traffic units	Physical valuation	Committee formula average off columns (2)(5)(6)(9)(10)
	(7)	(8)	(9)	(10)	(11)
Wisconsin.....	1.34	.73	.52	1.75	1.12
Minnesota.....	20.90	22.53	25.08	20.43	22.50
North Dakota.....	17.99	17.15	16.84	13.78	16.51
Montana.....	29.85	33.23	31.67	25.04	28.17
Idaho.....	3.79	3.51	3.40	3.86	3.66
Washington.....	25.80	22.69	22.35	34.30	27.62
Oregon.....	.33	.15	.13	.84	.42
					100.00

* Net loss.

NOTE.—Based on information furnished by the Northern Pacific Railway Co., except for column 10, which is computed from tentative valuation of Interstate Commerce Commission.

The committee made an effort to secure similar information from the larger railway systems passing through New York State. The material available, however, is so much less complete than that presented in the table above that it was decided not to present it at this time.

The relation of traffic units to the other measures reported in above table is computed in the following table:

CORRELATION OF TRAFFIC UNITS WITH OTHER MEASURES

(Based on Preceding Table)

	Coefficient of Correlation *
Car mileage .....	.996
Car and locomotive mileage.....	.996
Train mileage .....	.985
All-track .....	.911
Gross earnings .....	.980
Net earnings .....	.967
Single track .....	.892
Physical valuation .....	.890

An examination of the statistics for the Northern Pacific Railway Company indicates that the States through which the Northern Pacific passes are not sufficiently diversified in their character, in spite of the variation in the density of population, traffic and other factors, to bring into relief the discrimination which would result from the use of the less satisfactory measures or apportionment. A critical examination of the first table will show, however, the points at which the recommended formula iron out the inequalities of other measures.

Other Utilities

Hydro-Electric and Power Companies:

The interstate apportionment of hydro-electric and power company taxes raises a question which is more difficult of solution than is the case with railways. In the case of the hydro-electric and power companies there is a relatively large amount of investment in property in a single plant. The application of the alternative gross or net tax as an exclusive tax, means that the locality and the State in which the power plant is located will demand considerable recognition of property in the apportionment formula.

Two methods of apportionment have been suggested. The first of these is to apportion one-half of the earnings on the basis of geographical distribution of the physical valuation of the property as measured in dollars and cents and the remaining half on the basis of the gross receipts. This method of apportionment is not

* A method frequently used by engineers, scientists and statisticians for measuring the relationship between two sets of figures is called correlation; and the measure of relationship is known as a "coefficient of correlation." When two numbers are compared with each other, it is customary to express one in terms of percentage of the other. A percentage is thus a measure of relationship between *two figures*. Similarly, a coefficient of correlation is a measure of the relationship between *two sets of figures*. In this table we are comparing all the figures in column 9 of the previous table of railway statistics successively with the sets of figures in each of the other columns. A coefficient of correlation of 1.00 is considered a perfect relationship.

unlike that which we have recommended for the apportionment of income of mercantile and manufacturing corporations.* The chief objection to this proposal is that it requires physical appraisal, the very factor we are endeavoring to escape through the elimination of the general property tax on public utilities. Nevertheless, as in the case of the railroads, it may be said that the use of valuation in an apportionment formula is not subject to the same criticisms as the use of valuation as a tax base. The second suggestion made to the committee is that the power plant and the distributing system be considered separately. Under such a plan the power plant would be assumed to sell its power to the distributing system at an arbitrary figure to be based on the schedules on file with the Public Service Commission for other consumers and on the wholesale charges made by other similar companies in the State. The distributing system earnings would then be apportioned on the basis of wire mileage. We hesitate to recommend so complicated a system, though we recognize that it may be necessary to adopt some such procedure in dealing with a public utility of this character.

Street Railways:

There appear to be two main types of street railways from the standpoint of business administration; first, the railway which buys its power and maintains only track, rolling stock, car barns, and executive offices; and second, the railway which manufactures its own power or part of its power and maintains, in addition to the type of property listed for other street railways, power plants and additional transmission lines. These power plants may be either hydro-electric or steam.

In the case of the street railway which buys its power, the committee suggests that the apportionment be based on two factors — car miles and physical valuation. In the case of street railways which manufacture their own power, the committee believes, as in the case of power companies above, that there might be an arbitrary segregation of the power plant from the remaining property of the railway, and that the remaining business may be apportioned in accordance with the method recommended for ordinary street railways. The difficulty entailed in segregating the power plant from the operating property is so great, however, that the committee is not prepared to urge this method of apportionment until a much more careful study of the situation can be undertaken. Though we have received a good deal of assistance on this point from public utility corporations, we are not yet satisfied that some better method of apportionment cannot be found.

Express Companies:

In the case of express companies almost the entire gross and net receipts are derived from the collection, transportation and delivery of packages. The physical property owned by express

* 1922 Report, p. 123.

companies is a negligible factor in arriving at tax-paying ability or obligation. In view of this fact, even under an *ad valorem* system of taxation the franchise value, or, in other words, the earning capacity, has taken a very prominent place in tax evaluations. From the standpoint of apportionment the express business presents a difficult problem. The present administrative and accounting records do not divide the business by States. In certain jurisdictions an effort is made to segregate the business, but this distribution is purely arbitrary and fictitious. State lines mean nothing in the express business. The cost of an actual segregation of way-bills and the apportionment of interstate way-bills, in accordance with mileage, appears to be prohibitive under the present system of express administration. The average express shipment is reported to be less than \$2. This emphasizes the large cost which would be entailed in requiring express companies to set up segregated records. After due consideration it appears to the committee that the problem here is to find an index, not of property distribution, but of business done. We, therefore, suggest that the ratio of apportionment be built up from the following three factors: (a) Salaries and wages, (b) gross receipts, (c) mileage or wheelage.

The committee has not been able to work out to its own satisfaction the last factor entering into this apportionment formula. Before proceeding with this question it will be necessary to learn more definitely what basis is used by the railroads in charging express companies for service.

Pipe Lines:

There are two types of pipe lines, gathering lines and trunk lines. In this State, trunk lines only are to be found. These are usually of 8-inch pipe, though larger and smaller sizes are occasionally used. On the basis of these facts we recommend that earnings be apportioned within and without the State on the basis of pipe-line mileage. All non-standard-size pipe should be converted on the basis of capacity to an 8-inch unit, so that the mileage will represent 8-inch pipe throughout.

Car Lines:

There are a number of corporations which own cars and lease them to shippers. These cars are usually of a specialized type. In developing a measure of apportionment for such car lines, wheelage appears to furnish the most satisfactory index under normal circumstances. Further examination of this question may make it advisable to allow for idle cars and for the time element. Where corporations own cars and use them only incidentally, just as department stores use their delivery wagons, earnings attributable to the cars probably do not meet the expenses, so that there would be no net earnings and practically no gross earnings to tax, even if it were decided to apply the alternative gross or net tax to such cars.

From some points of view private cars are in competition with car line companies, so that it seems only fair to work out some basis for the taxation of these private cars so that they may not have a discriminatory advantage.

Parlor and Sleeping Cars:

The committee has not succeeded in securing definite information as to the administrative and accounting records kept by parlor and sleeping car companies. On the basis of such information as we have, however, it would appear that the interstate apportionment for such public utilities should be based upon (a) wheelage and (b) gross receipts. If it is possible, however, to show the passenger miles, this should be substituted for gross receipts.

Telephones:

The nature of the telephone business needs no elaborate statement here. An examination of the methods of operation and of the administrative and accounting records kept by the telephone companies shows that the problem of interstate apportionment can be worked out more simply than this committee anticipated before going into the matter. It appears that our telephone systems are made up of two distinct kinds of business; these are, first, local telephone units, serving individual cities and their surroundings, and second, trunk lines or toll lines connecting these local systems. Seventy-five to 80 per cent of the telephone business in the United States is intrastate. There is, of course, no question of interstate apportionment for this part of the telephone business. The administrative and accounting records make it possible to separate this business without difficulty, except in a very few instances. The remaining 25 per cent of the telephone business is handled over the toll lines. Time and distance are the two factors entering into telephone service charges, both to the public and in intercompany charges. It is, therefore, the suggestion of the committee, first, that the intrastate business be allocated definitely to the several States; second, that the interstate business be allocated to the States in proportion to the relative use of the wires in a given State, considering both time and distance.

Telegraph and Cable Companies:

The natural method of apportionment for telegraph companies is wire mileage. This is an index both of the physical valuation and of the business factor. In the case of cable companies, wire mileage and gross receipts appear to be the most satisfactory apportionment index.

In order that there may be substantial uniformity as between companies operating cable lines alone and companies operating both cables and telegraph lines, the committee suggests that in the latter case the cables and the cable business be segregated from the land telegraph lines for purposes of taxation.

Highway Transport Companies:

In the case of highway transport companies, traffic units offer the obvious means of apportionment. There are, however, serious difficulties in measuring such units under present conditions. Only a few motor transport companies keep accurate records from which units may be derived.

Navigation Companies:

In the case of steamship companies, canal boat companies and other navigation lines, the committee has not been successful in securing any definite information with regard to the business methods or administrative and accounting records. It seems that such companies are at present satisfied with the tax systems of the States and prefer to let sleeping dogs lie. This reaction which the committee gets, tends to confirm the suspicion that navigation companies are, perhaps, too well satisfied with their burden of taxes, as compared with other public utilities.

Conclusion:

The suggestions which are here offered with regard to units of measurement for incorporation in apportionment formulae are from the nature of the case tentative. It has been our purpose rather to outline the method which must be followed in working out a solution of the problem of apportionment than to endeavor to solve it in this report.

E—TAXATION AND RECAPTURE

Since this committee prepared its program of public utility taxation, the United States Supreme Court has rendered a decision which is of the utmost importance in connection with the taxation and regulation of public utilities. This decision was handed down in the Dayton-Goose Creek Railway case in October, 1923.*

The Dayton-Goose Creek Railway Case

The Dayton-Goose Creek Railway case arose under the United States Transportation Act of 1920. The part of that act which is of particular importance to us here is the so-called "recapture" provision. Under the transportation act the Interstate Commerce Commission fixes the valuation and the transportation rates of railways and determines what a reasonable return on the investment is. The "recapture" sections provide that the earnings of a railway above a reasonable return are to be placed in a special fund, one-half of which is to be used exclusively for certain specified purposes and one-half of which is turned over to the

* *Dayton-Goose Creek Railway Company v. the United States, the interstate commerce commission, and Randolph Bryant, United States district attorney for the western district of Texas.* Supreme Court of the United States—No. 330—October Term, 1923.

government to form a fund from which allotments may be made to railroads which are not making a reasonable return on the basis of the rates as fixed by the Interstate Commerce Commission. This act of taking from the profitable railroads a half of the profits which is in excess of the fair return is called "recapture." In the Dayton-Goose Creek Railway case the railroad claimed, among other things, that the recapture provisions of the law were unconstitutional. Though the railway in question is an insignificant road with a total line of only twenty-five miles and a power equipment of three locomotives, nineteen of the great railway systems joined in the suit because of its great importance. It is not too much to say that the decision marks the beginning of a new epoch in the public regulation of railways.

The court upheld the constitutionality of the recapture provisions unanimously. The opinion was written by Chief Justice William H. Taft. The chief justice states the underlying ideas upon which the decision rests in the following excerpt:

"The carrier owning and operating a railroad, however strong financially, however economical in its facilities, or favorably situated as to traffic, is not entitled as of constitutional right to more than a fair net operating income upon the value of its properties which are being devoted to transportation. By investment in a business dedicated to the public service the owner must recognize that, as compared with investment in private business, he cannot expect either high or speculative dividends but that his obligation limits him to only fair or reasonable profit."

The logical conclusion to be reached from this statement of the constitutional rights of a public utility is that when a railroad makes a profit of 10 per cent as a result of reasonable rates fixed by the government when the reasonable interest return is similarly set at 6 per cent, the 4 per cent difference belongs, not to the utility, but to the public. The court appears to have come to this conclusion, as the following excerpt indicates:

"The excess caused by the discrepancy between the standard of reasonableness for the shipper and that for the carrier due to the necessity of maintaining uniform rates to be charged the shippers, may properly be appropriated by the government for public uses because the appropriation takes away nothing which equitably belongs either to the shipper or to the carrier. Yet it is made up of payments for service to the public in transportation, and so it is properly to be devoted to creating a fund for helping the weaker roads more effectively to discharge their public duties."

In the case before the court the recaptured funds were to be used in the rate regulation process by the Interstate Commerce Commission. This special dedication of the recaptured funds did not, however, influence the judgment of the court. This use of the funds is referred to as "proper," while the chief justice says specifically that the excess earnings "may properly be appropriated by the government *for public uses.*"

Implication of the Recapture Decision

While it is never safe to draw broad conclusions from a single revolutionary constitutional decision, it would seem from the general doctrines laid down in the Dayton-Goose Creek Railway case that if a public utility makes an excessive profit under a publicly fixed rate, the excess may be "appropriated for public uses" without violating "due process of law." Now, if this is due process for the Federal government in the regulation of railways, it appears to be due process for the States in the regulation of street railways, telephones, and gas and electric companies. This would mean that the State of New York might completely revolutionize its policy of utility rate regulation and introduce the recapture principle. If this is done, important questions would be raised with regard to our program for taxing public utilities. As we have stated a number of times,* one of the important considerations lying back of the net income tax feature of our gross-net tax is the idea that taxation is a method for absorbing the excess profit arising under regulation where the rates are too high for a time, as during a transition period. Through the Goose-Creek decision it now develops that direct recapture may be resorted to. If the recapture principle is applied, net earnings available for dividends will remain approximately constant. Under these circumstances should net earnings be considered in levying the tax?

* See 1922 Report, p. 111.

CHAPTER VII — THE GASOLINE TAX

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In this committee's report to the legislature in 1922* it was suggested that a tax on gasoline be made a part of the state's system of taxes on motor transportation. At the time this report was written sixteen states had passed laws authorizing the collection of a tax on gasoline and other liquid fuels. During 1922 and 1923 twenty more states enacted such legislation, and Congress provided for a gasoline tax in the District of Columbia. Up to February 1924 there were thirty-six states that had authorized the collection of a tax on gasoline and other liquid fuels to be used mainly in the construction and maintenance of highways. When we recall that Oregon was the first state to adopt such a tax in 1919, it is apparent that the idea of a sales or excise tax on gasoline for highway purposes has been widely accepted in a very short time. Not only has the idea spread among the states, but several cities have recently been considering such a tax for similar purposes.

Gasoline Tax Measures Highway Use

A tax on gasoline and other liquid fuels is regarded as one of the fairest methods of measuring the use that motor vehicles make of the public highways. It has been found that the three factors of most importance in the wearing out of roads are: (1) weight of vehicle, (2) speed, and (3) distance traveled. It is not possible for any system of motor vehicle fees to take into account all of these factors. A gasoline tax, however, takes direct account of the first and third of these factors and to some degree the second. The gasoline tax is moreover conveniently paid and it is easily collected. Under such a tax tourists from other states would help to pay for the upkeep of the roads they run over. Another fact of importance is that the constitutionality of such taxation has been established.

The gasoline consumption tax has been objected to, principally by certain representatives of the automobile industry, on the ground that it is in addition to, rather than in lieu of, other taxes, and hence in excess of what the owners and operators of motor vehicles should be required to pay. This objection would seem to have more force if applied only to passenger cars, excluding trucks. Maryland has made provisions by which the gasoline tax may become practically a substitute for the motor vehicle license fees, only a nominal registration fee of one dollar being charged. Trucks, however, are to be taxed by an additional license fee

* Page 151.

STATE GASOLINE TAXES

FEB. 1, 1924



FIGURES INDICATE TAX PER GALLON IN CENTS
SHADED STATES HAVE NO TAX

STATE GASOLINE TAXES—AS OF FEBRUARY 1, 1924

	State agency administering tax*	Tax collected from*	Use of tax*	Tax rate cents per gallon, Feb. 1, 1924	Registration of motor vehicles, July 1, 1923†	Estimated, 1924 consumption in gallons	Estimated 1924 tax yield
1 Alabama	State Tax Commission	Wholesaler or retailer	General and road funds	2	98,992	41,972,608	\$839,452
2 Arizona	Secretary of State	Importer or manufacturer	Roads—State	1	40,778	17,289,872	172,899
3 Arkansas	State Auditor	Importer or manufacturer	Roads—State and counties	4	97,929	40,511,898	1,620,478
4 California	State Board of Equalization	Importer or manufacturer	Roads—State and counties	2	1,000,000	424,000,000	8,480,000
5 Colorado	State Oil Inspector	Retailer	Roads—State and counties	2	167,862	71,046,288	1,420,928
6 Connecticut	Commissioner of Motor Vehicles	Importer or manufacturer	Roads—State	1	150,913	63,687,112	636,871
7 Delaware	State Treasurer	Importer or manufacturer	Roads—State	2	26,300	11,151,200	223,024
8 Dist. of Columbia	Assessor of Taxes	Importer or manufacturer	General Fund	2			
9 Florida	State Comptroller	Importer or manufacturer	Roads—State and counties	3	135,893	57,618,632	1,728,559
10 Georgia	State Comptroller	Importer or manufacturer	General Fund	3	148,000	62,752,000	1,882,560
11 Idaho	Commissioner of Law Enforcement	Importer or manufacturer	Roads—State	2	53,367	11,954,208	239,084
12 Indiana	State Auditor	Wholesaler or retailer	Roads—State and counties	2	482,678	204,655,472	4,093,109
13 Kentucky	State Tax Commission	Retailer	Roads—State	1	175,000	74,200,000	742,000
14 Louisiana	Supervisor of Public Accounts	Importer or manufacturer	Roads—State	1	110,000	46,640,000	466,400
15 Maine	State Auditor	Importer or manufacturer	Roads—State	1	94,061	39,881,864	398,819
16 Maryland	State Comptroller	Importer or manufacturer	Roads—State	2	157,346	66,714,704	1,334,294
17 Massachusetts**	State Tax Commissioner	Importer or manufacturer	Roads—State and counties	2			
18 Mississippi	State Auditor	Wholesaler or retailer	Roads—State and counties	1	85,645	36,313,480	363,135
19 Montana	State Board of Equalization and State Treasurer	Importer or manufacturer	General and road funds	2	63,950	27,114,800	542,293
20 Nevada	State Tax Commission	Importer or manufacturer	Roads—State and counties	2	12,766	5,412,784	108,256
21 New Hampshire	Commissioner of Motor Vehicles	Retailer	Roads—State	2	52,434	22,232,016	444,840
22 New Mexico	State Auditor	Wholesaler or retailer	Fish hatchery and road funds	1	24,614	10,436,336	104,363
23 North Carolina	Secretary of State	Retailer	Roads—State	3	209,400	88,785,600	2,663,568
24 North Dakota	State Tax Commission	Importer or manufacturer	General fund	1	99,000	41,976,000	419,760
25 Oklahoma	State Auditor	Next Recipient after Inspection	Roads—State	1	240,000	101,760,000	1,017,600
26 Oregon	Secretary of State	Importer or manufacturer	Roads—State	3	133,995	56,813,880	1,704,416
27 Pennsylvania	State Auditor	Retailer	General and road funds	††2	922,082	390,954,288	7,819,088
28 South Carolina	State Tax Commission	Wholesaler or retailer	General and road funds	3	103,049	43,692,776	1,310,783
29 South Dakota	State Auditor	Importer or manufacturer	Roads—State	2	120,031	50,993,144	1,019,863

30 Tennessee.....	Commissioner of finance and taxation.....	Importer or manufacturer..	Roads—State.....	2	145,000	61,480,000	1,229,600
31 Texas.....	State Comptroller.....	Importer or manufacturer..	School and road funds.....	1	571,981	242,519,944	2,425,199
32 Utah.....	Secretary of State.....	Importer or manufacturer..	Roads—State.....	2½	54,001	22,897,224	572,431
33 Vermont.....	Secretary of State.....	Importer or manufacturer..	Roads—State.....	1	44,613	18,915,912	189,159
34 Virginia.....	Secretary of State.....	Importer or manufacturer..	Roads—State and counties	3	185,076	78,472,224	2,354,167
35 Washington.....	Director of Taxation and Examination.....	Importer or manufacturer..	Roads—State.....	2	224,597	95,216,408	1,904,328
36 West Virginia.....	State Tax Commission.....	Importer or manufacturer..	Roads—State.....	2	126,531	53,649,144	1,072,983
37 Wyoming.....	State Treasurer.....	Importer or manufacturer..	Roads—counties.....	1	34,753	14,735,272	147,363
Total.....	.....	.....	.....	.....	6,392,287	2,698,447,088	\$51,691,469

* Based on "The Gasoline Tax" by James W. Martin.

† Based on figures from Automotive Industries as published in *The New York Times* of Nov. 29, 1923.

‡ Ten cents a gallon is levied also on cylinder oil.

§ Part of county share is used for debt service.

** Law suspended pending referendum in 1925.

†† Effective until July 1, 1925; after that, one cent.

The Use and Distribution of the Tax

As was pointed out in the beginning of this chapter, the purpose of the gasoline tax is to supply funds for the construction and maintenance of public highways. However, not every State levying a gasoline tax has devoted it entirely to this purpose. North Dakota and Georgia place the entire amount of the tax collected in the general fund, to be appropriated for any purposes the Legislature may see fit. Pennsylvania and Alabama credit one-half of the total tax collected to the general fund and distribute the remainder to the various counties. In the case of Pennsylvania, the additional cent recently added goes entirely to the general fund. Montana gives the general fund four-tenths of the total tax collected, the State highways two-tenths, and the county highways the remainder. New Mexico uses \$15,000 for a State fish hatchery, and credits the balance to State highway construction and maintenance. South Carolina distributes equal amounts of the taxes collected to the general fund, to the maintenance of State highways, and to county roads. Texas assigns one-fourth of the tax to the public school fund, because of constitutional requirements, and the balance goes to the State highways. The remaining twenty-eight States devote the gasoline tax exclusively to highway purposes.

There is considerable diversity in the distribution of the gasoline tax for highway purposes in the thirty-six States. One-half of these States requires the revenue from this tax for highway purposes to be expended under the direct supervision of the State Highway Department or Commission. Usually the distribution is left to the discretion of the State highway officials, acting under the general provisions laid down by the Legislature. Sometimes, it is provided that a certain proportion of the gasoline tax must be allotted to counties or to certain types of highway construction, as is the case in Oklahoma and Maine.

In nine States the revenue from the gasoline tax is divided between the State and the county agencies for road building. The basis of distribution, however, varies widely in these States. It may be a percentage of the total tax collected, as in Arkansas and Mississippi, where 25 per cent and 40 per cent, respectively, go to the State highways and the remainder to the counties. It may be on the basis of a definite amount going to the State system and the remainder to the counties, as in Indiana and Nevada. It may be in the proportion which the mileage of the State highways within the county bears to the total mileage (Colorado), or the proportion which the number of motor vehicles registered in the county bears to the total number registered in the State (California), or in proportion to the amount contributed to the direct State tax on property by each county (Massachusetts).

Exemptions Under the Tax

A number of the States specify that this tax is to apply only to gasoline and other motor fuels used to operate motor vehicles on the public highways. Under this arrangement gasoline and

other volatile fluids used for such purposes as propelling boats, running stationary engines, and carrying on dry cleaning processes, are exempt from taxation. The list of exemptions in some States, for example, Connecticut and Virginia, is quite extensive and entails considerable work in the administration of the tax. In fact, two-thirds of the States imposing a gasoline tax have allowed no exemptions. These States seem to regard the ease of administration and collection as outweighing the few injustices that may result from the application of the tax to all gasoline sold. In those States that have granted exemptions, the amount of the exemption is returned in the form of a refund rather than a remission of the tax in the first instance.

Court Decision With Reference to the Tax

Several cases have already come before the State and Federal courts on the constitutionality and other phases of the gasoline tax as applied in the various States. The constitutionality of the tax has been upheld in a number of cases.* Recently, a gasoline tax law enacted by the Legislature of Louisiana under an authorization in the State Constitution was declared by the court to be unconstitutional. (*State v. Liberty Oil Co.*, 97 So. 438.) The act referred to the tax as a license tax and required monthly payment of the tax, based upon the sales of the previous month, and prohibited dealers, under drastic penalties, from engaging in business, unless they paid the tax, notwithstanding that they might have paid a license under another act imposing a license tax upon oil dealers. This the court held was not in conformity with the State constitutional provision, which provided for a sales tax, rather than a license tax on sales of gasoline.

The gasoline tax laws of several States provide that gasoline sold in the original package is not to be taxed. This seemed to be in harmony with the original package doctrine as laid down by the courts. However, the Supreme Court in a recent decision (*Sonneborn Brothers v. Keeling*, Attorney-General of Texas, 43 Supreme Court Reporter 643) ruled this to be an arbitrary distinction, and held that goods may be taxed, even though sold in the original package in which they came into the State, if imported from another State, provided the transaction clearly occurs within the State. Hence, these States may amend their gasoline tax laws so that sales in original packages may be taxed, if the transaction is clearly intrastate.

Aggregate Revenue from Gasoline Tax

It is difficult to estimate the annual yield of gasoline taxes in the thirty-five States where it is now in operation. Some States have

* Some of these cases are: *Bowman*, Attorney General v. Continental Oil Co., 41 Supreme 606; *Askren*, Attorney General v. Continental Oil Co., 252 U. S. 444; *Texas Co. v. Brown*, 266 Federal 577; *Standard Oil Co. v. Graves*, 249 U. S. 369; *Altitude Oil Co. v. Colorado*, 202 Pacific 180; *Pierce Oil Corporation v. Hopkins et al.*, 282 Federal 253; *Standard Oil Co. v. Brodie et al.*, 239 Southwestern 753; and *Amos v. Gunn*, 94 Southern 615.

had the tax only a year, and other States have a new rate beginning with the year 1924. An estimate, however, has been made in the accompanying table "State Gasoline Taxes," which shows a yield for 1924 of \$51,691,459. The actual revenue will perhaps exceed this amount by four or five million dollars, since this estimate is based upon the 1923 registrations of motor vehicles.

Estimated Yield for New York State

A tax of one cent on each gallon of gasoline used by motor vehicles in New York State is estimated to yield approximately six million dollars annually. The following figures show how this amount has been calculated:

Estimate of total number of motor vehicles registered in New York during 1924.....	*1,495,000
Gallons of gasoline consumed in 1924, allowing an average of 424 gallons to each motor vehicle†....	633,880,000
Tax at one cent per gallon	\$6,338,800

* This number is based upon the percentage increase shown by previous years.

The motor vehicle registrations for previous years are as follows:

	Registration	Per Cent Increase over Previous Year
1920	669,290	.....
1921	812,031	21.3
1922	1,009,825	24.3
1923	1,240,000	23.4
1924 (est.)	1,495,000	20.0

† This is the average number of gallons used in the calculations of the accompanying table on "Gasoline Tax" in other states. See the estimate starting with *gasoline consumption* in New York State in our 1922 report, p. 152. Computing the probable yield on that basis, a 1 cent tax would have produced \$5,212,000 in 1923; and, allowing for a 20.0% increase, \$6,254,000 in 1924. This is slightly over 1% less than the amount arrived at by the alternative method of computation used above.

CHAPTER VIII — THE BANK TAX SITUATION

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National banks are agencies of the government of the United States and may be taxed by the States only under conditions laid down by the national government. In 1864, the United States government by law authorized the States to tax national bank stock at the same rates as "other moneyed capital."* In accordance with this, many of the States, including New York, placed taxes on national bank stock and on the stock of State banks at the same rate.† These taxes were regarded as in lieu of personal property taxes on bank stock. This system of taxation was accepted by the national banks and was regarded by all as meeting the limitations of the law. For convenience in administration, the collection of bank stock taxes was not made from the holders of the stock, but from the banks which theoretically deducted it from the dividends paid to stockholders. As a result, the bank stock tax became, from an actual and economic point of view, a tax on the business of banking. Therefore, when we abandoned the tax on intangible personal property and replaced it by a personal income tax, the tax on bank stock was retained as a business tax, while the income to stockholders was taxed as personal income. This placed the banking business on a comparable basis with mercantile and manufacturing corporations who paid a corporation income tax and whose stockholders paid as well a personal income tax on their dividends. This situation was recognized as fair, and was accepted by all, including the national banks.

The Richmond Decision

But in 1921 the well-known Richmond decision of the United States Supreme Court changed the entire situation. This decision holds that the phrase "other moneyed capital" includes not only other bank stock, but also money loaned, mortgages, bonds and other capital coming into competition with national banks. With this broadening of the definition, it became clear that the New York taxes were of doubtful validity. In December, 1922, this was decided by the New York State Court of Appeals in the Hanover Bank decision which was sustained by the United States Supreme Court the following March. Inasmuch as the taxes already collected in 1920 and 1921, and levied for 1922, were invalidated by these events, the cities, towns, villages and school districts of the State (who receive the bank tax) became immediately liable for refunds totaling some \$15,000,000, and to the loss of \$7,500,000 from their current revenues. The prospect was exceedingly serious, especially as this occurred at a time when the

* Revised Statutes, § 5219.

† For history of bank taxation in New York see our 1922 Report, p. 79.

increases of legitimate local government costs following the war years were already equal to or in excess of all available local revenues.

Amendment of the Federal Statute

The Richmond decision served to upset the bank tax systems of a considerable number of other States as well. The only States which were not affected by this decision were the States with the old general property tax system. This result has in it the elements of grim humor, because the tax system which was *legally* sustained as fair to bank stock is *practically* unfair; while the tax systems which were invalidated were principally in those States where the effort has been made to introduce substantial equality through the radical change or abandonment of the old general property tax. As a result of the decision a nation-wide demand developed for the amendment to the United States statutes so as to permit the States with modern tax systems to tax the national banks on an equitable basis. Members of this committee and representatives of the State Tax Department joined in the organized effort which was made to secure satisfactory action by Congress. In anticipation of this situation we presented in our 1922 report a draft of a bill which would meet the needs of the States and at the same time guarantee adequate protection to the national banks against discriminatory State taxation.* Neither our proposal nor other compromise suggestions advanced by the tax commissioners of the various States proved acceptable to the national banking interests however. The representatives of the banks persisted in demanding what has seemed to us unfair preferential treatment for national banks. For the time being they were in a strategic position, both legally on the tax question and from a legislative standpoint in their influence with congressional committees, and appeared to be intent upon capitalizing this advantage in the form of tax reductions.†

Banks Fear Isolation

Throughout the agitation over the amendment of section 5219 the national banking interests have shown what we believe to be unnecessary lack of confidence in the temper of the country gen-

* 1922 Report, p. 88.

† The following excerpts from the Proceedings of the 1923 National Tax Conference are significant:

J. Vaughan Gary: "The contending forces were the tax officials of the various states of the Union . . . on one side, and on the other side, representatives of the American Bankers' Association, whose attacks were always under cover of well-timed and well-directed barrages of telegrams and letters, laid down by banks and bankers from all corners of the United States."

H. L. Satterlee: ". . . I personally cannot see the slightest reason for section 5219 in its present form. I cannot but believe, although it has been disclaimed that the national banks have been responsible for the distorted language of this statute."

erally. Not infrequently we have heard, “* * * it is not a far cry back to 1825,” and, “* * * at some period, in some state, the people might reach some revolutionary caprice or whim, brought on by turmoilers, and wipe out completely the very keystone upon which the fabric and the warp and woof of American success and prosperity exist today.”* It has been urged that legislators should “contemplate at least the possibility of a furious spirit asserting itself in this Nation as it did in 1825, and of an endeavor by taxation to wipe out a great arm of this government.”†

What the banks generally seem to fear is isolation. They are afraid that banks will be classified in a separate group and then taxed at rates which will undermine or destroy the banking business. It is not the national banks alone which have been governed by this thought; the banks of the country have acted as a unit through their regular associations in this entire controversy. State banks, trust companies and many private bankers have joined in the effort to protect the national banks against what they conceive might be destructive taxation, because by so doing they have set up conditions of bank taxation which protect themselves as well. If, for example, national banks cannot be taxed more than State banks, nor more than merchants and manufacturers, it is obvious that State banks as a practical proposition cannot be taxed more than merchants and manufacturers. The indirect effect of any limitations on the taxation of national banks is to restrict the taxation of State banks, trust companies, private bankers and other competing capital.

A further evidence of the concern of the banks that they will be isolated for tax purposes is found in the frequent references which are made to the situation which has developed in those States where special types of property have been separately classified for purposes of taxation. The illustration most frequently cited is that of the railroads in California. In 1910 a gross receipts tax was placed on the railroads in lieu of all property taxes. The rate was fixed at 4 per cent, which was considered a fair rate in comparison with other property taxes in the State. This rate has been increased from time to time, until now it has reached 7½ per cent. This increase is out of all proportion to the increases in property tax rates throughout California. If this can be done to the railroads through classification, it is argued, it can also be done to the banks.

The chief effort of the bankers has, therefore, been to prevent the isolation of the banks and their separate classification for tax purposes.

The Makeshift Amendment

Finally, and as a result of pressure from all sides, a makeshift amendment was reported from conference and hastily passed, and became law on March 4, 1923, just after the adjournment of Con-

* R. L. Bradford, 1923 National Tax Conference Proceedings.

† George Bryan, 1923 National Tax Conference Proceedings.

gress. In addition to authorizing a tax on the bank's real estate, this provides that the States may tax the national banks, provided *one* of the following methods is used:

- (a) a tax on the value of shares, not to exceed the rate on competing moneyed capital of individuals; *or*
- (b) a tax on the net income of the bank, but not at a higher rate than net income taxes on other financial corporations or on mercantile and manufacturing corporations; *or*
- (c) a tax on dividends, but not at a higher rate than income from other moneyed capital.

It will be seen that this amendment was entirely unsatisfactory as far as this State was concerned. It offers us a choice between (a) a property tax on the shares, (b) a business income tax on the bank or (c) a personal income tax on the stockholder. We cannot use more than one of these methods; the options are exclusive. In this State we have abandoned the property tax system for intangible personal property, so the first choice would involve a return to an outgrown and discredited system. We already have a personal income tax which includes as income dividends on bank stock. In other words, we already have the tax authorized in the third option. Therefore, if we continue with that, we must drop the bank stock tax and put nothing in its place. Or, following the second option, we may repeal the personal income tax in so far as it includes income from national banks, and adopt a business income tax on the banks of $4\frac{1}{2}$ per cent, the rate now applied to mercantile and manufacturing corporations. Under these choices the financial loss to the State was estimated at from \$3,000,000 to \$7,500,000 annually. In other words, New York State is given the option of taxing the income of the bank *or* the income of the stockholder, whereas in other businesses we tax *both* the income of the corporation *and* the income of the stockholder. Or we may go back to a property tax on the shares, provided we abandon an important feature of our State Income Tax Law.

The Policy Adopted in New York State

Because of the need for revenue and because of the unwillingness of this committee and the Legislature to place banks in a favored position as compared with other business, it was determined to accept the first option offered by the amendment to United States Revised Statutes, section 5219, and to tax all bank stock and other moneyed capital coming into competition with national banks at the flat rate of 1 per cent, and to exempt income from such capital from the personal income tax.* Although not ideal, this seemed preferable to the other options open to us. In fact, this committee recommended such a course as a last resort in our report of 1922.†

* Laws of 1923, ch. 897.

† Page 90.

The "Retroactive" Bill

In order to conserve to the localities the bank taxes levied for the years 1920, 1921 and 1922, an act, retroactive in effect, was passed by the Legislature which was in conformity with the Federal statutes.* While this represented an extraordinary procedure, it must not be forgotten that the tactics followed by certain of the banks was extraordinary. The taxes involved had as a matter of fact been paid over by the banks, or had been held in reserve for taxes so that the payment of the taxes was no hardship to the banks. In fact, if these taxes had been annulled the effect would have been the same as an unexpected \$20,000,000 bonus to the banks, due to a judicial decision, a decision which was just as retroactive as the bill in question. This bill, after passage by the Legislature, served its purpose in bringing the banks to a compromise by which they agreed to pay the bulk of the taxes in dispute. The bill was then vetoed by the Governor.

Recommendations of the Committee

The committee recognizes the difficulties in the way of the fair enforcement of the present moneyed capital law. The indefiniteness of the terms used in the text of the law, terms quoted from Revised Statutes, section 5219, makes it doubtful who is and who is not subject to the moneyed capital tax. Furthermore, locally selected assessors acting without central supervision and control are imperfectly qualified to administer tax legislation equitably. This situation might conceivably be remedied to a certain extent in the New York law through a closer definition of what is meant by money competing with national banks. The danger of such a course is that if the courts should hold that the New York definition is not as broad as the United States statute, section 5219, then we might find ourselves again in the position where our bank tax legislation would be in chaos. The only alternative is to wait for the courts to work out a definition through many separate decisions.

As a matter of fact, before any real progress can be made, the United States Revised Statutes, section 5219, will have to be amended by Congress. The banking interests did not avail themselves of the reasonable suggestions of amendment which were offered last year by the State of New York in common with the taxing authorities of many sister States. As a result, great sentiment was aroused in support of the amendment endorsed by the taxing commissioners of the various States at the September conference of the National Tax Association. This calls for an amendment which will permit the States to tax the national banks without any limitations other than those prescribed by the Fourteenth Amendment of the Constitution of the United States. The resolution passed at the National Tax Association conference is stated

* Senate Print No. 2150 of 1923.

below.* Such a change of the Federal statutes would make possible a classification and isolation of the banking interests for purposes of taxation. If the banks desire to escape this possibility, they should abandon their demand for preferential treatment and cooperate to secure an amendment which will allow the fair taxation of banks without deranging our State tax system. Your committee believes that this can be worked out without providing for isolation of the banks.

We again call attention to the recommendations of the 1922 report.

1. That, in case necessary amendment to section 5219 of the Revised Statutes is granted by Congress, national banks, State banks, trust companies, Morris Plan banks and private bankers be subjected to a business tax on their net income levied at a rate not less than that applied to the net income of mercantile and manufacturing companies and not more than 50 per cent in excess of that rate.

2. That, because of the difficulty of defining the net income of savings banks, it is recommended that the tax on such institutions be continued in the form of a franchise tax based on some such measure as that provided in the present law.

3. That the class of investment companies be abandoned as a separate category for tax purposes, Morris Plan banks being taxed as suggested in (1) above, and all other organizations now included in this class being subjected to the regular franchise tax on the income of business corporations (article 9-a).

* WHEREAS, Section 5219 of the Revised Statutes of the United States, as amended by an act of Congress approved March 4, 1923, still contains limitations on the taxing power of the several states, which render it impossible to apply to national banks the modern systems of taxation which are being generally adopted by the state for the purpose of accomplishing a more equitable distribution of the burdens of taxation; and

WHEREAS, The original limitations contained in the section were incorporated at the time of its enactment in the year 1864, at which time there existed a pronounced hostility against these agencies of the federal government, which were just beginning their activities within the states; and

WHEREAS, The national banks have now grown to such an extent in prestige and resources and have become such an integral part of the local community life that all danger of unfair discrimination by the states has disappeared; and

WHEREAS, The national banks are now fully protected from any possible discrimination by the Fourteenth Amendment to the Constitution of the United States, which has been ratified since the original enactment of section 5219, and which guarantees equal protection of the laws to all, including the national bank; and

WHEREAS, The special protection afforded national banks under the section is class legislation which cannot be justified under present conditions; now, therefore, be it

Resolved, That it is the sense of this conference that section 5219 of the Revised Statutes of the United States should be again amended so as to permit the states to tax national banks without any limitations other than those prescribed by the Fourteenth Amendment to the Constitution of the United States.

4. Upon the proper amendment of United States Revised Statutes, section 5219, that legislation be enacted by the State of New York to take the place of chapter 897 of the Laws of 1923 with respect to the moneyed capital tax.

The adoption of these recommendations will result in more exact fairness in the treatment of financial institutions and private bankers as compared with other businesses and will correct the discrimination against the smaller banks of certain classes.

The adoption of the committee's recommendation for an income tax upon banks and financial institutions presupposes that a portion of the yield from the taxes will be returned to the localities at least equal to the amount which they now derive from the moneyed capital tax.

To avoid excessive fluctuations in revenues, it is suggested that the principle of averages may be utilized; that is, instead of basing the assessment upon the net income of a single year, the average of the net income of three or five years preceding be used. This method could be adopted gradually by starting with this year's income and incorporating the income of succeeding years as a part of the base as time proceeds. The adoption of this plan in this period of small profits would work no hardship and should arouse little antagonism.

PART III

COUNTY AFFAIRS

**CHAPTER IX—STANDARDIZATION OF SALARIES IN
COUNTY GOVERNMENT**

CHAPTER IX — STANDARDIZATION OF SALARIES IN COUNTY GOVERNMENT

In the section dealing with Personnel Administration in the last report of this committee, certain steps were recommended as the means of improving the quality and standing of the county employees. On account of the dissatisfaction caused by inequitable salaries it was urged, among other things, that a classification of positions be set up and a standardized salary scale be worked out that might serve the various counties as a guide in their determination of salaries. It was also pointed out that such a classification would be of advantage to the Civil Service Commission and the appointing authorities in connection with the whole process of selection. In line with this recommendation we have prepared a classification of county positions and suggest a salary scale. The classification and the salary scale are based upon an intensive investigation in a typical county of the State and upon material previously brought together from other counties.

1 — ANALYSIS OF PROBLEM

In the development of a positive personnel policy as an integral part of the administrative control of private industries there is general agreement that responsibility must be fairly well centralized under the direct supervision of the administrative head. But in our county government this is far from the case. On the one hand there are constitutional provisions and legislative enactments governing certain positions, including civil service control of many of them; on the other hand, a variety of methods of administrative control of personnel are found as between different counties as well as within any given county unit.

In the matter of salaries, for instance, the State Legislature either by general or special enactment determines not a few salaries, the board of supervisors others, and the special boards or individual administrative officials still others. An inevitable result of this division of authority is the confusion of compensation conditions that were described in the previous report.

Similar unsatisfactory employment conditions are found in other directions as well. Considering the large percentage of all county expenditures that goes into payrolls, it seems important to adopt any remedies that have stood the test of practical experience.

Centralized Control

As has been pointed out, the crux of the employment problem in the county government is the location of authority for the control and administration of personnel. The first and most obvious

step to be taken then is to consider the county as the sole employer of county employees, and to give it a free hand in the handling of personnel matters. This means (1) non-interference on the part of the State in the matter of special legislation for individual counties and (2) non-interference in the conduct of all counties except where the interest of the whole State clearly requires uniformity of practice as to positions, compensation and personnel control. This may be desirable with respect to a limited number of positions. But such legislation should be turned to only as a final resort.

Reference to the conditions found in a typical county will indicate how confused the situation now is. Investigation showed, among other things, that of a total number of 182 full-time positions, 4 are prescribed in the Constitution of the State, 34 positions have been created by general enactment, and 8 positions originated through special enactments affecting only the county in question. The remaining 136 are positions that have been created by the county government itself. But it should be pointed out that among these are 75 which come under the supervision of separate boards or individual officials, such as the hospital board or the county clerk or treasurer. In the latter cases the board of supervisors appropriates a lump sum for the institutions or the offices concerned. Although there may be an understanding as to the number of positions, the term of office and the salaries for each under these separate agencies, the board of supervisors does not have the same responsibility and authority as when positions and salaries are directly under its control.

Civil Service Commission

In addition to the above distribution of authority, attention should be turned to the Civil Service Commission of the State which makes initial selection of candidates for a considerable number of positions by giving examinations and setting up eligible lists from which appointing officials are obliged to make appointments. The commission also checks any abuse in the matter of appointments by requiring that the payrolls of classified employees shall be reviewed in advance of payment in the offices of the commission at Albany.

In spite of the desirability for greater county home rule in salary fixing, the committee is of the opinion that existing conditions require the continuation of the cooperation of the State Civil Service Commission. We would refer again, however, to our 1923 report where the activities of the State commission in county matters are discussed in some detail, and where the need of more adequate financing is described.

Summary

The county is the employer, the county pays the salaries, and the whole group of employees looks upon the county as its employer; under these conditions it is only logical that the county

board of supervisors should be in more complete control of the employment policy. The committee, therefore, recommends that the control of personnel exercised by the boards of supervisors of the several counties be interfered with by the Legislature only in case of obvious necessity and that the boards be urged to consider and to work out a well-balanced and up-to-date employment policy as a means both of improving the quality and reducing the cost of the county public service.

In order to aid such a movement, the committee has prepared a classification of positions, together with a standardized salary schedule. These seem to be the first essential steps in the direction of a well-organized employment policy. Upon the "duties" classification depend, for instance, the following aspects of administration: Examination and placement methods, the transfer and promotion policy, and most important of all, the possibility of an equitable salary scale. The classification of positions has rightly been called the bedrock of employment management.

2 — CLASSIFICATION

The following classification is based on the analysis of the positions in a typical county. The field investigation was supplemented by a less intensive study of the positions in two other comparable counties, and further, by reference to the detailed description of certain positions made by other authorities.*

On the whole, the aim has been to avoid a condensed as well as an exhaustive description of the individual positions so that the classification might better serve its double purpose; (1) that of guiding the board of supervisors in making appointments and determining salaries and (2) that of aiding the Civil Service Commission or other agency in the preparation of examinations and in the selection process. It is hoped that the description of the duties of the positions and the qualifications necessary for filling them properly may lead to an increasing care in the selection and appointment of candidates on the part of the supervisors and their departmental heads. This seems to the committee to be a primary condition for improving the quality of the public service.

Definition of Terms

Certain terms used below may be defined as follows:

CLASS refers to the position or positions involving substantially the same duties and responsibilities and calling for about the same previous training and experience. The classification consists of the whole series of classes. The class is, therefore, the unit of the classification.

SERVICE consists of a group of closely related classes that are usually so arranged in a series from the least to the most impor-

* (As note at bottom of par.) Special acknowledgment is due to the classifications of Los Angeles and Bergen (N. J.) counties.

tant. Under normal conditions the progress from the lowest to the highest will mark the natural line of promotion for the employee.

QUALIFICATIONS covering usually education and experience are to be considered minimum requirements for entrance to the position. When no qualifications as to experience and training are noted below, it is assumed that the qualifications are obvious.

The following qualification should be added to each and every statement: *Such additional requirements as the Civil Service Commission may prescribe.* This provides for the addition of special qualifications in keeping with the peculiarities of individual positions that cannot be anticipated and covered by a general requirement. The statement was omitted to avoid constant repetition.

MEASUREMENTS in standard units are introduced where possible for a number of the more important positions as a means of estimating the scope of the work involved. It is clear that without some such index a salary scale would be of but little use except for counties of the same size and character as the sample or typical county. By including unit measurements, however, it will be possible for the supervisors of counties, larger or smaller than the standard, to make such comparisons that satisfactory conclusions can be reached for most key positions.

The measurements were chosen as being *indicative* and *significant* of the duties performed by the various employees. It seems unnecessary to attempt to make them exhaustive.

Wherever the hours of work are not standardized, information on this point is included under measurements.

Positions Included

Whenever there is likelihood of doubt the individual positions covered under the title of the class are specified, together with the name of the department. Part-time and per diem positions are not included in the classification.

3 — WAGE STANDARDIZATION

The wage schedule attached to the titles in the following classification is naturally presented only as a guide. It is recognized that it would be quite impossible to set up a standard scale that could be applied indiscriminately, because there are likely to be purely local conditions, such as the cost of living or the state of the local labor market, which might greatly influence the wage rates. The committee is of the opinion, however, that the proposed schedule will serve a useful purpose, particularly if it causes thought as to the relative importance and value of the various positions and the several factors that should be considered in setting up a salary scale. In fact, no more important contribution could be made than to stimulate our "county employers" to a careful consideration of their wage problem as a whole. For we are convinced that a large measure of the dissatisfaction among

public servants—and our investigations have proved that there is a considerable amount of it—is due to inequitable salaries and inadequate methods of determining them. Such methods are inevitable where several agencies are engaged in making decisions on this matter and when the problem is taken up only in a piecemeal manner by the board of supervisors. We may cite as proof of this that the committee in the whole period of its investigations learned of only one county that had made an attempt to handle its salary problem in a systematic way.

Salary standardization calls not alone for systematic consideration on the part of the board of supervisors but, as we have previously pointed out, also for non-interference by legislative enactment. It is clear that special legislation for individual positions can easily throw an otherwise well-considered scale out of balance. Furthermore, it seems inadvisable to write into hard and fast law a fixed salary whose real value is so subject to change because of fluctuations in the purchasing power of money. When in the judgment of the Legislature it seems desirable to fix a salary by law, it is urged that a *minimum* figure be set so that under changing conditions the county authorities may have some leeway in this important matter. Some opportunity for adjustment must be permitted if there is to be a sound scheme of salary standardization.

Anticipating the need of adjustments from year to year and considering the propriety of the State offering assistance in this important matter, the committee would repeat its recommendation of last year. It was urged in the previous report that the board of estimate and control prepare annually a normal salary scale for key positions in the county government. This should include such measurements of work as are necessary to make comparison between like positions in different counties.

In working out the accompanying salary schedule the following factors have been taken into account: a reasonable living minimum wage for the lowest paid adult workers; the relative importance of the positions as shown in the job descriptions; the going wage for similar work paid in the community, both in public and private employment; the probable permanency of incumbency in the several positions; provision for increases from a minimum to a maximum, such increases to be granted on the basis of demonstrated efficiency. A brief discussion of the above considerations follows:

1—The Minimum Cost of Living

After a consideration of the current cost of living figures of the Bureau of Labor Statistics, the National Industrial Conference Board, and the Philadelphia Bureau of Municipal Research, the figure of \$800 was determined upon as the conservative cost of maintaining life with a fair degree of comfort and decency in

the type of urban-rural county with which we are dealing. This is the individual wage for the lowest paid individual adult worker. It should be mentioned that this is usually the wage of the young beginner.

2 — Going Wage

“Going wages” were compiled from various sources. Data for certain positions found both in public and private employment were supplied for the former by the organization in the county seat under review that currently furnishes the State Industrial Commission with data for its well-known monthly report on the wage conditions in New York State. The positions covered are the following: labor, firemen, engineers, watchmen, telephone operators, stenographers and under-clerks.

Data were also gathered from five counties of the same general character as the selected typical county. All are urban-rural counties of comparatively the same type of population. In each the major part of the population of the county lives in one or more large cities. Returns were received covering most of the typical positions. The salaries used are for the year 1923, except in two cases where they are for 1924.

3 — Permanency

The question of permanency is one that is bound to affect the wages paid. Just as temporary work is likely to carry a higher wage than that of a more permanent character, so in the public service, elective administrative officials and such appointive officials as are subject to change with the shifts in party control, will naturally expect a higher salary than if they might look forward to relatively permanent employment. It need only be pointed out that the private business or professional connections of officials suffer during a period of public service and that some consideration must be taken of this in determining the salary for the elective and certain appointive offices. In addition, there are certain legitimate and, for some offices, inevitable expenses in carrying on an election campaign. This factor cannot be entirely ignored. If the county as employer passes over such considerations, it may be assumed that public office will not attract the high type citizen which should be found in increasing numbers in important administrative positions.

Incidentally it should be suggested that whether the term of office is determined in the law, by ordinance of the board of supervisors or by customary practice, permanency among non-policy-determining officials should become more and more the order of the day, on the condition of course that the incumbents have satisfactorily shown their fitness for the positions. For turnover of administrative employees in the public service on account of political or personal causes is one of the most costly and wasteful features of the present-day governmental control.

4 — Efficiency Increases

The purpose of a salary range from a minimum to a maximum with fixed intermediate steps is to make possible the recognition of the increased value of an employee to the organization. In practice the lowest wage in the range set for any given position would ordinarily be paid to the incoming employee. On the basis of favorable ratings made periodically, his wage would be increased usually once a year until the maximum had been reached. In the absence of favorable ratings no increases would be granted and decreases even might result. The proper conduct of this policy calls for a well-administered system of efficiency ratings. It is recognized that such systems are not generally in operation in public employment, but it is also believed that sound employment management demands their employment and adoption. Failure to recognize any difference in the pay envelope between good and poor work has led many a capable employee to accept the standards of work of less competent workers. So-called efficiency increases worked out on the basis of periodic ratings will make possible the proposed discrimination.

5 — Relative Importance of Positions

There is no phase of salary standardization that causes so much difficulty and requires so much judgment as this, namely, determining the proper differences in dollars and cents of the value of the large variety of positions which one finds in public employment. But the satisfactory solution of the problem of "relativity" is necessary for the proper handling of the salary problem. Material assistance has been rendered in this matter by referring to a number of advisors who are well acquainted with the work performed by the county employees and the prevailing differences in rates paid.

Conclusion

With the increasing complexity and scope of the work carried on by the county government, it is more and more important that the government be a good employer and be known as a good employer. This is mandatory, particularly if the county is to appeal to the type of worker and the type of administrative leadership that the conduct of county government now requires.

As we look at it, being a good employer calls for a well-considered and well-administered employment policy under the control of the central administrative body. The following factors are essential to successful employment control: first and foremost, a sound and equitable wage policy; (2) selection on the basis of merit and with reference to the specific demands of the offices to be filled; (3) promotion because of merit and from within the service, even to the highest administrative positions where possible; and (4) relative permanency of tenure during satisfactory service.

Since the most important of these factors depends on a classification of positions and a standardization of salaries the committee has included these features in this report.

Finally, it is the judgment of the committee that the employment policy must be recognized as the cornerstone of worth-while plans for economy and efficiency in public administration. It is hoped that this report may stimulate thought and action in this direction.

OUTLINE OF SERVICES

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INDEX OF CLASSES

CLASS AND GRADE	Title of position	Salary range recommended	
		Minimum	Maximum
O 2.....	Assistant district attorney.....	\$2,400	\$3,000
D 6.....	Assistant probation officer (children's court).....	1,440	1,800
A 14.....	Attendant (county home).....	M. * 480	720
A 7.....	Baker.....	M. 960	1,200
C 3.....	Carpenter.....	M. 960	1,320
G 1.....	Cashier.....	1,800	2,250
C 2.....	Chauffeur.....	1,320	1,680
I 3.....	Chief investigator (Dept. of Charities).....	1,800	2,160
B 2.....	Cleaner.....	840	1,080
E 2.....	Clerk.....	1,080	1,440
F 2.....	Clerk-stenographer.....	1,140	1,500
O 1.....	Clerk of surrogate's court.....	2,100	2,700
E 4.....	Commissioner of jurors.....	2,400	.....
G 4.....	Comptroller or auditor.....	5,000	.....
A 8.....	Cook.....	M. 480	840
E 5.....	County clerk.....	4,500†	.....
M 1.....	County engineer.....	5,000	.....
O 5.....	County judge.....	6,000	.....
F 3.....	Court stenographer.....	2,400	3,000

CLASS AND GRADE	Title of position	Salary range recommended	
		Minimun	Maximun
G 3.....	Deputy comptroller or auditor.....	\$2,400	\$2,850
D 3.....	Deputy sheriff.....	1,500†	1,800
D 4.....	Deputy sheriff (jail farm).....	M. 1,200	1,500
O 3.....	District attorney.....	5,000	.....
C 5.....	Engineman.....	M. 960	1,320
A 1.....	Farm laborer.....	Going	Wage
A 2.....	Farm laborer and deputy sheriff.....	960	1,200
C 4.....	Fireman.....	M. 720	960
A 9.....	Head cook.....	M. 960	1,200
A 13.....	Hospital attendant.....	M. 480	720
J 1.....	Hospital nurse.....	M. 900	1,140
A 15.....	Hospital orderly.....	M. 480	720
A 17.....	Housekeeper.....	M. 540	720
A 11.....	Housemaid.....	M. 480	600
I 1.....	Investigator (department of charities).....	1,440	1,800
D 1.....	Jailer.....	1,500	1,800
B 3.....	Janitor.....	960	1,200
O 4.....	Judge of children's court.....	5,000	.....
O 6.....	Judge of surrogate's court.....	6,000	.....
G 2.....	Junior bookkeeper.....	1,950	2,400
E 1.....	Junior clerk.....	780	1,020
N 1.....	Junior medical officer.....	M. 1,200	.....
F 1.....	Junior typist.....	900	1,140
A 6.....	Kitchen helper.....	M. 360	480
K 1.....	Laboratory technician.....	M. 1,200	1,560
A 3.....	Laundress.....	(Per day) 2.80	3
A 4.....	Laundryman.....	840	1,080
A 5.....	Laundry supervisor.....	840	960
L 1.....	Law librarian.....	2,400	2,760
A 13.....	Matron.....	M. 600	840
D 9.....	Matron (county jail).....	M. 600	840
D 10.....	Matron (detention home).....	M. 600	840
D 2.....	Night jailer.....	1,200	1,500
A 16.....	Orderly (county home).....	M. 480	720
D 7.....	Probation officer (children's court).....	1,800	2,160
D 8.....	Probation officer (county court).....	1,920	2,280
H 3.....	Purchasing agent.....	3,000	Not specified
C 6.....	Sealer of weights and measures.....	1,440	1,800
A 12.....	Seamstress.....	M. 420	540
I 2.....	Secretary of child welfare board.....	1,440	1,800
E 3.....	Senior clerk.....	1,800	2,250
D 11.....	Sheriff.....	M. 4,500†	.....
H 2.....	Storekeeper.....	M. 600	960
B 4.....	Superintendent of building.....	2,100	2,400
I 4.....	Superintendent of charities.....	4,500	.....
A 19.....	Superintendent of county home.....	M. 1,200	1,560
N 2.....	Superintendent (county hospital).....	M. 3,000	3,900
J 3.....	Supervising hospital nurse.....	M. 1,350	1,650
H 1.....	Telephone operator.....	780	1,020
G 5.....	Treasurer.....	4,500	.....
C 1.....	Truckman.....	1,200	1,440
J 2.....	Tuberculosis nurse.....	1,200	1,440
D 5.....	Under-sheriff.....	2,100	2,400
A 10.....	Waitress.....	M. 360	480
B 1.....	Watchman.....	M. 960	1,200

* M denotes " plus maintenance ".

† No fees.

INSTITUTIONAL SERVICE—A

- Class 1. Farm Laborer.
 2. Farm Laborer and Deputy Sheriff.
 3. Laundress.
 4. Laundryman.
 5. Laundry Supervisor.
 6. Kitchen Helper.
 7. Baker.
 8. Cook.
 9. Head Cook.
 10. Waitress.
 11. Housemaid.
 12. Seamstress.
 13. Hospital Attendant.
 14. Attendant (County Home).
 15. Hospital Orderly.
 16. Orderly (County Home).
 17. Housekeeper.
 18. Matron.
 19. Superintendent of County Home.

Class 1. Farm Laborer

Duties: Under immediate supervision to perform general labor on farm.

Salary rates: Living wage.

Class 2. Farm Laborer and Deputy Sheriff

Duties: Under immediate supervision to perform general labor on farm; to have custody of prisoners detailed to work on farm; to perform related work as required.

Qualifications: Common school education or its equivalent.

Salary rates: \$960, \$1,080, \$1,200.

Class 3. Laundress

Duties: Under immediate supervision to wash, starch, dry and iron either by hand or machine; to perform related work as required.

Salary rates: \$2.80-\$3 per day.

Class 4. Laundryman

Duties: Under immediate supervision to operate washing and other laundry machines; to perform related work as required.

Salary rates: \$840, \$900, \$960, \$1,020.

Class 5. Laundry supervision

Duties: Under direction to supervise the operation of a small laundry; to assist in the performance of the work; to perform related work as required.

Measurements: Five subordinates.

Salary rates: \$1,020, \$1,080, \$1,140, \$1,200.

Class 6. Kitchen Helper

Duties: Under immediate supervision to assist in the preparation of food, in distributing food on wagons and trays, in drying and washing dishes and other utensils; to perform related work as required.

Salary rates: \$360, \$420, \$480 and maintenance.

Class 7. Baker

Duties: Under supervision to make bread, cakes and pastry; to perform related work as required.

Qualifications: Grammar school education or its equivalent; two years' experience as baker in a large restaurant or institution.

Salary rates: \$960, \$1,080, \$1,200 and maintenance.

Class 8. Cook

Duties: Under supervision to prepare and cook food; to perform related work as required.

Salary rates: \$480, \$600, \$720, \$840 and maintenance.

Class 9. Head Cook

Duties: Under direction to be responsible for the preparation and cooking of food for large institutions; to assist in cooking; to requisition necessary supplies; to perform related work as required.

Qualifications: Grammar school education or its equivalent; two years' experience as cook in a large restaurant or institution.

Measurements: Cooking for 200 people; 2 subordinates.

Salary rates: \$960, \$1,080, \$1,200 and maintenance.

Class 10. Waitress

Duties: Under immediate supervision to set tables; to serve food; to wash dishes; to perform related work as required.

Salary rates: \$340, \$400 and maintenance.

Class 11. Housemaid

Duties: Under immediate supervision to perform usual work of maid, including cleaning, making beds, serving at table; to perform related work as required.

Salary rates: \$480, \$540, \$600 and maintenance.

Class 12. Seamstress

Duties: Under supervision to make and repair clothing and house linen, either by machine or by hand; to perform related work as required.

Salary rates: \$420, \$480, \$540 and maintenance.

Class 13. Hospital Attendant

Duties: Under the supervision of nurses to care for the rooms, linen, trays and general well-being of women patients; to give medicine as directed; to take pulse and temperature; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Measurements: Ten hours per day or twelve hours per night; every other Sunday free for day attendants and one night a week free for night attendants.

Salary rates: \$480, \$600, \$720 and maintenance.

Class 14. Attendant (County Home)

Duties: Under general supervision to be responsible for the cleanliness and order of female inmates; to be of general assistance to sick and feeble; to assist matron where needed; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Measurements: Hours: 6 A. M. to 9 P. M. Two and one-half days per month and every other Sunday free.

Salary rates: \$480, \$600, \$720 and maintenance.

Class 15. Hospital Orderly

Duties: Under the supervision of nurses to care for rooms, linen, trays and general well-being of male patients; to give medicines as directed; to take pulse and temperature; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Measurements: Ten hours per day or twelve hours per night; every other Sunday free for day orderlies and one night a week free for night orderlies.

Salary rates: \$480, \$600, \$720 and maintenance.

Class 16 Orderly (County Home)

Duties: Under general supervision to be responsible for cleanliness and order of male inmates; to be of general assistance to the sick and feeble; to be in charge of drug dispensary; to prepare the dead for burial; to perform other related work as required.

Qualifications: Grammar school education or its equivalent.

Measurements: Hours, 6 A. M. to 9 P. M. Two and one-half days per month and every other Sunday free.

Salary rates: \$480, \$600, \$720 and maintenance.

Class 17. Housekeeper

Duties: Under general supervision to be responsible for the care and maintenance of house or dormitory used as living quarters by county employees; to requisition household supplies; to perform related work as required.

Qualifications: Grammar school education; successful experience as housekeeper.

Measurements: Number of employees housed: 50-60.

Positions included: Housekeeper of nurses' home attached to county hospital.

Salary rates: \$540, \$660, \$780 and maintenance.

Class 18. Matron

Duties: Under general supervision to be in charge of the care and maintenance of the women's quarters in a county home; to supervise the preparation and serving of food for all inmates; to perform related work as required.

Qualifications: High school education or its equivalent; five years' experience in a responsible position in an institution.

Salary rates: \$600, \$720, \$840 and maintenance.

Class 19. Superintendent of County Home

Duties: To be responsible to the superintendent of charities for the administration of the county home; to supervise all employees; to requisition and issue all supplies; to supervise the keeping of records and the preparation of reports; to perform related work as required.

Qualifications: High school education or its equivalent; three years' experience in a responsible position in social or institutional work.

Measurements: Twenty subordinates; an average of 175 inmates.

Salary rates: \$1,200, \$1,320, \$1,440, \$1,560 and maintenance.

CUSTODIAL SERVICE — B**Class 1. Watchman.**

2. Cleaner.
3. Janitor.
4. Superintendent of Building.

Class 1. Watchman

Duties: Under supervision to guard public buildings from theft, fire or other injury; to make rounds of the buildings at prescribed intervals; to give furnace fires or boilers necessary attention; to perform related work as required.

Qualifications: Ability to read and write; some experience with heating plants.

Measurements: Hours 9:30 P. M. to 5:30 A. M.

Salary rates: \$840, \$960, \$1,080 and maintenance.

Class 2. Cleaner

Duties: Under immediate supervision to perform routine work in connection with the cleaning and care of public buildings, hospital wards, their equipment and adjacent grounds; to perform related work as required.

Salary rates: \$840, \$960, \$1,080.

Class 3—Janitor

Duties: Under supervision to be responsible for cleaning, heating and ventilating a small public building or part of large building; to attend to adjacent grounds; to perform work as required.

Qualifications: Ability to read and write; two years' experience in janitor work.

Measurement: Eight hours daily.

Salary rates: \$960, \$1,080, \$1,200.

Class 4. Superintendent of Building

Duties: To be responsible for the maintenance and care of a large public building; to contract for and supervise necessary repair work; to purchase, store and distribute supplies; to perform related work as required.

Qualifications: Grammar school education or its equivalent; experience as janitor or preferably experience as contractor or builder.

Measurements: Annual appropriations ranging from \$20,000 to \$25,000.

Salary rates: \$2,100, \$2,250, \$2,400.

SKILLED LABOR SERVICE — C**Class 1. Truckman.**

2. Chauffeur.
3. Carpenter.
4. Fireman.
5. Engineman.
6. Sealer of Weights and Measures.

Class 1. Truckman

Duties: Under immediate supervision to operate truck in connection with the delivery of prisoners working on farm to and from jail, and with the delivery of coal and other materials; to perform related work as required.

Salary rates: \$1,200, \$1,320, \$1,440.

Class 2—Chauffeur

Duties: To operate and maintain touring car in good mechanical condition; to overhaul engine when necessary; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Salary rates: \$1,320, \$1,440, \$1,560.

Class 3 — Carpenter

Duties: Under immediate supervision to maintain and repair furniture and other woodwork about a public building; to perform related work as required.

Salary rates: \$960, \$1,080, \$1,200, \$1,320 and maintenance.

Class 4. Fireman

Duties: Under immediate supervision to fire by hand; to maintain proper steam pressure on high pressure boilers; to perform related work as required.

Qualifications: Common school education; two years' experience in firing and tending boilers.

Measurements: Eight-hour shifts; operation of two boilers.

Salary rates: \$720, \$840, \$960 and maintenance.

Class 5. Engineman

Duties: Under the superintendent to be responsible for the operation and maintenance of a steam heating, light and power plant; to make necessary current plumbing and electrical repairs for all buildings; to perform related work as required.

Qualifications: Grammar school education or its equivalent; preferably State license to serve as steam engineman.

Measurements: Twelve-hour shifts; seven days per week; four boilers, two of which are in operation at any given time.

Salary rates: \$960, \$1,080, \$1,200, \$1,320 and maintenance.

Class 6. Sealer of Weights and Measures

Duties: To test periodically scales and measuring devices; to prosecute violators of laws and ordinances; to keep records; to perform related work as required.

Qualifications: High school education or its equivalent.

Measurements: Three thousand to three thousand five hundred measuring devices tested annually.

Salary rates: \$1,440, \$1,560, \$1,680, \$1,800.

POLICE SERVICE — D

- Class 1.** Jailer.
 2. Night Jailer.
 3. Deputy Sheriff.
 4. Deputy Sheriff (Jail Farm).
 5. Under Sheriff.
 6. Assistant Probation Officer (Children's Court).
 7. Probation Officer (Children's Court).
 8. Probation Officer (County Court).
 9. Matron (County Jail).
 10. Matron (Detention Home).
 11. Sheriff.

Class 1. Jailer

Duties: Under supervision of the sheriff, to be responsible for the custody and welfare of prisoners, including the serving of meals, the cleanliness and heating of building; to order necessary supplies; to receive and discharge prisoners; to keep records; to serve special deputy when called; to perform related work as required.

Qualifications: Grammar school education or its equivalent; two years' experience in institutional work of similar character.

Measurements: Hours: 7 A. M. to 6 P. M.; one day a week free. Number of prisoner days: 15,000 per year.

Salary rates: \$1,500, \$1,620, \$1,740, \$1,860.

Class 2. Night Jailer

Duties: Under general supervision to have custody of prisoners during night hours; to serve occasionally as special deputy sheriff; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Measurements: Ten hours per night; every other Sunday free.

Salary rates: \$1,200, \$1,400, \$1,560.

Class 3. Deputy Sheriff

Duties: Under the direction of the sheriff to investigate crimes either by day or night; to make arrests; to serve and execute judicial processes; to patrol highways; to relieve jailer during his absence; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Salary rates: \$1,500, \$1,620, \$1,740, \$1,860.

Class 4. Deputy Sheriff (Jail Farm)

Duties: Under general supervision to have custody of the prisoners detailed to work on the county farm; to operate farm; to maintain buildings and equipment; to deliver produce to other county institutions; to perform other related duties as required.

Qualifications: Grammar school education or its equivalent; successful experience as farmer.

Measurements: Size of farm — 320 acres; number of prisoners assigned from jail — on the average 16 in summer, 8 to 9 in winter; approximately 3,500 prisoners days per year.

Salary rates: \$1,200, \$1,320, \$1,440 and maintenance.

Class 5. Under Sheriff

Duties: To assist the sheriff in the supervision of the office and of the work of the deputy sheriffs; to represent the sheriff in his absence; to make investigations, arrests and to execute judicial processes either by day or night; to look after criminal records; to perform related work as required.

Qualifications: Grammar school education or its equivalent; three years' experience as deputy sheriff.

Salary rates: \$2,100, \$2,250, \$2,400.

Class 6—Assistant Probation Officer (Children's Court)

Duties: Under supervision to assist probation officer in the performance of her duties; to perform related work as required.

Qualifications: High school education or its equivalent; two years' experience in social or probation work.

Salary rates: \$1,440, \$1,560, \$1,680, \$1,800.

Class 7. Probation Officer (Children's Court)

Duties: Under general direction to investigate, report and make recommendations on cases assigned by the judge of the Children's Court; to receive, disburse and account for all money paid on orders of court; to supervise work of assistant; to perform related work as required.

Qualifications: High school education or its equivalent; four years' experience in social or probation work.

Salary rates: \$1,800, \$1,920, \$2,040, \$2,160.

Class 8. Probation Officer (County Court)

Duties: Under direction to investigate, report and make recommendations on cases assigned by county judge and justices of peace; to perform related work as required.

Qualifications: High school education or its equivalent; four years' experience in social or probation work.

Measurements: 125 to 150 probationers under supervision during some portion of the year; \$15,000 to \$20,000 received from probationers per year.

Salary rates: \$1,920, \$2,040, \$2,160, \$2,280.

Class 9. Matron (County Jail)

Duties: Under the supervision of the jailor to be responsible for the custody and welfare of female prisoners, including the serving of meals and cleanliness of their quarters; to perform related work as required.

Qualifications: Grammar school education or its equivalent; two years' experience in institutional work of similar character.

Salary rates: \$600, \$720, \$840 and maintenance.

Class 10—Matron (Detention Home)

Duties: Under general supervision to be responsible for the custody and welfare of children, including the preparation and serving of food and provision of clothing; to requisition necessary supplies; to keep records; to perform related work as required.

Qualifications: Grammar school education or its equivalent; two years' experience in institutional work of similar character.

Measurements: On the average five to eight children in custody at one time.

Salary rates: \$600, \$720, \$840 and maintenance.

Class 11. Sheriff

Duties: To exercise general supervision and determine administrative policy of office responsible for the enforcement of law and the punishment of offenders; to serve and execute judicial processes both civil and criminal; to subpoena witnesses; to serve jury notices; to serve bench warrants; to perform related work as required.

Qualifications: Elective.

Measurements: Twenty full time subordinates, 13 general deputies; 30,000 to 35,000 prisoner days per year.

Salary rates: \$4,500 and maintenance (no fees).

CLERICAL SERIES — CLERICAL SERVICE — E**Class 1. Junior Clerk.**

2. Clerk.
3. Senior Clerk.
4. Commissioner of Jurors.
5. County Clerk.

Class 1. Junior Clerk

Duties: Under immediate supervision to perform routine clerical work; to perform related work as required.

Qualifications: Grammar school education or its equivalent.

Salary rates: \$780, \$900, \$1,020.

Class 2. Clerk

Duties: Under supervision to classify and index papers and records requiring the exercise of independent judgment within prescribed limits; to perform related work as required.

Qualifications: Grammar school education or its equivalent and preferably a high school training; one year's experience in indexing and filing.

Positions included: Index clerks in county clerk's office.

Salary rates: \$1,080, \$1,200, \$1,320, \$1,440.

Class 3. Senior Clerk

Duties: Under general supervision to carry on work of a responsible character requiring the exercise of discretion and independent judgment and involving intensive knowledge of a definite field. Examples: To keep records; to index court and other documents; to check rolls and reports; to prepare periodic reports; to prepare lists for special purposes; to register aliens for naturalization; to issue citizenship papers; to register automobiles; to prepare court calendars; to subpoena witnesses; to pay off witnesses; to give information to the public; to perform related work as required.

Qualifications: High school education or its equivalent; three years' experience in clerical work.

Positions included: Deputy clerks in the county clerk's office; clerks acting as assistants to the following officials or boards: board of supervisors, board of equalization, commissioner of jurors, superintendent of highways, district attorney and children's court.

Salary rates: \$1,800, \$1,950, \$2,100, \$2,250.

Class 4. Commissioner of Jurors

Duties: To exercise supervision over small unit; to be responsible for keeping current list of citizens and taxpayers qualified to serve on the jury of the supreme, county, surrogate or city courts.

Qualifications: High school education or its equivalent, experience in the handling of extensive data; ability to estimate character and personality.

Measurements: Number of prospective jurors drawn per year, 2,000; number accepted per year, 800.

Salary rates: \$2,400.

Class 5. County Clerk

Duties: To exercise general supervision and determine administrative policy of office in charge of the registration of deeds, mortgages, marriage licenses and other legal documents; also of automobile registration, naturalization of aliens, and of voters' lists for election purposes.

Qualifications: Elective.

Measurements: Annual income for recording, docketing, making searches, copying and similar services, \$20,000 to \$25,000.

Salary Rates: \$4,500 (no fees).

CLERICAL SERIES — STENOGRAPHER-TYPIST

SERVICE — F

Class 1. Junior Typist.

2. Clerk-Stenographer.
3. Court Stenographer.

Class 1. Junior Typist

Duties: Under immediate supervision to copy from manuscript on standard or special typewriter; to compare copy with original; to perform related clerical work of a routine character.

Qualifications: At least grammar school education or its equivalent.

Positions included: Recorder in county clerk's office.

Salary rates: \$900, \$1,020, \$1,140.

Class 2— Clerk-Stenographer

Duties: To take stenographic notes and transcribe same on typewriter; under supervision to handle routine correspondence; to index and file papers; to keep office records; to prepare current reports; to register financial transactions; to make footings and calculations; to give information to public; to perform related clerical work as required.

Qualifications: High school education or its equivalent; one or more years' training and experience in clerical work.

Positions included: Stenographer-clerks in the following offices: Board of supervisors, board of elections, treasurer, county clerk, sheriff, surrogate, department of charities, purchasing agent.

Salary rates: \$1,140, \$1,260, \$1,380, \$1,500.

Class 3. Court Stenographer

Duties: To record verbatim judicial proceedings and testimony of witnesses before the court; to transcribe such record on the typewriter; to handle correspondence of office when required; to perform related work.

Qualifications: High school education or its equivalent; ability to take stenographic notes at a high rate of speed and to transcribe them rapidly and accurately.

Positions included: Court stenographers in the county, the surrogate's, the children's courts and in the district attorney's office.

Salary rates: \$2,400, \$2,550, \$2,700, \$2,850, \$3,000.

CLERICAL SERIES — FISCAL SERVICE — G**Class 1. Cashier.**

2. Junior Bookkeeper.
3. Deputy Comptroller or Auditor.
4. Comptroller or Auditor.
5. Treasurer.

Class 1. Cashier

Duties: Under supervision to receive all money according to tax-rolls and other schedules; to disburse funds on the basis of warrants; to keep necessary records of such transactions; to perform related work as required.

Qualifications: High school education or its equivalent; two or more years' experience in handling money.

Positions included: Cashier in treasurer's office.

Salary rates: \$1,800, \$1,950, \$2,100, \$2,250.

Class 2. Junior Bookkeeper

Duties: Under immediate supervision to post ledger accounts; to make journal entries; to keep cost records; to prepare balance sheets; to make financial statements; to perform stenographic and incidental clerical work as required.

Qualifications: High school education or its equivalent; at least five years' experience as stenographer and bookkeeper.

Positions included: Stenographer-bookkeeper in comptroller's or auditor's office.

Salary rates: \$1,950, \$2,100, \$2,250, \$2,400.

Class 3. Deputy Comptroller or Auditor

Duties: Under general supervision to post ledger accounts; to make journal entries; to keep cost records; to analyze departmental accounts and transactions; to review claims from all departments; to make out all checks; to make a continuous audit of treasurer's books, cash and bank balances; to perform related work as required.

Qualifications: High school education or its equivalent; four years' experience in bookkeeping and accounting work.

Positions included: Deputy comptroller or auditor.

Salary rates: \$2,400, \$2,550, \$2,700, \$2,850.

Class 4. Comptroller or Auditor

Duties: To review claims; to countersign all checks; to exercise general supervision and determine administrative policy of office in charge of fiscal audit and control.

Qualifications: Elective.

Measurements: Number of claims per year, 4,500-5,000; number of checks, 8,000-9,000.

Salary rates: \$5,000.

Class 5. Treasurer

Duties: To sign all checks; to make deposits in banks and have custody of all county funds deposited in banks; to exercise general supervision and to determine administrative policy of office responsible for the receipt and disbursement of funds.

Qualifications: Elective.

Measurements: Total funds collected (taxes, licenses, trust funds), \$3,000,000.

Salary rates: \$4,500.

CLERICAL SERIES — MISCELLANEOUS SERVICE — H

- Class 1. Telephone Operator.
- 2. Storekeeper.
- 3. Purchasing Agent.

Class 1. Telephone Operator

Duties: To operate a telephone switchboard; to keep records of connections; to give information to the public concerning officials and location of offices.

Qualifications: Grammar school education or its equivalent; at least one year's experience in operating a multiple switchboard.

Measurements: Forty-one connections on board; five hours per day.

Salary rate: \$780, \$900, \$1,020.

Class 2. Storekeeper

Duties: Under the direction of the superintendent of the hospital to be in immediate charge of a storeroom; to requisition supplies from the purchasing agent; to receive supplies and to check bills for same; to issue supplies; to keep simple records.

Qualifications: High school education or its equivalent; three years' experience as clerk or salesman.

Salary rates: \$600, \$720, \$840, \$960 and maintenance.

Class 3. Purchasing Agent

Duties: To purchase and account for materials and supplies, including gas, electricity and water for all departments of the county; to investigate prices and supplies; to advertise and receive bids for same; to serve as distributing center for office supplies; to perform related work as required.

Qualifications: High school education or its equivalent; at least three years' experience in an organized purchasing department.

Measurements: 5,000-6,000 requisitions per year; \$150,000-\$200,000 supplies purchased per year (exclusive of water, gas and electricity).

Salary rates: \$3,000, annual increments of \$150, no maximum specified.

SUBPROFESSIONAL SERIES — WELFARE SERVICE — I

Class 1. Investigator (Department of Charities).

2. Secretary of Child Welfare Board.

3. Chief Investigator (Department of Charities).

4. Superintendent of Charities.

Class 1. Investigator (Department of Charities)

Duties: Under the supervision of the superintendent of charities to investigate the cases of needy and destitute persons; to report periodically on the conditions and treatment of children placed out or assigned to charitable or other institutions at the expense of the county; to investigate the expenditures of mothers receiving aid from the board of child welfare; to keep records; to perform related work as required.

Qualifications: High school education or its equivalent, and some training in social work, if possible; four years' experience in social work.

Salary rates: \$1,440, \$1,560, \$1,680, \$1,800.

Class 2. Secretary of Child Welfare Board

Duties: Under supervision of superintendent of charities to investigate and report on the care and condition of children coming under the jurisdiction of the board of child welfare; to keep minutes of meetings of the board; to prepare reports; to perform related work as required.

Qualifications: High school education or its equivalent and some training in social work, if possible; two years' experience in social work.

Salary rates: \$1,440, \$1,560, \$1,680, \$1,800.

Class 3. Chief Investigator (Department of Charities)

Duties: Under the direction of the superintendent of charities to supervise and assign cases to the investigators of the department; to receive and digest their reports; to make a limited number of investigations; to perform related work as required.

Qualifications: High school education or its equivalent and some training in social work, if possible; two years' experience in social work.

Measurements: Responsible for two investigators.

Salary rates: \$1,800, \$1,920, \$2,040, \$2,160.

Class 4. Superintendent of Charities

Duties: To be responsible for the investigation and commitment of all cases of need and destitution among the residents of the county, including both adults and children; to serve as ex officio member and investigating agent of the board of child welfare; to investigate periodically the care and treatment of all beneficiaries of county, whether in public or private institutions or under the guardianship of individuals; to supervise the administration of the County Home; to perform related work as required.

Qualifications: College education or its equivalent, or special training in social work; five years' experience in social work in a responsible administrative position.

Measurements: Annual appropriations to department, \$200,000—\$250,000; ten subordinates. Number of investigations per year as measured by commitments of: Children to boarding homes or institutions, 88; children to free homes, 42; patients to hospital, 635; paupers to county home, 115. Number of investigations per year as measured by applications for allowances: Child Welfare Department, 68.

Salary rates: \$4,500.

SUBPROFESSIONAL SERIES — NURSING SERVICE — J

- Class 1. Hospital Nurse.
2. Tuberculosis Nurse.
3. Supervising Hospital Nurse.

Class 1. Hospital Nurse

Duties: To perform, under supervision, routine work in the nursing care and treatment of hospital patients; to keep necessary ward records of patients; to perform related work as required.

Qualifications: High school education or its equivalent; certificate of graduation from nurses' training school of recognized standing.

Measurements: Ten hours per day or twelve hours per night; day nurses free one-half day per week and every other Sunday; night nurses free one night a week.

Salary rates: \$900, \$1,020 and maintenance.

Class 2. Tuberculosis Nurse

Duties: Under supervision to perform such work in field nursing as may be required in the investigation, reporting, prevention and correction of tuberculosis; to perform related work as required.

Qualifications: High school education or its equivalent; certificate of graduation from nurses' training school of recognized standing; two years' experience in public or private health nursing of similar character.

Measurements: Total number of calls per year, 1,750 to 2,000; ten clinics with 170 examinations.

Salary rates: \$1,200, \$1,320, \$1,440.

Class 3. Supervising Hospital Nurse

Duties: Under direction of the superintendent to supervise and be responsible for the nursing work of a hospital; to be responsible for the conduct of nurses' dormitory; to perform related work as required.

Qualifications: High school graduation or its equivalent; certificate of graduation from a nurses' training school of recognized standing; two years' experience as graduate nurse.

Measurements: Average staff, 4 nurses, 7 orderlies, 15 attendants; number of beds, 200; daily census, 135-160.

Hours: 7 A. M. to 7 P. M.

Salary rates: \$1,350, \$1,500, \$1,650 and maintenance.

**SUBPROFESSIONAL SERIES—LABORATORY
SERVICE—K**

Class 1. Laboratory Technician

Duties: Under supervision to make tests and analyses of blood, sputum and urine; to give anesthetics; to dispense drugs and put up medicine according to prescription; to perform related work as required.

Qualifications: High school graduation or its equivalent; three years' laboratory technical experience or equivalent training in technical school.

Salary rates: \$1,200, \$1,320, \$1,440, \$1,560 and maintenance.

PROFESSIONAL SERIES — LIBRARY SERVICE — L**Class 1. Law Librarian**

Duties: Under the general supervision of the county and the Supreme Court judge to be responsible for the conduct of the law library.

Qualifications: Admission to the bar; three years' experience as practising attorney.

Measurements: Library containing 20,000-25,000 volumes.

Salary rates: \$2,400, \$2,520, \$2,640, \$2,760.

PROFESSIONAL SERIES — ENGINEERING SERVICE — M**Class 1. County Engineer**

Duties: Under the direction of a committee of the board of supervisors to exercise general supervision over the construction, maintenance and repair of roads, culverts and bridges, according to plans supplied by the State Highway Department; to inspect work carried on by the towns; to audit all bills and accounts for supplies and labor incurred by the several towns of the county which are engaged in road construction and repair in cooperation with the county and State; to perform related work as required.

Qualifications: Graduation from engineering school of recognized standing or its equivalent; five years' experience in responsible supervisory position in highway engineering work.

Measurements: Total mileage under county control, 2,300; total number of bridges, 1,200; average number of miles of new roads constructed annually, 30-40 miles; amount of money spent by towns and county per year, \$400,000.

Salary rates: \$5,000.

PROFESSIONAL SERIES — MEDICAL SERVICE — N**Class 1. Junior Medical Officer.****2. Superintendent (County Hospital).****Class 1. Junior Medical Officer**

Duties: Under immediate supervision of the superintendent to assist in the medical work of the county hospital; to perform related work as required.

Qualifications: Graduation from a medical school of recognized standing.

Salary rates: \$1,200 plus maintenance.

Class 2. Superintendent (County Hospital)

Duties: Under direction to have medical administrative supervision over the county hospital, its buildings and equipment; to requisition all supplies and render account for them; to perform related work as required.

Qualifications: Graduation from a medical school of recognized standing; five years' experience as a practicing physician; experience in an executive capacity.

Measurements: Daily census between 135 and 160.

Salary rates: \$3,000, \$3,300, \$3,600, \$3,900 and maintenance.

PROFESSIONAL SERIES — LAW SERVICE — O

- Class 1. Clerk of Surrogate's Court.**
 2. Assistant District Attorney.
 3. District Attorney.
 4. Judge of Children's Court.
 5. County Judge.
 6. Judge of Surrogate's Court.

Class 1. Clerk of Surrogate's Court

Duties: To supervise and handle the administrative duties connected with the Surrogate's Court; to perform related work as required.

Qualifications: Admission to the bar; three years' experience as practicing attorney.

Salary rates: \$2,100, \$2,250, \$2,400, \$2,550, \$2,700.

Class 2. Assistant District Attorney

Duties: To assist the district attorney in the performance of his duties.

Qualifications: Admission to the bar; three years' experience as practicing attorney.

Salary rates: \$2,550, \$2,700, \$2,850, \$3,000.

Class 3. District Attorney

Duties: To be responsible for the prosecution of all crimes cognizable by courts of the county; to take charge of the indictments by the grand jury; to conduct trial of indictments so found; to report and account for all moneys received by him by virtue of the office; to perform related work as required.

Qualifications: Elective.

Measurements: Number of felony convictions per year, 100-120.

Salary rates: \$5,000.

Class 4. Judge of Children's Court

Duties: To preside over the Children's Court; to exercise jurisdiction as prescribed by law; to perform related work as required.

Qualifications: Elective.

Measurements: Number of cases handled in court per year, 700-750; full-time position.

Salary rates: \$5,000.

Class 5. County Judge

Duties: To preside over the County Court; to take jurisdiction and to perform the usual duties prescribed by law; to perform related work as required.

Qualifications: Elective.

Measurements: Number of causes tried in court per year, 60-70.

Salary rates: \$6,000.

Class 6. Judge of Surrogate's Court

Duties: To preside over Surrogate's Court; to supervise the administration of estates of decedents and infants as prescribed in the law; to perform related work as required.

Qualifications: Elective.

Measurements: Number of wills probated per year, 400 to 450.

Salary rates: \$6,000.

APPENDIX

In connection with the committee's work on forest taxation, the highly technical question of costs of growing timber was frequently raised. A number of the advocates of changes in the laws governing the taxation of forests based their arguments largely on tables of cost and yield estimates. The weaknesses of some of these tables have already been commented on in the body of the report.

At the request of the committee the members of the faculty of the New York State College of Forestry at Syracuse undertook the preparation of the following tables, on the basis of their training and experience. These tables take into account certain of the pertinent factors most frequently overlooked in the computations presented to the committee.

In the meantime, however, the committee had succeeded in collecting a body of facts which enabled it to arrive at certain conclusions relative to forest taxation without recourse to estimates of future expenditures and yields in long-term rotations. In spite of the fact, however, that the results of the tables do not enter into the conclusions of the committee in any way, beyond corroborating our conclusion that the usual abbreviated estimate of costs and yields is entirely inadequate, the standing of the authors in their profession has led the committee to include their tables as an appendix to this report.

The committee wishes to express its indebtedness to the faculty of the State College of Forestry for these tables.

TABLE I
**COST OF GROWING TIMBER IN WHITE PINE
PLANTATION**

HAROLD CAHILL BELYEA,
Assistant Professor of Forest Engineering,
New York State College of Forestry

Part I

Premises:

- a. Bare land bought in actual sale, \$4 per acre.
- b. Planting stock, 3-year old transplants, white pine, \$4 per thousand.
- c. Cost of planting, 1 5/7 man days at \$7 per day equals \$12 per acre.
- d. Rotation, 60 years.
- e. Protection (posting, patrol in danger season, etc.) and administration, 6 cents per acre per year.
- f. Taxes, 20 cents per acre per year.
- g. After running 7 years the plantation had to be cleaned and weeded for blister rust control at a cost of \$1.65 per acre.
- h. In the 15th year the plantation is again cleaned for white pine weevil infection at cost of \$2.75 per acre.
- i. In the 20th year a light thinning is made. The material removed, 4-6 inches in diameter, is small, without a great deal of sale value, so that the cost of making the thinning exceeds the returns by \$3.75 per acre.
- j. In the 25th year a second cleaning up of the *ribes* (currants and gooseberries) is made for blister rust control at cost of \$1.25 per acre.
- k. In the 30th year a second thinning is made. This removes material 8-10 inches in diameter. The number of stems per acre is reduced from 900 to 700. About 5,000 board feet, or 10 cords of wood, are removed, with a net return of \$6 per cord, or \$60 per acre. Cost of marking, \$1.25 per acre; cost of brush disposal, \$1.15 per cord.
- l. In the 40th year a third thinning is made which reduces the number of stems from 700 to 550 stems per acre. About 7,500 board feet, or 15 cords, are removed at \$8 per cord, or \$1.20 net per acre. Marking cost, \$1.40 per acre; brush disposal, \$1.05 per cord.
- m. In the 45th year a third cleaning for blister rust control at a cost of \$1.25 per acre.
- n. In the 50th year a fourth thinning is made, reducing the number of stems from 550 to 400 and removing about 12,000 board feet, or 24 cords of wood per acre, which at \$9 per cord will net \$216 per acre. Cost of marking, \$1.50 per acre; brush disposal, \$1 per cord.

- o. In the 60th year the area is clean cut (subsequently planted).
The yield per acre amounts to 53,000 board feet, or 106 cords, per acre, which at \$10 per cord net \$1,060. Brush disposal 80 cents per cord.
- p. Interest rate, 4 per cent.

Part II

EXPENDITURES OR DEBIT ITEMS

Computations:

- a. Lands cost compounded for 60 years:
 $S_n (1.0p^n) = \$4.00 \times 10.52 = \$42.08.$
- b. Cost of planting stock compounded for 60 years (1210 plants per acre):
 $C_1 (1.0p^n) = \$4.84 \times 10.52 = \$50.92.$
- c. Labor cost in planting compounded 60 years:
 $C_1 (1.0p^n) = \$12.00 \times 10.52 = \$126.24.$
- e. Protection, etc., annual charge compounded for 60 years:
$$\frac{e (1.0p^n - 1)}{1.0p - 1} = \frac{.06 (10.52 - 1.00)}{1.04 - 1} = \frac{.06 \times 9.52}{.04} = \frac{.5712}{.04} = \$14.28$$
- f. Taxes — annual charge compounded for 60 years:
$$\frac{e (10p^n - 1)}{1.0p - 1} = \frac{.20 (10.52 - 1.00)}{1.04 - 1.00} = \frac{20 \times 9.52}{.04} = \$47.60$$
- g. First blister rust cost compounded for 43 years:
Cost $(1.0p^{43}) = \$1.65 \times 8.03 = \$13.25.$
- h. Weevil control compounded for 45 years:
Cost $(1.0p^{45}) = \$2.75 \times 5.84 = \$16.06.$
- i. First thinning cost compounded for 40 years:
Cost $(1.0p^{40}) = \$3.75 \times 4.80 = \$18.00.$
- j. Second ribes eradication cost compounded for 35 years:
 $\$1.25 \times 3.95 = \$4.94.$
- k. Cost of marking second thinning:
 $\$1.25 \times 1.04_{30} = \$1.25 \times 3.24 = \$4.05.$
Cost of brush disposal, second thinning:
 $(\$1.15 \times 10) \times 1.04_{30} = \$11.50 \times 3.24 = \$37.26.$
- l. Marking for the third thinning in the 40th year:
 $\$1.40 \times 1.04_{30} = \$1.40 \times 2.19 = \$3.07.$
Brush disposal, third thinning:
 $(\$1.05 \times 15) \times 1.04_{30} = \$15.75 \times 2.19 = \$34.49.$
- m. Ribes eradication in the 45th year equals:
 $\$1.25 \times 1.04_{35} = \$1.25 \times 1.80 = \$2.25.$
- n. Marking for fourth thinning in 50th year:
 $\$1.50 \times 1.46 = \$2.22.$
Brush disposal, fourth thinning:
 $(\$1.00 \times 24) \times 1.48 = \$24.00 \times 1.48 = \$35.52.$
- o. Brush disposal at cutting:
 $\$.60 \times 106 = \$64.80.$

YIELD OR CREDIT ITEMS

Computations:

- k. Receipts from second thinning compounded 30 years:
 $\$60 \times 3.24 = \194.40 .
- l. Receipts from third thinning, compounded 20 years:
 $\$120 \times 2.19 = \262.80 .
- n. Receipts from fourth thinning compounded 10 years.
 $\$216.00 \times 1.48 = \319.68 .

BALANCE SHEET

DEBIT ITEMS		CREDIT ITEMS	
a — Land.....	\$42 08	a — Land.....	\$4 00
b — Planting stock.....	50 92	k — Y from 2d thinning.....	194 40
c — Labor charge on planting.....	126 24	l — Y from 3d thinning.....	262 80
d — Protection.....	14 28	n — Y from 4th thinning.....	319 68
e — Taxes.....	47 60	o — Final yield.....	1,060 00
g — 1st blister rust (Ribes) eradication.....	13 25		
h — Weevil control.....	16 06		
i — First thinning.....	18 00		
j — 2d Ribes eradication.....	4 94		
k — Marking 2d thinning.....	4 05		
brush 2d thinning.....	37 26		
l — Marking 3d thinning.....	3 07		
brush 3d thinning.....	34 49		
m — 3d Ribes eradication.....	2 25		
n — Marking 4th thinning.....	2 22		
brush 4th thinning.....	35 52		
o — Brush at final cut.....	84 40		
	<u>\$536 63</u>		<u>\$1,840 88</u>

Profits \$21.73 per acre per year.

This is equivalent to a rate of interest earned on the investment of 5.85% compounded.

TABLE I-A

COMMENT ON TABLE I BY E. S. PEIRCE

Director of Forest Extension, New York State College of Forestry

"I believe that the profit per year is too high and am of the opinion that it might be advisable to lower the stumpage rates for the cuttings at 30, 40, 50 and 60 years to \$4, \$5, \$6 and \$8 respectively."

Following is a calculation worked out on the basis of this suggestion:

BALANCE SHEET

DEBIT ITEMS		CREDIT ITEMS	
a — Land.....	\$42 08	a — Land.....	\$4 00
b — Planting stock	50 92	k — Y from 1st thinning....	129 60
c — Labor charge on planting	126 24	l — Y from 2d thinning....	164 25
d — Protection.....	14 28	n — Y from 3d thinning....	213 12
e — Taxes.....	47 60	o — Final yield.....	848 00
g — 1st blister rust (Ribes) eradication.....	13 25		
h — Weevil control.....	16 06		
i — First thinning.....	18 00		
j — 2d Ribes eradication....	4 94		
k — Marking 2d thinning... brush 2d thinning....	4 05 37 26		
l — Marking 3d thinning... Brush 3d thinning....	3 07 34 49		
m — 3d Ribes eradication...	2 25		
n — Marking 4th thinning.. brush 4th thinning....	2 22 35 52		
o — Brush at final cut.....	84 40		
	536 63		
Balance.....	822 34		
Total.....	<u>\$1,358 97</u>	Total.....	<u>\$1,358 97</u>

Profit per acre per year \$13.72.

This is equivalent to a rate of interest earned on the investment of 5.5% compounded.

TABLE II COST OF PRODUCING MIXED FORESTS

HAROLD CAHILL BELYEA

Assistant Professor of Forest Engineering, New York State College of Forestry

Premises:

- Land and timber, \$20 per acre.
- Taxes, 24 cents per acre per year.
- Protection and administration, 6 cents per acre per year.
- Yield, 7 M. every 30 years.
- Stumpage for cut in 1954, \$9 per M.
- Interest rate, 4 per cent.

Computations:

$$\begin{aligned}
 G_c &= (S_c + C + E) 1.0p^n - (Sc + E). \\
 &= (\$20.00 + 0.00 + \$7.50) \times 3.24 - (\$20.00 + \$7.50). \\
 &= (\$27.50 \times 3.24) - \$27.50. \\
 &= \$89.10 - \$27.50. \\
 &= \$61.60.
 \end{aligned}$$

$$Y = 7 \times \$9.00 = \$63.00.$$

$$Y - G_c = \$63.00 - \$61.60 = \$1.40.$$

Note: On the basis of these assumptions, the tract would yield a profit of 4½ cents per acre per year.

STATE OF NEW YORK

REPORT

OF THE

Special Joint Committee
ON
Taxation and Retrenchment

Submitted February 15, 1925



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**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

OF THE SENATE

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FREDERICK M. DAVENPORT, of Oneida.
NATHAN STRAUS, JR., of New York.

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LETTER OF TRANSMITTAL

February 15, 1925.

To the Senate and Assembly of the State of New York:

The joint resolution of the Legislature entrusted to this committee the task of examining the systems of State and local taxation, the sources and distribution of State and local revenue, the method of financing the public school system, and the raising, apportionment and distribution of revenue for schools. We have examined these matters as far as time and resources permitted and submit our report herewith.

We wish to have this report considered as an addition to the series of reports prepared by this committee during the past six years. Many of the recommendations which we have made here are discussed in greater detail in our previous studies.*

The main efforts of the committee itself and of the advisory committee appointed in accordance with the joint resolution have been devoted primarily to that part of the study of State aid which deals with the State support of education. We have held conferences from time to time with the research staff of the committee as this work has progressed. Conferences have been held both in New York and in Albany with public and private groups interested in State aid for schools. The entire program advanced by the committee has had the benefit of full discussion in a meeting of the advisory council which was held in New York City on December 17, 1924.

The report we are presenting this year supplements the previous work of this committee. During the past six years we have examined the State tax problem from different angles. We have approached it from the standpoint of the State's need for revenue, of the need of local units for revenue, of State tax administration, of tax administration in cities, counties and towns, and also from the standpoint of the individual taxpayer and the comparative payments of individuals and corporations under our laws. We were instructed to examine the practical methods of retrenchment in connection with these studies of taxation. In carrying out this instruction we have examined with care the whole work of local government in this State.

* The published reports of the Special Joint Committee on Taxation and Retrenchment are as follows:

Retrenchment in City Government; 1920 Legislative Document 80.

The Tax System of New York State; 1921 Legislative Document 57.

A Critical Survey of the Tax System of the State of New York, with a Statistical Analysis of the Tax Burden on Corporations; 1922 Legislative Document 72.

Retrenchment in County, Town and Village Government, with a Review of the Progress in City Government Since 1920 and a Statistical Analysis of Local Government Costs; 1923 Legislative Document 55.

Forest Taxation, with sections dealing with Public Utility Taxation, The Gasoline Tax, The Bank Tax, and County Salary Standardization; 1924 Legislative Document 91.

The scope of our investigation has been so wide that of course we do not pretend to find conclusions upon all matters which we discuss but we trust that it will appear from the text what conclusions seem to us to be tentative and incomplete and what on the whole may be considered as reasonably arrived at.

The committee wishes to acknowledge its obligation to the advisory council. As a group and as individual councillors, the members of the advisory council have made important contributions in our work. As in past years, we owe a special debt to the State Tax Department. The Statistics Bureau of the Tax Department is an indispensable aid in any study of the State tax system. The State Department of Education has furnished much valuable assistance, as have the State Comptroller and the Secretary of the Board of Estimate and Control.

The staff of the committee has been divided into two groups, one under the direction of Dr. Robert Murray Haig of Columbia University, dealing with education finance, and the other in charge of Luther Gulick of the National Institute of Public Administration. The members of the two staffs have been drawn from the National Institute of Public Administration, Columbia University, Teachers College and Vassar College. We wish to express our appreciation of the quality of the services rendered. It means a great deal for the State to be able to draft the services of these specialists in making scientific studies and in gathering materials and ideas to form the basis of sound public policy.

(Signed)

THOMAS I. SHERIDAN,
Chairman.

F. M. DAVENPORT,
NATHAN STRAUS, JR.,
F. TRUBEE DAVISON,
Vice-Chairman.

WALTER L. PRATT,
LOUIS A. SCHOFFEL.

The members of this committee wish to express in a public way their appreciation of the invaluable services which have been rendered to the State and to the Legislature through the efforts of the Honorable Frederick M. Davenport.

Since 1919 he has served either as chairman of the Special Joint Committee on Taxation and Retrenchment or as the chairman of the sub-committee in charge of investigation. During this period he has done more than any other member of the Legislature for the development in this State of sound and progressive tax measures and administration.

We congratulate him on his election to higher office and for the opportunity for even wider service in the field in which he is so expert.

THOMAS I. SHERIDAN,
F. TRUBEE DAVISON,
WALTER L. PRATT,
NATHAN STRAUS, JR.,
LOUIS A. SCHOFFEL.

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**CHAPTER I—SUMMARY OF THE REPORT OF THE
SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

CHAPTER I—SUMMARY OF THE REPORT OF THE SPECIAL JOINT COMMITTEE ON TAXATION AND RETRENCHMENT

The Task Set Before the Committee

During the legislative session of 1924, the Governor by a special message called upon the Legislature to provide for "a thorough examination of our tax system and the raising of money for the support and maintenance of our public school system, and the apportionment or distribution of public school moneys appropriated by the state, among the cities and school districts of the state, * * * and the all important question of finding new sources of local taxation for the relief of real estate * * *." This is the task which has been set before this committee.

The Committee's Advisors and Staff

In this undertaking a group of recognized authorities in taxation and education have been associated with us as advisors in order that the committee's program might have the benefit of the criticism and suggestions of such a group. The advisory group includes the following individuals of recognized standing in the state:

Harold E. Akerly, Board of Education, Rochester, N. Y.
William R. Bull, Port Chester, N. Y., Chairman, Tax Committee,
Westchester County Chamber of Commerce.
William P. Capes, New York State Conference of Mayors.
E. R. Eastman, Editor, American Agriculturist.
Henry M. Goldfogle, President, Bureau of Taxes and Assessments,
New York City.
Hon. Mark Graves, State Tax Commission.
Hon. F. P. Graves, New York State Commissioner of Education.
M. S. Howard, Statistician, State Tax Commission.
H. C. McKenzie, New York State Farm Bureau.
Carl H. Pforzheimer, Chairman, Finance Committee, Town of
Harrison, N. Y.
Prof. E. R. A. Seligman, Columbia University.
William J. Wallin, State Board of Regents, Yonkers.
Prof. George A. Works, Cornell University.

The committee is deeply indebted to this group of advisors. It is only fair to them to say, however, that the committee and not the advisors is to be held responsible for the recommendations and suggestions offered in this report.

As in previous years a qualified and experienced staff of investigators, statisticians and legal draftsmen was set to work on the technical phases of our examination. In order to expedite the work, the staff of specialists was divided into two divisions, one dealing with the problems of state aid for schools and the other with the problems of state and local taxation occasioned primarily by the present crisis in school finance, but involving necessarily the remaining expenditures of government and the whole state and local system of taxation and revenues. The members of the committee's staff have been drawn from Columbia University, Teachers College and the National Institute of Public Administration, and include men who have served the committee repeatedly in its past investigations and so were able to carry through this project with the least loss of time and effort. In the technical problem of finding a fair method of distributing state aid we were able to use the personnel of the Education Finance Inquiry, thereby drawing upon the facts, experience and conclusions of a previous extensive investigation.

Nature of Committee's Report

In this report we outline a new program for immediate consideration by the Legislature providing for a sound policy in the distribution of state aid for schools. The program which is recommended by the committee will require additional state funds to the extent of approximately ten million dollars in 1926. If it proves necessary to expand state aid for schools beyond this point, and the committee has no doubt and its report indicates that this will be the case, a revision of the state tax system will be necessary. Against such an eventuality, we are presenting a number of suggestions not only to raise the additional funds that may be necessary, but also to iron out the inequalities of our present taxes and to prevent the increase of the burden upon real estate. Our suggestions for tax reform recognize the new state policy of municipal home rule and outline methods by which natural local revenues may be increased and by which there may be established new local taxes upon personal incomes or upon business rentals if this is finally determined to be desirable.

This summary of our findings and recommendations is divided into three parts. These deal with: (1) State Aid for Schools; (2) Local Taxation; and (3) Revision of the State Tax System.

I—STATE AID FOR SCHOOLS**A Summary of Findings and Recommendations**

(1) The state is not meeting its obligation to provide a reasonable standard of free education for every child in the state. The educational opportunities in most of the rural districts and in many villages and cities are still very inadequate and unsatisfactory. This is not because the local districts in some cases have not exerted themselves to furnish good education; in fact, in many school districts the tax burden has risen alarmingly. Where constitutional tax and debt limits prevail, the situation is approaching a crisis. Already the pressure has forced some of the cities into various irregular financial practices to evade their tax limits, and several cities which will come within these constitutional limits with the next census will be unable to finance their present expenditures. It is for this reason that the problem of free education in the State of New York is now primarily a problem of finance and as such a problem of particular importance in the poor country districts and in the largest cities.

(2) In the under-schooled country districts the difficulty is generally due to two causes; first, the lack of taxable resources to pay for schools; and, second, inefficient school organization.

(3) In the cities the difficulty is due to the inadequacy of the local tax system as established by the state constitution and by state law.

(4) The state school system has failed at these critical points in spite of the large and growing sums of money which are being spent for education by local governments and by the state through state aid.

(5) In 1910, the cost of education in this state was \$59,600,000. In 1923, it was \$216,700,000. In this period state aid has increased from \$9,900,000 to \$43,500,000. The remainder has been met from local taxes and loans.

(6) The system which is used to distribute this \$43,500,000 of state aid has grown up gradually to meet particular emergencies and is not based upon a consistent state policy. It uses thirteen different and contradictory methods of apportionment with the result that the state is turning more than their share of state aid over to wealthy districts to pay for a better standard of education than the poor districts can afford.

(7) Our first recommendation, therefore, is that the state adopt a sound policy of state aid. This must recognize that the state is responsible for furnishing the opportunity to every child for a reasonable minimum standard of free education. We believe that this can be done best by establishing a state minimum standard of education, adequate to discharge the responsibility of the state, below which no community may fall, but above which any community may go if it so desires. The state must see that the local

units of government are provided with adequate financial resources to pay for the state minimum standard, and it must see that the tax burden to meet these costs is not heavier in proportion to tax-paying ability in different sections of the state. From practical considerations in inaugurating this new program, the state must not decrease the amount of aid now distributed to individual units of government.

(8) As a result of conferences called by the governor and attended by legislative leaders, the chairmen of the various committees involved, the commissioner and other representatives of the department of education, and by the members of this committee and its staff, certain important facts became evident. (a) The legislative leaders have indicated that no more than \$10,000,000 is now available for increased state aid. (b) Under the proposals for the increase of teacher quotas and for the increase of quotas for one-room rural schools almost \$6,000,000 of the amount available will be required. (c) The increase of state aid on the basis of present quotas does not serve to equalize the educational burden in the state. To produce equalization some new method of distribution must be followed. (d) And finally it has become clear that we cannot expect at this time through state aid to level up the standard of education offered throughout the state to a point even as high as the average education being given now in the cities and villages. We must be content for the present with a more modest equalization plan.

(9) As the next practical step under these conditions and in order that our program may fit in with and form a part of the joint plan which is being put forward by the chairman of the senate committee on education, the commissioner of education, and the legislative leaders generally, we recommend that \$4,000,000 of the \$10,000,000 available be used as an equalization fund to be distributed to the localities so that every locality, with a few exceptions, which makes a local contribution equivalent to one and a half mills of its full valuation will have, together with what it receives from other state aid, the equivalent of \$1,200 for an elementary teacher and \$1,600 for a high school teacher.

(10) We suggest that this equalization fund be distributed on the basis of the number of teachers because the teacher basis is preferred by many, including the commissioner of education and the board of regents, and commends itself to the members of this committee if proper allowance is made for the fact that some districts have fewer teachers than other districts to teach the same number of elementary or high school pupils. It is almost always the poorer cities and school districts which have fewer teachers than is normal in the state, and the committee cannot see the justice of penalizing these poor districts merely because they are poor, or of giving a disproportionate bonus to the districts with more teachers than the average, which usually means that they are already well off financially. It is a simple matter to make the proper allowance in the case of school districts or cities which have

fewer or more teachers than one would expect on the basis of the general practice in the state, because the committee's staff has prepared a careful summary from which it is possible to determine at a glance just what the average is for a school of any size in the state. At the suggestion of the chairman of the senate committee on education, the state department of education in cooperation with our staff has prepared a table showing exactly how much each district would receive under the committee's plan from the four-million-dollar equalization fund as well as from the plan for increased quotas. This is presented in the appendix and shows how simply and equitably the committee's equalization plan fits in with the general program.

(11) As a part of the committee's recommendation, every local school district affected will be required to make a certain contribution toward the cost of its local education. This contribution has been placed at an amount equivalent to one and a half mills of the full value of its taxable real estate. Full value has been selected in preference to assessed value because we are endeavoring to equalize the true burden and not merely to make the tax rates look alike. One and a half mills has been selected because that will furnish the amount necessary in combination with the available equalization fund to produce equalization to the extent of the \$1,200 for elementary and the \$1,600 for high school teachers — the equalization standard which appears to be feasible now. The local school tax in most districts will far exceed this compulsory contribution, as it does at present. The excess will be available for improving the standard of education wherever this is locally desired.

(12) The committee's plan for the distribution of a part of the increased state aid as an equalization fund will benefit all except a very few cities, which will receive their full share under other state aid quotas, all villages, all union free school districts and all rural districts with academic departments or with five teachers or more, or which are approved by the department of education. Other small school districts are excluded partly because they are helped materially under the joint plan for a revision of quotas and partly because we believe that further assistance should not be extended unless their organization is approved by the state.

The recommendations of this committee with regard to the state aid for schools forms, therefore, a part of the larger plan which is being put forward as the result of the cooperation of the various individuals, committees, departments and private groups involved. Our special interest is in equalization. It is our recommendation, therefore, that the need for equalization be recognized in the plans which are being made for the expansion of state school aid.

In the process of equalization it will be necessary for the state tax department to extend its equalization figures and to arrange them by school districts. This will require an additional appropriation which has been estimated at twenty thousand dollars. In the fiscal year of 1925-1926 the cost will be some \$10,000,000 for

the entire plan including the increase of quotas and for the equalization which we recommend. Beyond that point, the further increase of state aid will depend upon the educational standard adopted by the legislature as an adequate discharge of the obligation of the state under the constitution to furnish to every child the opportunity for a free education.

II—LOCAL TAXATION

A Summary of Findings and Recommendations

(1) Seventy-one per cent of the cost of local government in New York State falls upon real estate.

(2) In the last ten years the true tax rate on real estate has increased from \$20.94 to \$23.99 per thousand of full value.* In some jurisdictions the tax rate on an estimated full valuation basis is now between \$40 and \$50 per thousand. Property taxes are now consuming 30 to 50 per cent of net income from property in the prosperous agricultural sections of the state, and from 10 to 40 per cent of the net income from city property. Ten years ago the property income taken in taxes was slightly more than half of the present amount.

(3) The reason for this unjustifiable and rapid increase in the burden on real estate is because real estate has been the only elastic local tax revenue available to meet the tremendous increases in governmental costs.

(4) The state has established certain new taxes in the past ten years and has provided for the distribution to the localities of not less than \$44,000,000 a year as a share of state taxes and another \$50,000,000 a year as state aid for schools and highways. These allotments, which have been the chief cause of the increase of state taxes during the past decade, have saved real estate from a still more intolerable local tax burden.

(5) The situation is now squarely up to the state. The state creates the tax system under which the cities, the towns and villages must operate. The tax system is not adequate to meet the strain which has been placed upon it.

(6) The system of local taxation established by the state has shown its weaknesses, especially in the large cities and in the poorest country districts. In the large cities the established tax and revenue system cannot produce the revenue which the communities require to pay for the extensive services of a modern city, service which the taxpayers of these communities are willing to bear. In the country districts the breakdown of the system is due partly to the assumption of burdens locally which belong to the state, such as schools and highways, to the lack of taxable resources and to inappropriate administrative districts, especially for schools, highways and taxation.

* See Appendix VIII.

(7) While the correction of these conditions rests with the state, the cities have been slow to develop sources of revenue which lie entirely within their sphere of power. At the present time most of the cities of the state have placed their water works and other utilities upon a self-sustaining basis. But in almost all cases they have failed to do the same with the special services which they render to individuals for which charges may be made, as in connection with building permits, plumbing and electrical inspections, etc. Charges which are made for pay patients in city hospitals seldom meet the direct costs. Most of the cities of the state are paying for all public improvements, with the exception of the original street paving, from bond issues retired from taxes instead of from special assessments upon those directly benefited. Individuals are permitted to use public streets for private gain without payment to the city as in the erection of fruit, newspaper, boot black, taxi and other stands, the storage of building materials in streets, the encroachment of buildings in street lines, sidewalk vaults, and projecting signs. In only three cities has an effort been made since the war to overhaul and revise the schedule of charges for all permits, licenses and fees; and in no city has a real effort been made to place the costs of special and individual services upon those who occasion the service and benefit from it.

(8) One of the important causes for the shortage of tax funds in the large cities and for the outrageous tax rates in the rural districts is the failure to assess property at full market value. In the case of the cities, the responsibility lies entirely with the city. Any city which wants it can have full value property assessments. In the rural districts this is less true because few rural districts can afford to employ trained men capable of assessing large properties, especially of corporations and railroads.

(9) The new moneyed capital tax is being enforced even partially in only twelve of the sixty cities of the state.

(10) But even with the enforcement of the moneyed capital tax, the full valuation of real estate, and the complete overhauling of the local licenses, permits, fees, charges and special assessments, the new revenues which can be brought into the treasuries of the localities may not meet the revenue needs in all cases.

(11) One avenue of local tax relief may be found, therefore, through the enactment of new state taxes, the proceeds of which shall be distributed to the localities. The possible taxes and their distribution are outlined below.

(12) In addition, we urge upon the cities the careful and complete revision of their local assessment and revenue systems.

(13) To meet the urgent need of certain cities for additional sources of revenue, the suggestion is offered that all cities in the state be given the authority, if they so desire, to lay and collect a classified business or occupational tax based upon the rental value of business premises occupied. We believe such a tax will produce substantial local revenues, especially in the larger cities which are now embarrassed, and that the levy of a tax on business will serve

to produce a fairer distribution of the local tax burden than exists today.

(14) As an alternative new local tax source, a city may be authorized, if it desires, to levy, by action of the local legislative body, a small surtax upon the state personal income tax paid by residents of the city. The local surtax would be collected by the state along with the state tax from all residents of the city and the entire proceeds of the surtax returned to the locality.

We have outlined these new local taxes because we believe that home rule cities should be given greater home rule in taxation and because either of these taxes possesses sufficient merit to deserve the most careful consideration. They are frankly experimental.

The program outlined by the committee for the solution of the local tax situation may, therefore, be summarized as a recommendation first of all that the localities themselves endeavor to secure a more adequate return from the revenues under their control, and further that the cities be given a greater measure of home rule in taxation through authorizing the levy of a business or occupation tax or the levy of a local surcharge on the state personal income tax, and finally that in any development or revision of the state tax system increased distribution to the localities be provided for.

III—REVISION OF THE STATE TAX SYSTEM

A Summary of Findings and Recommendations

(1) A further revision of the state tax system is necessary in order to make our taxes more equitable and in order to provide the additional revenues needed by local government, especially for schools.

(2) Taking federal, state and local taxes as a whole within the state of New York, the tax burden in 1923 was distributed as follows:

	Per cent
From property taxes	37
From income taxes (gross and net).....	39
From other taxes, including inheritance.....	24

Taking the state taxes alone, the distribution was:

	Per cent
From property taxes	28
From income taxes (gross and net).....	30
From other taxes	42

Since 1923 federal and state income taxes have been reduced so that at the present time a larger part of the tax burden in the state falls upon property than income.

(3) At the present time the state levies a business tax upon all corporations; unincorporated businesses are not taxed. This is a discrimination against corporations.

(4) Motor vehicles are not paying their fair share of highway costs in the state nor are they paying as much in New York State as in other neighboring states.

(5) The return to the state from the state inheritance tax can be increased materially without increasing the burden upon the state. A recent change of the United States inheritance tax law allows, as a credit on federal taxes, certain state inheritance tax payments. The New York State law does not take full advantage of these possible credits.

(6) The state of New York should withdraw as far as possible from the taxation of real estate. Real estate should be left to the localities as a tax source. We hope the condition of the treasury will warrant a reduction of the state tax in the near future to not more than one mill.

(7) Tangible personal property should be exempted from all taxation in the state. Personal property now amounts to but $1\frac{1}{2}$ per cent of the total assessed valuation carried by the assessment rolls. Personal property assessments are unevenly and unfairly distributed among the tax districts because of the inherent weakness of personal property as a tax base under present conditions in New York State.

(8) We therefore recommend that the tax on tangible personal property in the state of New York be repealed. This will involve a revenue loss to certain localities of \$6,500,000.

(9) We renew our recommendation for the levy of a tax on unincorporated business. If the rate is placed at 5 per cent of the net income this tax will produce approximately \$13,000,000.

(10) In this case the income tax on business corporations should be increased to 6 per cent of the net income in order that there may be a differential rate as between incorporated and unincorporated businesses and at the same time greater equality as between these corporations and those taxed under other tax laws, such as the public utilities and the banks. This will result in the increase of the tax on corporations of eight million to ten million dollars.

(11) We recommend the amendment of the state inheritance tax law to take full advantage of the credit allowed under the federal statute for state inheritance tax payments. This will add \$3,500,000 to the state revenues without adding a single cent to the burden of the taxpayer because he can deduct it from his federal tax.

(12) We recommend the enactment of a tax on gasoline of two cents per gallon. This will add \$12,500,000 to the income of the state. While this will be devoted to roads, a certain part will serve to relieve present funds expended on roads and to set them free for other uses of the state.

(13) If substantial additional revenues are required we suggest an increase of the personal income tax rates so that they will be 1 per cent up to \$5,000; 2 per cent from \$5,000 to \$10,000; 3 per cent from \$10,000 to \$50,000; and 4 per cent above \$50,000. The New York State rates are exceptionally low. The federal rates have been reduced so that an increase in the state rates will serve to maintain a balance of the amount of taxes falling upon income in the state and the amount falling upon property. An increase of the rates as suggested will produce some \$19,000,000.

(14) In connection with these new taxes we recommend for the present that the proportion of the taxes passed on to the localities remain the same as under existing law, with the exception of the gasoline tax which we believe should be apportioned equally between the state and the localities.

The program of state tax revision listed here by the committee endeavors to accomplish three things: First to correct certain weaknesses of our present tax system, second to show from what sources and to what extent important new state revenues may be derived, and third, to increase the tax resources of the localities both through the sharing of state revenues and through the broadening of their own tax bases.

CHAPTER II—STATE AID FOR PUBLIC SCHOOLS

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THE OCCASION FOR A LEGISLATIVE STUDY OF SCHOOL FINANCE

The cost of education

The total cost of public education in the state of New York in the year ending July 31, 1923, was \$216,700,000. The corresponding figure for the year 1910 was \$59,600,000. This tremendous increase has raised serious problems, particularly since public expenditures for other functions than education also show large increases during the same period.

Division of support

Of the \$216,700,000 spent in 1923, \$185,300,000 represented current revenue, the remainder having been financed through loans. The total gross outstanding bonded indebtedness for education in the state stood at \$285,400,000 at the end of 1923, twice the amount outstanding ten years ago. To supply the \$185,300,000 of current revenue for public education, the state increased its support between 1913 and 1923 from \$9,900,000 to \$43,500,000* and the localities increased their support from \$62,400,000 to \$141,100,000. The state now supplies nearly one-fourth (23.4 per cent) of the revenues in support of public education and the localities the remaining three-fourths (76.1 per cent), the federal contribution of approximately three-quarters of a million dollars (.5 per cent) being relatively insignificant.

The problem

The increase in local expenditures, including those for schools, has placed a severe strain upon the local revenue system. In many school districts tax rates have risen to an alarming level. The state tax commission records show, for example, that one school district in 1923 levied a tax for schools alone of \$4.80 on each one hundred dollars of full value of property and that 67 school districts had rates of \$2 or more.† In some of the cities where tax and debt limits prevail the situation is fast approaching a crisis. In spite of the large increase in the state's contribution, the burden placed upon real property which makes up the bulk of the local tax base, has become so great as to cause bitter complaint. The legislature

* This represents the state aid provided in 1923-1924. The aggregate figures for state aid given in the Mort memorandum in Appendix No. I represent state aid distributed in 1922-1923.

† Annual Report of the State Tax Department, 1923, page 491.

is flooded with protests against the weight of property taxes. It is besieged with entreaties for modifications which will enable the cities to continue to carry on the functions, like education, which the state has assigned them. At the same time there is wide-spread complaint with regard to the quality of the educational opportunities offered, particularly in the rural sections of the state. This situation caused the legislature to instruct its joint committee on taxation and retrenchment to make an examination of the problem of financing public education in the state of New York.

STATE AID AS A FACTOR IN THE PROBLEM

Desirability of increase in state support

It is not proposed at this point to analyze the expenditures for public instruction or to inquire as to the degree to which the increase may be justified. This question has received attention in the elaborate studies of rural schools and school finance. There is a widespread feeling throughout the state that the schools are costing too much; that large sums are being wasted through poor organization and management; that the facilities provided in some instances are extravagant and that the instruction is over-elaborate. It is true that recent analyses of the cost of education in various communities, such, for example, as that made by the educational finance inquiry commission, reveal variations in costs which raise serious questions regarding particular localities. There are undoubtedly occasional cases of waste and extravagance and there are undoubtedly opportunities for improvement in organization and management. While it is true that every effort should be made to prevent waste and extravagance and to improve organization and management, much of the complaint regarding school cost is obviously ill-informed and unintelligent. The great bulk of the increased cost of education is not due to wastes or mismanagement but to an increase in the task which the educational system has been called upon to perform. The savings which may reasonably be expected to be achieved are relatively insignificant. There appears to be no rational ground for expecting that educational expenditures will decline materially in the years that lie immediately ahead. Indeed, further increases rather than decreases seem probable. Moreover, the increase in the importance of the role played by the state in financing the public school system seems not only to be natural in view of the established principle that public education is fundamentally a state function, but also to be almost inevitable in view of the character of the revenue systems of the state and the localities. The plain fact seems to be that the cost of the things which the state has delegated to the local political subdivisions has increased more rapidly than the capacity of the local revenue system to expand. As the situation now stands, it

is the state and not the local revenue system which contains the most elastic elements and the greatest possibilities of increased productivity. The taxes which should be used to raise additional funds are for the most part taxes whose successful administration demands that they be state rather than local taxes. The solution of the problem would seem to involve either that the state relieve the localities of certain functions which it has asked them to perform, or that the state increase very considerably the amounts which it collects in taxes and then redistributes to the localities.

A sound state aid system of fundamental importance

In the field of education the weight of opinion seems to be in favor of retaining a large degree of home rule. A proposal for the state to take over the entire task of education is certainly not one which the people of the state are at present prepared to accept. It follows, therefore, that the establishment of a sound system of state aid is necessarily antecedent to a satisfactory solution of the problem of financing public education in the state of New York. Recognition of this fact caused this committee early in its deliberations, to initiate a study of the system of distributing state aid for schools, the results of which are presented herewith. The report was submitted in a confidential preliminary form to those most interested in the education problems of the state in the hope that it would elicit criticisms and suggestions. In the light of these criticisms and suggestions, the committee has endeavored to perfect a plan which it can confidently recommend to the legislature as a sound basis for distributing larger future grants of state aid.

A revised state aid system not a complete solution

The committee desires to state as plainly as possible that this study of state aid is not presented as a complete solution of the financial problem of education in the state. It is fully aware that in certain cities the plan here set forth will not give substantial relief and that other measures must be devised to meet the special problems there obtaining. The committee has examined the situation in these cities, and in Chapter IV presents a number of specific suggestions as to how these special problems may be met. It is the purpose of this chapter to deal solely with the distribution of state school aid.

Shortcomings of the present state aid system

It has already been pointed out that the sum distributed to the localities in support of public education has more than quadrupled during the last ten years and now amounts to a grand total of nearly \$43,500,000. This money is distributed according to rules developed as a result of a long historical process, modifications being made from time to time as dictated by the exigencies of particular situations which obtained at the moment. At present no less than thirteen different criteria are utilized in distributing state aid for

schools.* The system is so complicated that even those who are charged with the details of its administration testify that it is in some cases impossible to carry out the provisions of the law or even completely to understand them. The committee requested its investigators to enquire particularly in regard to the actual operation of this system. They report (pages 00 to 00) that with all its complications, the system accomplishes almost nothing at all in achieving the end which is believed to be the primary purpose of a system of state aid, that is, the equalization of educational opportunity throughout the state by levying upon the richer sections to aid the poor and backward community in providing an acceptable educational offering. In its attempt to accomplish many things it fails entirely to accomplish its main task of equalizing the support of education throughout the state. Indeed, in some cases it appears to take from the poor and give to the rich communities. Clearly if the financial problem of public education in the State of New York is to be remedied by means of the collection of additional revenues by the state for distribution among the communities, it is essential that the present system of distributing state aid be abandoned. It should not be permitted to persist as a device for distributing even the \$43,500,000 which is now provided by the state in support of education. The time has come when the state must face the problem of what it desires to accomplish by means of its state school funds. It must sweep away the present conflicting standards of distribution and establish a subvention policy which will really further the ends which it desires to accomplish. The question then is raised as to what the state should seek to

* These criteria are:

- (1) The school district *per se*; (*)
- (2) The employment of a superintendent;
- (3) The number of licensed teachers employed;
- (4) The population of the district;
- (5) The assessed valuation of property of the district;
- (6) The maintenance of a high school; (b)
- (7) The number of non-resident students (c) attending the high school;
- (8) The aggregate daily attendance in the high school;
- (9) The maintenance of a teachers' training class;
- (10) Aggregate daily attendance in training schools;
- (11) Amount spent for books, apparatus, etc.;
- (12) Length of school term;
- (13) Salary of teachers.

(*) Subject to the qualification that no district quota is given when the district does not either employ a teacher or contract with some other school district for the education of its pupils.

(b) Not only the maintenance of an academic department (high school), but also the number of years of instruction offered in such department, are taken into account.

(c) That is, students from districts not maintaining an academic department, or from districts maintaining one which does not offer a full four-year curriculum.

—Strayer and Haig, *The Financing of Education in the State of New York*, (New York, MacMillan, 1923), page 98.

accomplish by means of its' subvention system. What should be its object and purpose?

Equalization as the object of a state-wide system

Legally it has long been established that education is a function of the State of New York, and when the state is directly meeting from its own resources almost a fourth of the cost of education, this has obviously become more than an empty phrase. In formulating a conception of what a system of state aid should accomplish, it is helpful to consider the problem from the point of view of what the state's obligations and responsibilities would be in case it assumed entire responsibility for directing and financing the educational system of the state.

When viewed from this standpoint, it at once becomes clear that the state has an obligation to all of its citizens. It would be intolerable for the state to use its revenues, collected from the state as a whole, to support a program of education which would be available only to a part of the state. Moreover, in a democracy, at least so far as the provision of elementary education is concerned, it is not only inequitable but it is positively dangerous to attempt such a course. This is fully recognized by everyone, in theory at least, and there is ample internal evidence in the present state-aid system of an endeavor to provide that every child in the state shall have an opportunity to receive an elementary education. It is due to an implicit recognition of the truth of this principle as applied to the entire educational offering which is to a large extent responsible for the feeling on the part of many students of the problem that education should not be made exclusively a state affair, to the extent that local communities are deprived of the right to provide for a particularly rich educational offering at their own expense. Certainly it is difficult to defend a state-financed educational program which presents to one portion of the state a finer educational offering than it presents to another portion of the state. It seems inevitable that what the state directly offers must be offered to all.

Moreover, what the state offers to all should be so financed as to apportion the burden equitably over the entire state. In other words, if the state were to assume entire responsibility for the educational system, it would follow that it should make its offering of uniform quality throughout the state and support its offering by a tax system which bore equitably upon all sections of the state. This point of view is usually described as equality of educational opportunity. Today, in the State of New York, it is recognized as generally valid.

The agitation for additional support for rural schools springs largely from a conviction in the minds of the people of the state that the standard of the educational offering, which the state now insists should obtain in the economically backward sections, is intolerably low. To raise this standard materially involves some action by the state in bringing the resources of the more prosperous sections to the support of the sections which are economically weak.

This could conceivably be done by an expansion of the size of the school district to limits smaller than those of the state. But even though the limits were made as wide as the county lines, there would still remain a problem of adjustment among the counties if the cost of the minimum offering which the state considered acceptable were to be equitably distributed throughout the state. The expansion of the limits of the area to coincide with the state lines would, of course, eliminate the problem of state aid. Unless the people of the state are willing to go to this extreme, the system of state aid remains the method which the state must use to bring about a condition which conforms to the demands of the principle of equalization of educational opportunity. This appears to be the primary end which state aid should accomplish. Failing to accomplish this it fails fundamentally. The attempt to use state aid for other purposes, if such use materially reduces the effectiveness of the state-aid system in accomplishing this primary purpose, must be considered subversive and undesirable.

Effect of using state aid system to reward effort

There are those who contend that state aid be used not only to equalize educational opportunity but also to "reward effort." An examination of the various criteria used shows that the present system of state aid represents a mixture of motives, of which "reward of effort" is one. In addition to the primary purpose of bringing the economic resources of the richer communities in support of education in the poorer communities, an effort is made by the use of grants of funds to encourage communities to exert themselves to greater endeavor. These grants are sometimes in the form of definite sums to the localities given upon the condition that they themselves make expenditures for certain specific objects. In other cases the reward for effort is measured in a manner which takes into account the economic resources of the community to make the effort. This is done, for example, in the proposal of the committee of twenty-one. However, under any such plan, the extent that the money used to reward effort comes from general state-wide sources, this practice in practical effect means that moneys collected from the state as a whole are diverted to the treasuries of particular subdivisions which are able and willing themselves to make a certain effort.

It is to be particularly noted, first, that the poor communities as well as the rich contribute to the fund from which these grants are made, and that, particularly in the case of the specified grants, it is usually the rich communities, rather than the poor, which are able to make the "effort" which is a necessary condition to sharing in the distribution.* It is obvious that if the purpose of the state

* It is true that the plan of the committee of twenty-one safeguards this point to some extent in that increased state aid was to be available only to such districts as were below the medium in wealth. However, the fact remains that in its attempt to reward effort, its effects within the group composed of the communities falling below the medium in wealth, would be to draw upon the poor communities to finance wealthier ones.

aid system is to accomplish equalization, it is prevented from accomplishing its purpose to the extent that the poorer sections are called upon to contribute to the funds used for rewarding effort. In actual operation, consequently, reward of effort and equalization are diametrically opposed and are mutually inconsistent. If, as is here contended, the state has a fundamental duty to equalize educational opportunity, it would seem to be disingenuous for it at the same time to attempt the policy of rewarding effort from the funds derived from state-wide taxes. Desirable though it may be to stimulate localities to greater exertion for educational purposes, it should be frankly recognized that to use the state aid system for this purpose tends to unfit it for use in the accomplishment of its primary object.

There is an additional point which may be urged against the reward of effort as a feature of the state aid system. When, as has been pointed out, expenditures for education have increased to the extent that they have in this state, the question arises as to whether it is desirable to create an artificial stimulus to additional local expenditure. Many of the communities have already raised their taxes for schools to a point which is very high indeed. A proposal to them under the terms of which by raising an additional hundred dollars locally they will be enabled to spend two hundred or three hundred dollars for some educational purpose, is an appeal which in many cases is difficult to withstand, especially since they realize that if they refuse the proposal they must nevertheless contribute through state taxes to the fund from which other communities receive their rewards for effort. The only way they can get back what they themselves contribute is to make the additional local expenditure necessary to qualify for a grant. Moreover, this particular objection is by no means completely met by relating effort to resources.

The adherents of the plan for using state aid for rewarding effort are often persons who are primarily interested in stimulating the rate of progress in the field of education and only incidentally interested in the financial problem. Even though it be admitted that it is a proper function of the state to stimulate educational progress, the question may be frankly raised as to whether a grant given as a "reward of effort" is an efficient device, well fitted for use by the state in accomplishing educational progress. It is certainly desirable that whatever the state does to encourage progress throughout its area should be done in a manner which will not disturb seriously the equality in the distribution of the burden of educational expenditures. In general, progress should take the form of making generally available to all the people of the state, through the raising of standards of the minimum per-

missible offering, the cost of which is equitably apportioned, rather than by means of a scheme of grants which in its practical operation almost inevitably takes from the poor to reward the rich, thus operating directly to neutralize the effectiveness of the state-aid system as a method of equalization.

GENERAL CONSIDERATIONS UNDERLYING THE PROPOSED PLAN.

The committee requested its staff both to examine the operation of the present system of state aid, and to suggest the changes which should be made in the system to fit it for use in distributing larger amounts of state money. In examining the suggestions, it will be helpful to bear in mind the following considerations.

Guarantee of old grants

In the first place, although it was recognized that an entirely new system of state aid was desirable, it was realized that, as a practical matter, the claims of the localities on the state treasury under the old system had assumed something of the character of vested interests which could be violently disturbed only at the cost of much local distress. Therefore it seemed desirable that the proposed new arrangements should guarantee to every locality at least as much state aid as it had been accustomed to receive in the past. If upon further consideration it should appear that the importance of this factor has been over-emphasized and that this guarantee need not be given, the amount of state funds required to achieve the suggested standard would be materially reduced.

Flexibility

It was considered desirable that the educational offering which the state would seek to guarantee through the use of its subventions, described in the report as the "minimum permissible educational opportunity," should be a flexible standard capable of adaptation to the necessities of the state's financial situation and to the desires of the people of the state with regard to the extension of state activity in the educational system. The upper standard utilized in the report, the so-called "seventy-dollar education," is merely a suggestion. It is a suggestion, however, which is advanced

* It might be possible to defend a proposal that the state stimulate progress by devoting considerable funds to educational experiment, that is, that it might select projects of an experimental character for trial in various communities, such experiments, however, to be supported under carefully controlled conditions and the projects selected primarily with reference to their promise from the viewpoint of yielding evidence as to the value of methods as possible additions to the offering to be made available throughout the state. The dedication of a relatively small sum to such purposes would seem to be far more promising of fruitful results in the direction of educational progress than a blanket offering to assist any community which would pay part of the cost to establish extensions of their educational system which are still in the experimental stage.

only after careful consideration. Although it involves a very considerable increase in state support, it is hoped that the increase will not prove to be too great to be obtained. It involves increased grants which should improve the quality of the offering in at least half of the school districts in the state. The plan is so arranged that the standard may easily be raised in case the legislature finds itself in a position where it is justified in devoting a larger sum to education than that suggested. In fact the standard is perfectly flexible and the legislature may go as far in any one year as it deems itself justified, in view of the sentiment of the state with reference to the support of education.

Simplicity

It was fully realized that in questions of this type simplicity is an important consideration. The report suggests the reduction of the financial needs of the various localities, which vary enormously from place to place throughout the state, to the terms of a single common unit. This unit may be expressed in a variety of different ways. It may be expressed simply in terms of a given amount for each pupil in average daily attendance with a variation in the amount, depending upon the conditions affecting the cost of the offering—that is, for example, whether that pupil is in an elementary school or in a high school, or whether he is in a very small school where costs per pupil are high, as compared to a large school where costs per pupil are relatively low. The unit may be stated equally well in terms of teachers if it is considered better to use the teacher as the unit in expressing the plan.

It is thought that the proposed plan, in its essentials, is as simple as any plan can be made which takes into account the very real differences in the costs of supplying a minimum acceptable educational offering in the various sections of the State of New York, where such diverse conditions obtain. It is submitted that, where the situation to be met is itself complex, the selection of a very simple criterion, as for example a flat amount per teacher, without any modification to take into account differences in the actual costs of supplying the offering in the different places, would mean that simplicity had been purchased at a very high price indeed in terms of equity. The fundamental conceptions underlying the proposed plan are simple and the detailed computations can be carried through at an inconsiderable cost.

Equalization of opportunity

On the assumption that the fundamental purpose of the system of state aid should be to achieve a reasonable educational offering to all the children in the state at a cost which is distributed equitably throughout the state, the proposed plan is frankly an equalization plan and nothing more. It does not claim both to equalize and to reward effort, because, as has been pointed out above, to the extent that the state rewards effort by taking from those who do not (often because they can not) make the effort, it

destroys equalization. The proposed plan, instead of offering a reward for effort, requires that every community make a certain uniform minimum effort, the state then undertaking to supplement that effort to the extent necessary to achieve at least the standard set. Beyond this point it permits each community entire freedom to go as far as it pleases, within the set restrictions, such as tax and debt limitations.

Control of standards

This is a financial plan and is concerned primarily with the establishment of the financial foundation upon which equalization of opportunity may be achieved in the State of New York. It is, indeed, a simple mind which would assume that only a financial plan is needed to achieve the desired ends, that merely by making more money available, standards will be raised. Unfortunately, however, the supplying of the money appears to be a necessary preliminary. As the share of the state's support increases, it is entirely proper that the interest of the state in the establishment and control of standards should likewise increase. It might be fitting, for example, that the state department of education should be empowered to increase the requirements as to the qualifications of the teachers whose salaries come from the augmented state aid. The plan may be accompanied with any degree of control of standards that may commend itself.

Reorganization of districts

The proposed plan may be adapted to the school districts as at present organized or to any scheme of reorganized districts which may be established. It is true that a further increase of state support for schools intensifies the already acute interest of the state as a whole in the question of the efficiency with which the state is districted for purposes of supplying educational opportunity. The sentiment is strong, however, in favor of the preservation of the integrity of the present school districts with their existing boundaries. Many suggestions have been received by the committee regarding the need of reorganizing the administrative unit. It has been suggested that an optional arrangement might be established whereby districts which appeared to the state department of education to be so badly organized that they could not make economical use of the funds provided in achieving the standards reasonably to be expected, might receive grants under the new plan only in case they consented to reorganize, but that, if they preferred to remain as before, their grants of state aid should remain as before. An arrangement of this character would prevent the intrenchment of types of organization which were obviously obsolete and wasteful. The administration of the proposed plan would be somewhat simplified by a reduction in the number of school districts to be dealt with but mechanically the plan is adaptable to districts of any size. The important point from the point of view of the interest of the state is the adoption of proper

safeguards which will prevent funds being given to districts which, because of their form of organization, or because of any other reason, are not in a position to make efficient use of them in attaining acceptable standards. In the opinion of the staff the powers of the present small districts should be transferred to a larger unit where local conditions permit.

Special cases

The distribution of state aid under a general plan would have to be expanded to very great limits indeed if the acute situations in certain cities were to be entirely relieved by this method. The plan will give some relief in practically all cases, but it will be necessary to devise means of dealing with scattered cases of distress which will still remain.

THE PROPOSED NEW SYSTEM OF STATE AID

The details of the suggestion for a new system of state aid which the committee desires to submit are given in Dr. Mort's memorandum printed in the appendix. The main features of the plan are briefly outlined in the paragraphs which follow. As has already been explained, the plan is simply an attempt to provide a financial plan which will make it possible to offer to every child in the state a "minimum permissible educational opportunity" at a cost which will be equitably distributed throughout the state.*

Measuring the educational task

First of all, it is proposed to substitute for the thirteen criteria now used in the state aid system a single criterion — either the *pupil* or the *teacher*. Under the former plan, with the pupil as the unit, all the state money is to be distributed so much for each pupil in average daily attendance — with this modification: that where costs are necessarily higher because the pupil is in high school rather than in elementary school, or in a school of small size rather than one of normal size, the grants are made somewhat larger. This is done by increasing the sum allotted to pupils attending such schools. For example, a high school pupil in a school of normal size is counted as equivalent to two pupils in an elementary school of normal size and an elementary school with fewer than 27† pupils is counted as though it had that number of pupils. A careful study of actual school costs shows that by

* It is of interest that, in a report prepared by "The Ohio Institute" dated December 1, 1924 (School Finance Study No. 2), the School Finance Committee of the Educational Council of the Ohio State Teachers Association recommends a plan of state aid similar in some of its essentials to the one here presented. It proposes for example, the establishment of a minimum acceptable offering and state and county aid sufficient to make this offering possible to any district demonstrating its inability to supply the offering when it imposes a tax rate equal to the average school rate for the state.

† For a more exact statement, see page 197.

dividing elementary schools into three groups and high schools into four groups, the important differences in cost can be taken into account and a high degree of exactness achieved.* The details of the calculations (see pages 197-200) are somewhat technical but these are not essential to an understanding of the principle which is exceedingly simple. It is believed that the net result is fair and equitable.

Under the second plan, with the teacher as the unit, all the state money is to be distributed so much for each teacher — with this modification: that where there are fewer teachers in a school district than one would expect on the basis of the general state average for districts with the same number of pupils, the state aid would be determined upon the basis of the number of teachers which the district would have to conform to the average. If a district has more teachers than the average a compensating adjustment would be made.

Setting the minimum

In the next place it is proposed to establish a lower limit, a "minimum permissible educational opportunity" which shall be made available to every child in the state. Obviously it would be desirable to express such a minimum in terms of educational product and the time may come when this will be possible. For the present, however, the best that can be done is to express it in terms of money, accompanied with such prescriptions with regard to the quality of teachers, facilities, and curriculum as the educational authorities may find it practicable to lay down. This amount of money can be related to the pupil unit described in the preceding paragraph so that one may speak, for example, of a \$50 minimum or a \$100 minimum, measuring the kind of an education which \$50 or \$100 will buy for a pupil.† At the present time the

* It is true that such differences in costs as may exist among communities where the schools are of the same size are not taken into account and, with the data at present available, it is impossible to do so. No adequate study has ever been made regarding such variations in cost. The largest single element is teachers' salaries and if, for example, due to conditions in particular types of communities, it costs more to secure teachers to provide the minimum permissible educational opportunity, this should be recognized in distributing state aid. Investigation in this field is not simple. Other items than money enter as considerations in attracting and holding teachers and the money cost of living is no sure guide. Indeed in some places bonuses are being paid to attract teachers to country districts where, presumably, the money cost of living is relatively low. In the case of cities the competition for teachers is commonly on a higher financial level than is required by the minimum permissible offering. All in all, it is believed that the inequalities in costs of this type are relatively insignificant but their importance should be made the subject of study, possibly by the State Department of Education. If the facts developed indicate significant differences, the plan should be refined some time in the future so as to take them into account.

† Weighted as indicated in the preceding paragraph.

state permits an offering as low as \$35 per pupil.* It actually guarantees a minimum of only \$11 per pupil.* The proposed plan of state aid may be adjusted to any minimum at all. It was suggested by the staff that a minimum of at least \$70 be established. The investigation showed that \$70 represented the average offering in cities and villages at the present time. This would involve an increase in state aid amounting in the aggregate to \$23,500,000. It would improve the offering in nearly 200 of the 207 supervisory districts and in nearly half the villages and cities. It would make available to all an offering roughly equivalent to that now available in those districts which have resources of about average richness back of each pupil. It is true that most of the pupils of the state are now being given a better offering than the \$70 minimum would prescribe, but to bring the backward groups up to this level would be a long step forward. It may be followed by other steps as long and as rapid as the people of the state, in view of their circumstances, may desire to take.

While the committee believes that the \$70 minimum suggested by its staff is none too high when viewed from the standpoint of the children of the state, we recognize that the \$23,500,000 involved is more than the state can afford at the present time. The maximum amount now available for increased state aid has been placed at \$10,000,000. Of this \$6,000,000 is to be distributed through the increase of present quotas and allowances. It is our recommendation, therefore, that \$4,000,000 be distributed to bring about equalization. Computations which have been made by our staff and detailed tabulations prepared by the state department of education show that substantial equalization can be achieved with this fund of \$4,000,000.† The equalization will be based on \$1,200 for an elementary teacher and \$1,600 for each high school teacher. If expressed in terms of pupils this represents approximately \$45 per pupil.

Summary of equalization plan

As a result of conferences between the members of this committee, the committee on education, the legislative leaders, the governor, members of the department of education, and the board of regents, a general joint program for dealing with the entire question of increased state aid was drawn up for presentation to the legislature. Our suggestions with regard to equalization have been incorporated in this joint program with certain modifications and revisions. As we understand it, the entire joint program may be outlined as follows:

* Weighted as indicated in the preceding paragraph.

† See pp. 15-18, and Appendix No. III.

I— Increase of present allowances and quotas:

- (1) Double the allowance in the very poorest one-room school districts.
- (2) Increase by one-third the allowance in the richer one-room school districts, and
- (3) Increase teacher quotas in all cities and villages and in towns with schools of more than one teacher. The increases vary from \$150 per teacher in the smallest districts to \$50 per teacher in New York City. (Even with these larger increases in the smaller and poorer districts the total amount they receive per teacher will still be below the new teacher quotas of the cities.)

II— Increase of state aid to secure equalization:

By providing that the state shall pay to any district enough new state aid so that (1) this new state aid plus, (2) the state aid provided under the quotas and allowances above, plus (3) a local contribution from taxation equivalent to a levy of 1.5 mills on each dollar of full valuation will together equal the \$1,200 for each elementary teacher and \$1,600 for each high school teacher which is set as the basis of equalization. For the present equalization quotas will be payable to cities, villages and to union free school districts with academic departments or with more than five teachers.*

The committee's plan of equalization is therefore merely one part of the comprehensive joint program the total cost of which is estimated at slightly under \$10,000,000. Of this \$6,000,000 will be needed for the increases carried by Part I of the program and \$4,000,000 for the equalization provided in Part II.

* See Appendix VII.

CHAPTER III — STATE AID AND LOCAL FINANCE

CHAPTER III—STATE AID AND LOCAL FINANCE

In the previous chapter we have presented a discussion of state aid for education. In this chapter we present a comprehensive review of state aid for education, for highways and for the other general services of local government as a result of the distribution to localities of a share of certain state taxes. Education is not the only function of government, and in our opinion no sound solution of the problem of state aid for schools can be developed without an examination of the state's responsibilities in other fields. This chapter presents, in a preliminary way, a general study of state aid and apportionments and their place in local finance.

Growth of State Aid

While state aid to local governments is by no means a new policy in the state of New York, it has taken on vastly greater importance in recent years. In no small measure the state has come to the assistance of local subdivisions in meeting the extraordinary increase in government expenditures. In general, this assistance has been of two types. In the first place, the state has greatly enlarged its grants for school and highway purposes, the two fields of local activity in which state funds had previously been employed. In the second place, the state has further contributed to the support of local government through the division of the yield of several important state taxes. As a result of the rapid development of these two forms of assistance, state participation has become a factor of the utmost importance in the financing of local government, and it is therefore vital that it should be based upon sound principles. At the same time the extension of this policy has contributed greatly to the fiscal problems of the state itself.

Although there has been a substantial increase in most items of state expenditure since the war, the expansion of the policy of state aid has been by far the largest factor in the growth of the budget. Practically 50 per cent of the total increase in state expenditures since 1917 may be directly attributed to this source. Where \$8,294,209 of state funds were apportioned to localities in that year, a total of \$42,611,134 were distributed in 1923. In the same period total state expenditures rose from \$60,881,298 to \$131,868,672. The following table shows the increase in total state expenditures and in disbursements for state aid, year by year, since 1917, and also indicates the degree to which the latter has contributed to the total increase in expenditures:

TABLE I
INCREASE IN TOTAL STATE EXPENDITURES AND IN EXPENDITURES FOR STATE
AID SINCE 1917 *

YEAR	Increase in total state expenditures over expenditures in 1917	Increase in expenditures for state aid over such expenditures in 1917	Per cent increase in state aid is of increase in total expenditures
1918.....	\$12,261,273 18	\$929,063 73	7.6
1919.....	17,460,015 17	1,488,293 96	8.5
1920.....	33,042,917 63	7,032,533 82	21.3
1921.....	74,726,877 06	29,508,894 33	39.5
1922.....	65,787,874 61	32,715,189 62	49.8
1923.....	70,987,374 35	34,316,924 36	48.3

* Based on comptroller's annual reports.

Highways and Education

Both highways and education have shared liberally in the extension of state aid. Much the greater increase has occurred in the case of education, however. In 1919 the legislature came to the assistance of local school districts in financing the readjustment of salaries necessitated by the new price level. This has been the principal item in the growth of state aid expenditures. In the case of highway aid the enactment of the Lowman Act in 1920, granting state funds for local road construction, has been the chief cause of increased expenditure. As a result of these and other changes in the system of grants-in-aid, the state expenditure for local school purposes has risen 464 per cent since 1917 and that for local highway work has advanced 203 per cent. The following table indicates the degree to which these measures have affected the character of state expenditures:

TABLE II
PER CENT OF STATE EXPENDITURES APPLIED TO STATE AID

YEAR	Per cent state aid for highways is of total state expenditures	Per cent state aid for education is of total state expenditures	Per cent expenditures for state aid are of total state expenditures
1917.....	2.6	11.0	13.6
1918.....	3.1	9.5	12.6
1919.....	2.7	9.8	12.5
1920.....	2.4	13.9	16.3
1921.....	2.9	25.0	27.9
1922.....	4.1	28.2	32.3
1923.....	3.7	28.6	32.3

Division of State Taxes

In addition to state grants for school and highway purposes, local governments enjoy a large revenue from the division of state taxes. Prior to the war the state had provided for the apportionment of part of the yield of the liquor license, mortgage, motor vehicle, and bank stock taxes, from which localities received \$16,514,648 in 1917. Since the war local governments have been allowed to participate in the revenue from the business corporation tax and in the yield of the new taxes on personal income and moneyed capital. In the aggregate local subdivisions secured \$44,185,278 from these sources in 1923.

The growth of the state's contributions to local revenues may be seen from the following table:

TABLE III
STATE CONTRIBUTIONS TO LOCALITIES*

YEAR	State taxes apportioned among localities	State aid for highways	State aid for education	Total
1917.....	\$16,514,647 93	\$1,589,313 68	\$6,704,895 81	\$24,808,857 42
1918.....	23,497,205 09	2,297,595 74	6,925,677 48	32,720,478 31
1919.....	28,709,987 35	2,166,626 45	7,615,877 00	38,492,490 80
1920.....	50,079,601 47	2,260,050 93	13,066,692 38	65,406,344 78
1921.....	43,672,179 20	3,782,024 73	34,021,079 09	81,475,283 02
1922.....	39,229,468 12	5,178,100 44	35,831,298 67	80,238,867 23
1923.....	44,185,277 90	4,819,060 43	37,792,073 42	86,796,411 75

* Based on annual reports of the comptroller and the state tax commission.

The state's contribution is of varying importance in the different classes of local subdivisions. In villages it represented in 1923 about one-twelfth of the total revenue exclusive of public utility earnings. In cities receipts from state aid and from the division of state taxes together constituted about one-eighth of the local revenue other than that from utilities. In towns such receipts made up 18 per cent of the total revenue. In any comparison of the operation of the system in these units, it must of course be remembered that school revenue is included in the case of cities, while in towns and villages schools are separately financed. It is apparent, however, that the state's contribution is relatively of much greater significance in towns than in other classes of local governments.

TABLE IV
 RECEIPTS FROM STATE TAXES AND GRANTS-IN-AID AND FROM LOCAL SOURCES OF
 REVENUE IN CITIES, VILLAGES AND TOWNS — 1923*

	Receipts from state taxes	Receipts from state grants-in-aid	Total state contribution	Total revenue receipts exclu- sive of public utility earnings	Per cent state contribu- tion is of total receipts
First class cities..	\$32,172,110 73	\$21,514,946 72	\$53,687,057 45	\$398,759,676 93	13
Second class cities..	†1,969,175 98	1,877,231 32	*3,846,407 30	32,831,521 34	12
Third class cities..	†2,192,140 87	2,688,014 58	*4,880,155 45	37,301,285 38	13
Villages.....	1,045,419 67	.....	1,045,419 67	13,411,089 21	8
Towns.....	3,156,684 39	†2,489,660 43	5,646,344 82	31,525,885 08	18

*Based on comptroller's report of municipal statistics, 1923.

† A very small amount of revenue from insurance taxes is included with receipts from state taxes in cities.

‡ This figure indicates the amount distributed by the state as aid to towns for highway purposes during the fiscal year ending June 30, 1923. The published compilation of town financial statistics does not show state aid separately.

STATE AID FOR EDUCATION

Largest Budget Item

Education is at once the largest and most important branch of the system of state aid and the principal item of the state budget. In 1923 the state expenditure for education was practically twice as great as that for any other purpose and approximately 35 per cent of the entire amount of current funds disbursed. Most of this expenditure was directly attributable to the policy of state aid. Out of total disbursements of \$42,515,426 in 1923 for education, \$37,792,073 were apportioned among local governments for school purposes.

The State's Share of Education Costs

Though the state has long participated in the financing of local instruction, the importance of its contributions has, as already shown, increased with extraordinary rapidity within the last decade. Not only are the amounts apportioned among localities vastly larger, but the part which they play in the local school revenue system is also relatively much greater. Where state grants formed about one-twelfth of the revenue of school districts in 1914, they represented more than one-fifth of the total in 1922. This change has come about since the war. If an explanation is sought it may be found almost entirely in the effort of the state to readjust teachers' salaries to the new price level. In 1919 the state enacted an elaborate minimum salary scale for public school teachers. At the same time it introduced a new system of grants-in-aid for teachers' salaries, these grants being additional to those already established by law and carrying a requirement that salaries be increased at least in the amount of the additional aid provided.

This legislation made the state an important factor in the payment of teachers' salaries, which of course constitute the principal item of school expense. But while this is the chief reason for the growth of state aid in the field of education, it is not the only cause. Year by year the state has established new grants for the development of new forms of instruction. Thus within the last decade the state has assumed a part of the salary cost of physical training, factory continuation classes and the instruction of illiterates. While these grants do not bulk large in relative fiscal importance, they indicate a field in which state aid is being considerably expanded.

TABLE V

STATE AID AND REVENUE FROM LOCAL SOURCES FOR SCHOOL PURPOSES, 1914-1922*

YEAR	State aid†	Revenue from local sources	Per cent state aid is of revenue from local sources
1914.....	\$5,769,106	\$63,471,154	9
1915.....	6,077,844	66,169,995	9
1916.....	6,291,640	67,349,310	9
1917.....	7,716,220	70,751,374	11
1918.....	6,897,001	77,781,698	9
1919.....	7,731,190	85,125,397	9
1920.....	12,584,572	97,295,296	13
1921.....	33,498,506	119,102,990	28
1922.....	36,849,784	138,030,994	27

* Educational Finance Inquiry Commission, *The Financing of Education in the State of New York*, pp. 93 and 103.

† The figures on state aid here used are the amounts reported by school districts as received during their fiscal year. Owing to the difference in the fiscal years, these figures do not correspond exactly with those of the state comptroller shown in a preceding table.

The very immensity of the sums now distributed by the state for education amply indicates the importance of a carefully considered plan of apportionment. The mere distribution of state money possesses no virtue in itself and certainly has little justification unless it brings returns which could not or would not be secured if school districts were forced to rely entirely upon their own resources. Furthermore, it is not too much for the taxpayers of the state to insist that state aid should be apportioned in such a manner as to secure the maximum improvement in the educational system obtainable with the funds distributed. Unless the state aims at such a goal it at least lays itself open to serious criticism.

Measures of Distribution

Whatever may have been the justification of the various forms of assistance which make up the existing system of state aid when

they were devised, it cannot be denied that the system as a whole has become absurd in its complexity and unsatisfactory in its operation. It is not based upon a policy but upon a gradual accretion of good intentions. This is largely explainable by its history. The system is a piecemeal development and as such greatly in need of overhauling. In the first place, the method of apportionment has become needlessly intricate from a purely administrative standpoint. There are no less than thirteen different factors involved in the computation of state aid. The contribution itself is in reality not one but a number of different grants. Thus there are three distinct grants for teachers' salaries under one of which the state annually disburses about \$1,500,000, under another approximately \$5,000,000, and under the third more than \$25,000,000, not to mention several smaller grants to districts employing teachers for various specialized forms of instruction. In addition, there are grants for the maintenance of high schools, grants for the payment of the tuition of non-resident pupils, grants for the purchase of books and apparatus, and grants to cover the expenses of teachers attending institutes, to name only a part of the list of items that enter into the system.*

Unfair Results

A second and more vital criticism of the system of apportionment is its failure to adjust the state's contribution to the needs of the districts affected. Local resources are not ignored it is true, but taking the system as a whole the poor school district fares no better than the well-to-do community. In fact, the bases of apportionment now employed work somewhat to the advantage of both the rich and the poor districts as against those of medium wealth. Thus New York City receives \$700 per year per teacher for salaries, and Buffalo and Rochester obtain \$650 per teacher, while third-class cities and union free school districts, in which the wealth behind the school system is relatively much less, secure only \$450 per teacher. One-teacher districts receive from \$300 up per year, the amount increasing as the assessed valuation of the district declines. Another grant also used for salaries is graduated upward in the weaker districts, raising the allowance to poor communities somewhat above that to the average district. Taking the system as a whole, however, it displays strikingly little tendency to apportion state aid in accordance with need as measured by taxable wealth per pupil receiving instruction.

A full discussion of the system of state aid for education is presented in Chapter II.

* For a complete list see p. 28.

STATE AID FOR HIGHWAYS

Next to education the state expends a greater sum for the maintenance and construction of highways than for any other single purpose. In this field, however, state aid constitutes a much smaller percentage of the total amount disbursed than in the case of education. Out of total highway expenditures of \$21,898,524 from current state funds in 1923, the amount apportioned to localities was \$4,819,060. The remaining sum was directly expended by the state upon its own highway enterprises.

Highways in New York State

There are at present about 82,000 miles of public roads in the state of New York exclusive of city and village streets. These roads are divided into four classes according to the method of control and financing which is applied: state highways, county highways, town highways, and county roads. State highways are improved and financed by the state itself. The second group, county highways, in spite of its title, is also improved by the state, but the cost of construction is divided between the state and the county in which the road is located, the state assuming 65 per cent of the expense and the county 35 per cent. Both state and county highways are maintained by the state government and the cost is borne by the state except for a fixed annual charge of \$50 per mile against towns and one and one-half cents per square yard against villages for the repair of such highways within their limits. Together the state and county systems comprise about 11,000 miles of highways and bring under state support most of the heavily traveled thoroughfares of New York.

Town Highways

The town highway system comprises practically the entire road mileage outside of the two groups above described. These highways are improved, maintained and in a large measure financed by the towns, though state and county aid is becoming a factor of increasing importance in meeting the cost. In recent years, particularly since the passage of the Lowman Act in 1920, the county has participated actively in the improvement of the leading town highways. The town, nevertheless, continues to bear the greater part of the cost of secondary thoroughfares and local highways.

County Roads

In a few counties there also exist what are known as county roads. These are chiefly composed of secondary thoroughfares improved by the counties under special acts of the legislature. They must not be confused with the systems of county-aid highways now arising in all parts of the state, as the county roads, so called, are entirely under the control of the county and supported by it. The county-aid systems, on the other hand, are composed of selected town highways in the improvement of which the county participates.

State Aid

The state has come to the assistance of the local governments in three ways in financing highway development. In the first place, it apportions state aid among the towns for the maintenance and improvement of town highways; in the second place, it duplicates within limits county appropriations for the construction of town highways; and finally, it returns 25 per cent of the proceeds of the motor vehicle tax to the counties in which it is collected to be used for highway purposes.

Aid to Towns

The system of state aid to towns was first established in 1898 and has existed in virtually its present form since 1908. In the apportionment of such grants, three factors are considered: highway mileage, assessed valuation of rural property, and the amount of the highway levy imposed by the town. Towns in which the assessed valuation of real and personal property outside of villages is less than \$5,000 per mile of highway are entitled to aid equal in amount to the local highway levy but not to exceed \$25 per mile. As the assessed valuation per mile rises the ratio of state aid to local highway taxes decreases according to the following scale:

ASSESSED VALUATION OF PROPERTY OUTSIDE OF VILLAGES	Per cent state aid is of town highway levy
Under \$5,000 per mile.....	100
\$5,000 to \$7,000 per mile.....	90
7,000 to 9,000 per mile.....	80
9,000 to 11,000 per mile.....	70
11,000 to 13,000 per mile.....	60
Over \$13,000 per mile.....	50

Regardless of the size of the town highway levy, the maximum grant is \$25 per mile, except where the assessed valuation exceeds \$25,000 per mile, in which case the maximum is an amount equal to one-thousandth of the assessed valuation. As a result the amount of state aid per mile is largest in those towns in which the wealth behind the highway system is greatest. In the application of funds received from the state, towns are at liberty to choose between maintenance and construction as they see fit.*

Aid to Counties

In 1920 the legislature adopted what is known as the Lowman Act establishing a system of grants-in-aid to counties for use in financing the improvement of town highways. Such grants are conditioned upon the appropriation of an equal amount by the county and are limited to a total of \$30 per mile for the entire highway mileage of the county. This money is expended under

*The state formerly granted a considerable amount of aid for the maintenance and repair of county roads in those counties in which such systems existed. At present Franklin County is the only one receiving such a grant.

the direction of the county supervisors upon the systems of town highways mapped out by the counties for the receipt of county aid under sections 320 and 320-a of the highway law.

Distribution of Motor Vehicle Tax

In addition to these two important forms of state aid, local governments also derive a large amount of highway revenue from the motor vehicle tax. One-fourth of the yield of this levy is returned to the counties exclusively for use on the roads. As the apportionment is made to the counties on the basis of collections, the five counties forming the city of New York secure about 45 per cent of the amount so distributed, this being the only highway money which any city obtains from the state. Revenue from this source is available either for maintenance or construction purposes. Furthermore, it may be applied in such manner as the county government decides, though it is customary in many counties to distribute the motor vehicle money among the towns.

Growth of State Aid

The total state contribution to the financing of local highway operations has increased rapidly in recent years as a result of the introduction of the two forms of assistance last described. Motor vehicle revenue was first distributed in 1916 and the first apportionment under the Lowman Act was made in 1921. The following table shows the amounts annually apportioned by the state under the various plans from 1917 to 1923. It will be noted that the total amount of state aid has increased from \$1,589,313 to \$4,819,060 during this period, and that with the inclusion of motor vehicle revenue the total state contribution has risen to \$9,261,883.

TABLE VI
STATE CONTRIBUTION TO LOCALITIES FOR HIGHWAYS, 1917-1923*

YEAR	State aid to towns for repair and improvement of town highways	State aid to counties for repair of county roads	State aid to counties for construction of county-aid highways (Lowman Act)	Total state aid for highways	Motor vehicle taxes returned to counties	Total state contribution for highways
1917....	\$1,589,313 68			\$1,589,313 68	\$2,051,983 88	\$3,641,297 56
1918....	2,277,595 74	\$20,000		2,297,595 74	2,381,760 69	4,679,356 43
1919....	2,146,626 45	20,000		2,166,626 45	2,852,030 53	5,018,656 98
1920....	2,240,050 93	20,000		2,260,050 93	2,014,137 41	4,274,188 34
1921....	2,271,378 45	60,000	\$1,450,646 28	3,782,024 73	2,711,731 78	6,493,756 51
1922....	2,442,910 44	30,000	2,705,190 00	5,178,100 44	3,024,569 04	8,202,669 48
1923....	2,489,660 43	30,000	2,299,400 00	4,819,060 43	4,442,823 02	9,261,883 45

* Based on comptroller's annual reports.

Town Expenditures

The table below indicates the extent to which direct state aid to towns has entered into the financing of town highway expenditures. The expenditures shown in the second column include disbursements from town bridge and highway funds as well as lesser items

of highway expense, but do not cover expenditures from bond funds. It should of course be remembered in connection with this table that many towns also participate in the division of motor vehicle revenue and that the county as well as the state now contributes heavily to the support of town highway activities.

TABLE VII
STATE AID TO TOWNS AND TOWN EXPENDITURES FOR HIGHWAYS, 1917-1923*

YEAR	State aid to towns for highways	Town expenditures for highways exclusive of expenditures from bond funds	Per cent state aid is of town highway expenditures
1917.....	\$1,589,313 68	\$9,053,611 84	17.5
1918.....	2,277,595 74	10,017,589 10	22.7
1919.....	2,146,626 45	12,395,309 86	17.3
1920.....	2,240,050 93	15,996,668 50	14.0
1921.....	2,271,378 45	20,098,262 09	11.3
1922.....	2,442,910 44	19,596,587 35	12.5
1923.....	2,489,660 43	.....	....

* Based on the annual reports of the comptroller and of the highway department.

The Problem of Highway Aid

Undoubtedly the most important question that arises in connection with the operation of the system of state aid is that of the degree to which it is adjusted to the needs of the localities affected. Despite the fact that the town is the primary highway unit in New York, the system will here be considered from the standpoint of the county rather than the town. Such a basis is justified by the fact that under present legislation the county is in a position to overcome such inequalities as may exist among towns within its borders. It is not contended that the counties have in practices always done so, but it is apparent that in the distribution of its motor vehicle revenue and in the development of a county aid system, as now provided by law, it is largely within the power of the county to equalize the highway burden within its own territory. A consideration of the effects of state aid from the standpoint of the county as the unit also better indicates the nature of the problem which must inevitably be left to the state even though counties seek to remedy the inequalities among towns.

Differing Resources

It is at once apparent upon comparison that wide differences exist among counties as to resources available for the support of rural highways. The full valuation of real estate per mile of highway varied in 1923 from \$14,730 in Schoharie County to \$990,225 in Westchester County, the median being \$46,895. In fifteen counties the full valuation per mile was less than \$30,000 while

in ten counties it exceeded \$100,000. The following table shows the number of counties in each group on the basis of real estate valuation per mile of highway:

TABLE VIII
DISTRIBUTION OF COUNTIES ACCORDING TO FULL VALUATION OF REAL ESTATE PER
MILE OF HIGHWAY — 1923

FULL VALUATION PER MILE OF HIGHWAY	Number of counties in each group
\$10,000-\$20,000.....	1
20,000- 30,000.....	14
30,000- 40,000.....	8
40,000- 50,000.....	9
50,000- 60,000.....	6
60,000- 70,000.....	1
70,000- 80,000.....	2
80,000- 90,000.....	3
90,000-100,000.....	3
100,000-150,000.....	1
150,000-200,000.....	1
200,000-250,000.....	4
250,000-300,000.....	.....
300,000-350,000.....	1
350,000-400,000.....	.....
400,000-450,000.....	1
450,000 and over.....	2

Financial Results of Present Distribution

Some of the more significant facts as to the operation of the system of state aid in counties are assembled in the table following. The third column of this table shows the amount of state aid to towns per mile of highway, taking the towns within each county as a group. In the great majority of counties this aid amounts to from \$20 to \$30 per mile, but in a few the grant is considerably larger. In Nassau and Westchester Counties it amounted to \$104.50 and \$126.19 respectively, in 1923. The noteworthy fact is that the rules of apportionment now used in the distribution of state aid to towns work distinctly to the advantage of the communities in which the taxable resources are greatest.

If the situation is viewed from the standpoint of the per cent which state aid to towns forms of town highway expenditures, much the same result is discovered. The last column of the table following presents this data for the year 1922. In the majority of counties direct state aid to towns amounts to from 10 to 13 per cent of town highway expenditures. In most cases those counties in which the percentage is highest are among the group showing the largest valuation per mile. More important, however, is the fact that the system shows no tendency to transfer to the state a higher proportion of the cost of town highway operations in poor counties than in those of greater wealth. In fact, two-thirds of the counties which fall below the median in taxable wealth per mile of highway also fall below the median in the per cent which state aid forms of town highway expenditures. This is obvious evidence that the apportionment of state aid to towns as now determined bears little relation to their ability to provide for their own highway needs.

TABLE IX

STATE AID FOR THE MAINTENANCE AND IMPROVEMENT OF TOWN HIGHWAYS—1923*

COUNTY	Highway mileage	Full valuation of real estate per mile of highway	State aid to towns per mile of highway	Total state contribution available for maintenance per mile of highway (and to towns and motor vehicle tax)	Total state contribution for maintenance and construction per mile of highway	Per cent state aid to towns was of expenditure for highways 1922
Albany.....	1,099	\$215,715 80	\$32 27	\$117 38	\$147 00	15.2
Allegheny.....	1,894	26,703 23	24 89	37 31	63 71	11.2
Broome.....	1,437	99,592 10	27 17	58 45	88 46	11.1
Cattaraugus.....	1,975	41,380 94	22 10	41 16	71 18	4.6
Cayuga.....	1,490	49,780 06	25 21	48 15	78 15	10.6
Chautauque.....	1,981	72,333 18	28 03	62 12	92 12	16.4
Chemung.....	875	89,670 14	25 48	52 84	82 89	9.1
Chemung.....	1,746	20,722 03	25 07	38 25	68 25	15.1
Clinton.....	1,384	28,729 88	19 55	33 43	63 43	10.9
Columbia.....	1,379	36,413 54	25 79	43 74	73 74	11.2
Columbia.....	1,037	32,193 20	24 92	43 72	73 72	10.5
Delaware.....	2,358	20,810 12	24 38	35 43	65 43	11.1
Dutchess.....	1,817	76,986 80	32 00	65 54	95 54	12.1
Erle.....	1,883	568,558 90	52 61	209 04	239 04	11.5
Essex.....	1,291	34,436 78	25 82	40 41	70 41	10.1
Franklin.....	1,377	35,145 49	26 27	42 77	72 77	13.1
Fulton.....	789	56,666 97	22 29	54 54	84 53	12.6
Genesee.....	920	63,664 50	30 95	53 56	83 56	10.6
Greene.....	1,062	28,995 84	26 01	43 77	73 77	10.4
Hamilton.....	461	26,007 24	25 95	31 20	59 40	8.0
Herkimer.....	1,490	56,480 91	27 60	41 57	71 57	8.9
Jefferson.....	2,204	52,086 78	23 98	39 17	69 17	9.5
Lewis.....	1,449	21,421 91	24 59	34 87	64 87	11.7
Livingston.....	1,285	39,870 72	28 70	44 84	74 84	11.1
Madison.....	1,422	31,621 44	25 51	34 94	64 94	12.0
Monroe.....	1,368	411,436 38	45 98	194 37	224 37	11.8
Montgomery.....	849	82,741 47	24 08	38 89	68 89	9.5
Nassau.....	1,491	208,351 68	104 50	167 70	197 70	30.6
Niagara.....	934	249,638 70	42 44	157 25	187 25	21.4
Niagara.....	2,317	98,145 62	28 09	67 36	97 36	12.3
Ontario.....	1,635	208,417 73	34 11	121 93	151 93	17.1
Ormsdang.....	1,348	57,844 04	29 21	50 07	80 07	12.3
Orange.....	1,595	97,648 31	36 85	49 03	79 03	17.3
Orleans.....	1,720	59,320 00	33 13	65 59	95 59	9.9
Oswego.....	1,714	44,406 21	25 61	45 31	75 31	10.4
Otsego.....	2,153	24,352 03	23 41	36 56	66 56	13.8
Putnam.....	509	50,957 42	38 70	57 12	87 12	15.3
Rensselaer.....	1,315	86,287 54	24 06	60 35	90 35	14.0
Rockland.....	386	161,653 83	63 31	151 39	181 39	15.9
St. Lawrence.....	3,099	31,085 12	26 11	40 09	70 09	14.9
Saratoga.....	1,511	46,895 82	24 16	44 27	74 27	11.0
Schenectady.....	426	344,715 10	34 50	93 17	123 17	12.9
Schoharie.....	1,259	14,730 69	22 63	33 55	63 55	10.7
Schoharie.....	752	21,051 73	23 40	31 09	61 98	15.2
Seneca.....	704	41,385 21	26 22	42 09	72 09	13.0
Seneca.....	3,094	25,804 40	25 00	32 23	62 23	13.0
Suffolk.....	1,553	129,854 98	72 06	108 34	138 34	13.3
Sullivan.....	1,901	26,414 89	24 61	40 65	70 65	10.9
Tioga.....	1,067	21,649 85	23 60	36 11	66 10	10.8
Tompkins.....	1,091	42,908 30	25 22	48 80	78 80	9.4
Ulster.....	1,848	47,261 49	26 80	53 00	83 00	10.8
Warren.....	1,010	42,042 71	23 96	31 29	61 29	11.5
Washington.....	1,533	25,838 91	22 52	30 66	60 66	11.0
Wayne.....	1,348	49,394 79	30 61	38 92	68 92	13.7
Westchester.....	868	990,225 10	156 19	492 04	632 04	17.5
Westchester.....	1,076	34,225 22	25 00	39 87	69 87	6.5
Yates.....	769	28,936 05	24 38	36 08	66 08	14.0

* Based on the annual reports of the comptroller and of the highway department.

In reality this aid constitutes almost a fixed percentage of the local expenditure.

Wealthy Sections Favored

If to state aid to towns there is added the revenue derived by the county from the motor vehicle tax, which is also available for the maintenance of local highways, it will be found that the advantage of the wealthy county is very considerable. This is primarily due to the greater number of automobile registrations in the richer counties. Presumably the greater number of registrations is a rough indication of a larger volume of traffic and therefore of heavier highway maintenance costs. But it is by no means certain that the increase in expenditures is proportionate to that in the amount of revenue obtained from the state. In fact, in those counties where the cost of maintenance is chiefly borne by the towns, and this is the case in most counties, it is quite generally true that state aid to towns and motor vehicle revenue together represent a distinctly larger proportion of town highway expenditures in wealthy counties than in poor ones.

New Construction

While both motor vehicle revenue and state aid to towns may be used for highway construction purposes, as well as for maintenance, the grants apportioned under the Lowman Act are of much greater importance in the financing of new construction. This act was designed to stimulate local highway improvement and increase county participation in the undertaking. In this it has been successful. Practically every county in the state has now taken advantage of the measure and most of them are receiving the maximum allotment of \$30 per mile of highway. In 1923, \$2,999,400 were apportioned under the act. Since this meant that at least an equal amount of county funds were being appropriated for highway improvement, it is clear that the act is responsible for a large annual increase in the mileage of improved roads. This is illustrated by a comparison of the mileage of town and county roads constructed in the years preceding and following the establishment of this form of state aid. The first apportionment took place in 1921.

TABLE X
MILEAGE OF IMPROVED TOWN AND COUNTY ROADS CONSTRUCTED, 1916—1923

YEAR	Macadam	Gravel	Concrete	Asphalt	Brick
1916.....	456	354	12	.....	.....
1917.....	647	287	5	.....	.....
1918.....	459	235	7	.....	.....
1919.....	684	333	16	.....	.....
1920.....	(Circ.) 700	.....	.....	.....	.....
1921.....	804	266	72	.....	.....
1922.....	798	190	107	5	1
1923.....	1,154	442	166	.....	.....

County Unit

The present system of state aid for highways is open to serious criticism because of the methods of apportionment which it employs. It may indeed be doubted that the state is securing the maximum possible results from the funds which it distributes among localities. In the first place, the reliance upon the town as the primary unit in the financing of highways is of doubtful wisdom. The town, both from the engineering standpoint and from the financial viewpoint, is too small to deal with the highway problem in the most efficient manner. Furthermore, the inequalities in resources which are to be found among towns inevitably complicate the task of devising a method of highway aid that will adequately meet the needs of the situation. A much simpler problem would confront the state were it to treat the county rather than the town as the unit responsible for the support of local highways.

Improved Mileage

A second criticism which may be leveled against the present arrangement is its large reliance upon the total highway mileage in the apportionment of aid. It requires no argument to show that total mileage may bear little relation to the cost of road maintenance. In failing to distinguish between improved and unimproved roads the system of state aid ignores one of the first and most obvious factors in the cost of maintenance. The use of total mileage as the basis for the distribution of state aid for construction is also open to attack. Though the plan employed by the Lowman Act has the merit of fostering the construction of a large mileage of improved roads, it offers little assurance that the state's money will be employed upon the highways of greatest value to the state. The mere fact that a county is willing to map out a county aid system and appropriate money for its improvement does not necessarily signify that all such construction will be suitable for state aid. Not all such highways are of sufficient state importance to warrant the use of state funds in their improvement, and should these systems contain none but roads of importance to the state as a whole, there is no assurance that the plan of apportionment now used will secure their development in anything approaching the order of their usefulness. It may well happen that a county with 2,000 miles of highways actually contains fewer miles of town highways of real value to state traffic than another county in which the total highway mileage is only half as large, yet according to the method of apportionment under the Lowman Act the former will receive twice as much state assistance as the latter.

Local Needs

A third criticism of the present system of state aid has to do with its virtual disregard of local resources in the distribution of aid to towns. It is of course true that the law as it stands

provides that the state shall contribute a larger amount in proportion to the local highway levy in poor towns than in those of greater wealth, but such grants are limited to \$25 per mile, except where the assessed valuation of rural property exceeds \$25,000 per mile. As this works out towns in poor counties do not on the average show any greater receipts per mile from state aid than do those in well-to-do counties. Nor does the state's contribution represent a larger percentage of the town highway expenditures in poor counties. The tendency is, in fact, slightly in the other direction. This is undoubtedly a serious defect, for the chief justification for state aid to towns is to assist the weaker districts in the proper care of their highway systems. In practice, however, towns in wealthy counties are receiving as great and in some cases a greater degree of assistance from the state than are those in poor counties.

Controlling Principles

In considering alternative methods of state aid, two principles should be recognized at the outset. First, the county is more vitally interested in the maintenance and improvement of local highways than is the state, and ought therefore to meet the deficiencies in town resources from its own funds in so far as it is reasonably able to do so. The state would then face only the necessity of dealing with the inequalities among counties in highway resources. Second, maintenance and construction involve different problems in the apportionment of state aid and may best be treated separately.

In the matter of state aid for road construction an alternative plan which would overcome the principal objections to the present arrangement would involve the establishment of a secondary thoroughfare system to which state aid would be confined. By the means state funds could be concentrated upon the improvement of those highways of greatest importance to traffic generally. In a few states such a plan is now being used. In Illinois, for example, the state is contributing to the development of a definite state-aid system in addition to the system of main state highways. In Maine also a similar plan is being employed. In a number of other states in which such a system has not been definitely mapped out, the state, nevertheless, plays an important part in the selection of state-aid roads.

In some states there is also provision for increasing the state's contribution in those districts in which the assessed valuation falls below a fixed amount. Thus in Connecticut the state bears seven-eighths of the cost of construction of state-aid roads in the poorer towns and three-fourths in other towns. In Minnesota the state meets from 50 to 80 per cent of the expense according to the assessed valuation of the county involved. Ohio also increases its share from 50 to 75 and 90 per cent of the cost of construction in the poorest counties. Massachusetts empowers the state highway division to distribute among the poorer towns 15 per cent of the amount annually appropriated for highway construction.

All of these plans are designed to equalize in part the burden of road improvement. In New York, however, there is no provision for increased state assistance to the weaker districts in the financing of highway construction.

The need for state aid in the maintenance of roads is by no means easy of measurement. It involves at least four important factors: mileage of improved roads, character of road construction, volume of traffic, and the wealth of the district responsible for maintenance. Three of these can readily be determined, but data as to volume of traffic, which is probably the most vital factor, is not ordinarily available and cannot, therefore, be used in determining state aid. It would be quite possible, however, to use improved road mileage and the valuation of property per mile of improved road in formulating a system of state aid. On the basis of these facts state funds could be focused upon the maintenance of improved roads and a graduated scale employed providing for increased grants to those districts in which the taxable wealth behind the highway system is least. Several states now apply rules which materially increase the size of the state's contribution in the poorer districts. Such provisions also frequently require the local district to raise a certain minimum amount for maintenance in order to qualify for state assistance.

In those states in which a definite system of state-aid roads is being constructed, it is frequently provided that the state shall bear a fixed percentage of the cost of maintenance or contribute a definite amount per mile for repairs. Such a method may be combined with a graduated scale arrangement to afford greater assistance to the poorer communities. Both this plan and the one previously described at least distinguish between improved and unimproved road mileage, which the New York plan does not, and may readily be adjusted to increase the amount of aid in the districts in which financial resources are least adequate.

DIVISION OF STATE TAXES AMONG LOCAL DISTRICTS

Taxes Distributed

With the rapid growth of local expenditures in recent years, the development of additional sources of local revenue has become a matter of the utmost importance. Not only has the general property tax, which forms the cornerstone of the local revenue system in the United States, become exceedingly burdensome to the taxpayer, but the statutory and constitutional limitations on property tax rates have forced local governments more and more to discover other methods of meeting the increase in public expenditures. However, officials have been confronted by the fact that some of the most desirable supplementary forms of taxation cannot be successfully administered by individual localities. In New York this situation has been increasingly met by the development of state taxes, the proceeds of which are shared between the state and the local subdivisions. At present this policy is applied in

the administration of six state taxes. In all but three of these cases the tax itself or the division of the tax between state and local governments has been introduced since the war. The taxes thus divided, the percentages apportioned among the local districts and the units participating in the distribution are as follows, the taxes being listed in the order of their importance as sources of local revenue:

Tax	Per cent apportioned to localities	Districts participating in tax apportionment
Income.....	50	Cities, villages and towns
Business corporation.....	33 $\frac{1}{3}$	Cities, villages and towns
Bank stock.....	100	Cities, villages and towns
Motor vehicle.....	25	Counties
Mortgage.....	50	Cities, villages and towns
Moneyed capital.....	100	Cities, villages and towns

Basis of Distribution

From the standpoint of the local district the most important problem in the administration of this policy is the selection of a satisfactory basis for the apportionment of the local share among the many political subdivisions of the state. Thus far New York has relied most largely upon assessed valuation in handling this apportionment. In the case of the income tax the state returns 50 per cent of the annual yield to the counties in proportion to the total assessed valuation of real property in each. The county then distributes this amount among the cities and towns on the same basis. Villages in turn receive a part of the town's share in accordance with the ratio of the assessed valuation of real estate in the village to that of the entire town. At the option of the town an amount not exceeding one-third of its share may also be distributed among school districts in proportion to assessed valuation.

The business corporation tax, which is next to the income tax in importance as a source of local revenue, is apportioned according to the location of corporate property or offices. If the corporation possesses no tangible personal property within the state, one-third of the tax is returned to the city or town in which its principal office is situated. In the case of corporations owning tangible personal property within the state, the local share of the tax is divided among the counties in proportion to the value of the corporation's property therein. The county then transfers its allotment to the city or town where the company's property is located. In those towns containing villages the latter receive a part of the amount assigned to the town.

The apportionment of the mortgage tax is also chiefly determined by the location of the property affected rather than by the total valuation of real estate in the local subdivision. The rule is

that 50 per cent of the proceeds of the tax shall be allotted to the taxing district in which the mortgaged property is situated. Villages are entitled to a share of the amount credited to the town equal to one-half of the ratio of the assessed valuation of the village to that of the entire town.

The bank stock and moneyed capital taxes, though levied by the state, are devoted exclusively to local purposes. In both cases the proceeds are enjoyed only by those districts which have contributed to the tax. Each district in which bank stock (or moneyed capital) has been assessed for taxation shares in the total yield of the tax within the county in proportion to the ratio of the assessed valuation of the district to the total assessed valuation of all districts within the county in which bank stock (or moneyed capital) has been assessed. In practice, cities and villages obtain virtually the entire revenue derived from these two taxes, a small amount also going to the towns.

One-fourth of the motor vehicle tax is returned to the counties from which collected to be used exclusively for the maintenance and construction of highways. In some counties this money is expended directly by the county, while in others it is distributed among the towns. Where the latter policy is followed the board of supervisors is free to apportion the fund in whatever manner it deems best.

Amounts Received

The rapid growth of the local revenue from state taxes may be traced from the opposite table. Inasmuch as the liquor license tax was the largest of the state taxes shared by the central and local governments prior to 1920, it has also been included in the table. From these figures it may be seen that local receipts from state taxes have nearly trebled since 1917 in spite of the loss of the liquor tax. It is also apparent that the personal income tax has become by far the most important factor in the system from the standpoint of the locality, supplying approximately 40 per cent of the total revenue derived from the division of state taxes. An examination of the other columns of the table shows that the yield of the corporation tax, which ranks next to the income tax in local importance, has rapidly declined since 1921, while the proceeds of the motor vehicle tax have increased sharply.

Unequal Distribution

The relative importance of state taxes in the different agencies of local government is indicated by the table below, showing the ratio of local receipts from state taxes to total tax revenue in cities, towns and villages. From this table it may be seen that the state taxes form nearly twice as large a percentage of the total tax revenue in towns as in cities and villages. These figures do not afford, however, an index of the degree to which urban and rural districts benefit from the existing methods of apportioning the proceeds of state taxes, since school taxes enter into the total only in the case of cities.

TABLE XI
RECEIPTS OF LOCALITIES FROM STATE TAXES *

YEAR	Moneyed capital tax	Income tax	Business corporation tax	Motor vehicle tax	Mortgage tax	Bank stock tax	Liquor license tax	Total amount received by localities from state taxes
1917.....	\$2,051,983 88	\$1,138,288 35	\$5,322,137 17	\$3,002,238 53	\$16,514,647 93
1918.....	\$4,087,819 55	2,381,760 69	1,507,225 75	5,584,013 58	9,936,385 52	23,497,205 09
1919.....	6,466,323 13	2,852,030 53	1,657,414 96	6,078,662 40	11,655,556 33	23,709,937 35
1920.....	\$18,051,188 04	10,455,576 21	2,014,137 41	4,527,222 89	7,031,476 92	8,090,000 00†	50,079,601 47
1921.....	17,114,138 90	14,026,128 78	2,711,731 78	2,519,891 04	7,300,288 70	.....	43,672,179 20
1922.....	14,788,778 06	10,519,501 42	3,024,569 04	3,436,127 07	7,460,492 53	.....	39,229,468 12
1923.....	\$2,449,517 39	18,221,337 15	7,372,221 95	4,442,823 02	4,287,397 35	7,411,981 04	.....	44,185,277 90

* Based on the annual reports of the state tax commission, p. 428 (1923).

† Partially estimated. No detailed returns collected after 1919.

TABLE XII
RECEIPTS FROM STATE TAXES AND TOTAL TAX RECEIPTS IN CITIES, VILLAGES AND TOWNS — 1923 *

	Receipts from state taxes	Total tax receipts	Per cent receipts from state taxes are of total tax receipts
First class cities.....	\$32,172,110 73	\$350,689,668 83	9
Second class cities.....	11,969,175 98	25,667,024 05	8
Third class cities.....	12,192,140 87	28,974,878 63	8
Villages.....	1,045,419 67	11,663,953 09	9
Towns.....	3,156,684 39	20,371,542 09	15

* Based on comptroller's report of municipal statistics 1923, except in case of cities of the first class.

† A small amount of receipts from insurance taxes is included with receipts from State taxes in cities.

In order to obtain a fuller understanding of the effects of the present system of apportioning state tax money, a further analysis has been made of its operation in cities, villages and towns. For the purposes of this study all cities have been included and 99 villages and 112 towns have been selected, representing every county in the state. Some of the more significant results of this analysis are presented in the following table:

TABLE XIII
RECEIPTS FROM STATE TAXES IN CITIES, VILLAGES AND TOWNS

	*Average per capita receipts from state taxes	Average per cent receipts from state taxes are of local tax levy exclusive of school levy	Average per capita full valuation of real estate	Average true tax rate exclusive of school levy
Cities.....	\$2.28	17.6	\$1,222 00	11.6
Ninety-nine villages.....	.79	8.6	1,010 00	8.9
Fifty-six towns not containing villages.....	1.13	10.7	1,286 00	7.8
Fifty-six towns containing villages.....	1.16	19.3	1,325 00	4.6

* The "median" is taken as the average in this table.

Since this table omits local school taxes in all cases, it furnishes a better basis for a comparison of the part played by receipts from state taxes in the various local areas. An examination of this table

shows that the per capita receipts of cities from state taxes are twice as great as those of towns and virtually three times as large as those of villages. The second column discloses that such receipts are also relatively of greater importance in cities than in the other local units studied with the exception of towns containing villages. The ratio of receipts from state taxes to the local property tax levy, omitting the levy for schools, is twice as great in cities as in villages and considerably higher than in towns not containing villages. The highest ratio occurs in the case of towns in which villages are located. This is explained by the fact that the town levy upon property is considerably less in such towns than in towns in which there are no villages, the average town levy in the former being but 4.6 mills as compared with 7.8 mills in the latter.

Column three, giving the per capita full valuation of real estate, furnishes a partial index of the taxable ability of the various units. From this column it appears that the per capita full value of real estate is somewhat greater in towns than in cities and is lowest in villages. The final column shows the average true tax rate in each class of units on the basis of the full rather than the assessed valuation of property. In the case of cities the school levy is of course excluded. These figures indicate the relative burden imposed upon the local taxpayer by each class of local units for purposes other than education. To secure a true picture of the local burden in the various areas it would be necessary, however, to combine town and village levies in the case of villages. If that were done, it would appear from the places studied that the combined village and town tax rate is at least equal to and possibly greater than the city tax rate, provided that the city school levy is excluded, as of course it should be in such a comparison.

From this summary it may be seen that the units most favored in the operation of the present system of apportioning state taxes are the cities and the towns which contain villages. On the other hand, the unit which benefits the least is clearly the village. Whether the high ratio of state tax money to local tax revenue in towns containing villages and the markedly low ratio of such receipts in villages themselves serve to balance one another cannot be definitely determined from the data here presented, but they probably do not. It appears likely that the ratio of state tax money to the combined village and town levy in villages is considerably lower than the ratio of receipts from state taxes to local tax receipts in cities. In other words, the degree to which the apportionment of state taxes lightens the burden of the local taxpayer is not as great in villages as in cities if both village and town taxation are considered and school taxation is omitted. At the same time the combined town and village tax rate in villages is at least as high and probably higher than the tax rate in cities exclusive of school levies.

Distribution Favors Wealthy Sections

In examining the operation of the present system for distributing the yield of state taxes, it is also desirable to discover its effects upon districts of varying wealth and needs. At the opening of such a study it is of course apparent that the bases of apportion-

ment now in use are not designed to favor the poor community as against the rich. In other words, there is clearly no intent to use the present state taxes as a means of equalizing governmental burdens. Had such a purpose existed the proceeds of these taxes would not be so largely distributed in proportion to the assessed valuation of real estate as is the case with the income tax, the largest of the state taxes shared. The intent has rather been to return the receipts from these taxes principally, though not entirely, to the communities from which they came. It may consequently be said that the apportionment is made roughly in accordance with local taxable ability.

Per Capita Wealth and Receipts

For the purpose of testing the operation of the present system of division in communities of varying character the places already referred to have been used. Taking the full valuation of real property as an index of wealth, the relation between per capita wealth and per capita receipts from state taxes has been examined for cities, villages and towns. The results indicate a considerable relationship between local wealth and per capita receipts from state taxes in each class of local governmental units.* In cities the relation is greatest, which may be explained by the closer approximation of assessed to full valuation there as compared with villages and towns. In all three groups it is evident, however, that the wealthy community is distinctly favored in the division of state taxes.

Ratio of Receipts to Total Levies

The relation between per capita wealth and the ratio of receipts from state taxes to the local levy under the property tax was also examined.† In this case it is evident that taking each group as a whole no appreciable relationship exists. But if the richest and poorest communities are separately considered, some interesting facts appear. Among cities both the richest and poorest show the largest number ranking low in the ratio of receipts from state taxes to the local levy upon property. As a rule this is explained in the case of poor cities by the smallness of their per capita receipts from state taxes, while in the case of the richer cities it is due to the higher standard of local expenditures that prevails in the large urban centers and wealthy suburbs which chiefly constitute the group. Among towns the places lowest in per capita valuation fall as a rule below the average in ratio of receipts from state taxes and the districts highest in wealth are largely above the

* Correlation between per capita full valuation of real estate and per capita receipts from state taxes:

Cities .....	.72
99 villages .....	.52
112 towns .....	.56

† Correlation between per capita full valuation of real estate, and per cent receipts from state taxes are of local tax levy exclusive of school taxes:

Cities .....	.11
99 villages .....	.01
112 towns .....	.07

average. In both cities and towns the communities of medium wealth appear to rely on the whole more largely upon receipts from state taxes than do those at either extreme as to per capita valuation of property. In villages no noteworthy difference exists among rich, poor and intermediate groups in the matter of ratio of state to local taxes.

From this examination it may be concluded that, though the well-to-do communities receive relatively more from the division of the yield of state taxes, there is no fixed relation between wealth and the degree to which state tax money enters into the financing of local government. The standard of local expenditures and therefore the size of local tax requirements is dependent upon many other factors besides per capita wealth. In consequence the relative importance of the state taxes, as measured by the percentage of total local tax revenue which they supply, differs widely among places of similar per capita wealth. It appears, nevertheless, that in so far as cities are concerned the communities at either extreme in wealth find it necessary to rely upon local taxation to a greater degree than do other cities, and that in towns the poorest places also generally raise a high percentage of their tax revenues locally.

Assessed Value as a Distribution Measure

In practical operation the use of assessed rather than full valuation as the basis for the apportionment of the income tax has also worked to the advantage of the more well-to-do communities. Particularly is this true as to cities. With a few exceptions the cities ranking highest in per capita full valuation of real estate are assessed at a ratio higher than that which prevails in towns and villages. The table below shows the distribution of cities as to ratio of assessed to full valuation of real property, the cities being divided into four groups according to per capita full value of real estate.

TABLE XIV
DISTRIBUTION OF CITIES ON THE BASIS OF RATIO OF ASSESSED TO FULL VALUATION OF REAL PROPERTY — 1923

PER CENT ASSESSED TO OF FULL VALUATION	Fifteen cities having lowest per capital full valuation	Fifteen cities in second quarter as to per capita full valuation	Fifteen cities in third quarter as to per capital full valuation	Fifteen cities having highest per capital full valuation
95- 100.....	1	.....	1	3
90- 94.....	2	4	1	2
85- 89.....	1	1	1	2
80- 84.....	1	3	5	4
75- 79.....	1	2	1	1
70- 74.....	1	1	.....	.....
65- 69.....	3	.....	3	1
60- 64.....	1	1	1	.....
55- 59.....	2	2	2	1
50- 54.....	2	1	.....	1

The average or median rate of assessment is 80 per cent. As may readily be seen those cities lowest in per capita wealth in general fall below this median, and, therefore, in comparison with the richest group of cities lose in the apportionment of state taxes on the basis of assessed valuation. This is of course a matter which lies within the control of the community itself, since the city is responsible for its own assessment. Yet cities have recently shown little disposition to revise their standards of assessment. In 1920 a number did materially increase the ratio of assessment, very likely in part with a view of securing a larger share of the state income tax. But in the following three years only one city markedly raised its standard. It may, therefore, at least be doubted whether the discrimination resulting from the use of assessed valuation will right itself as readily as might perhaps be expected.

In the representative towns and villages studied the difference between rich and poor communities in rate of assessment is not striking. Much more noteworthy is the difference that exists between towns and villages as a class and cities in the matter of assessment. Where the average or median ratio of assessed to full valuation in cities was 80 in 1923, that in the 112 towns examined was 62, and in the 99 villages, 63. It is, therefore, obvious that in actual operation the use of assessed valuation as a basis for the apportionment of state tax money works very much to the advantage of cities as against towns and villages, and that among cities those which benefit most are those highest in wealth as measured by the per capita full valuation of real estate.

Results of Present Distribution System

From the foregoing discussion the following conclusions may be reached as to the operation of the existing system of apportioning the yield of state taxes among local taxing districts:

1. Cities and towns which contain villages benefit most from the division of state tax money in that such receipts constitute a higher per cent of the local tax revenue in these districts than in other governmental units. Villages, on the other hand, are least aided by the distribution of state tax funds.
2. The present methods of apportionment tend on the whole to return the receipts from state taxes to the communities from which they come and are not designed to distribute state funds in accordance with the needs of local districts.
3. The use of assessed valuation as a basis for the apportionment of state tax receipts distinctly favors the wealthier cities as against the poorer cities and as against towns and villages generally.

Underlying Policy

The division of the yield of state taxes between central and local governments cannot in any sense be viewed as a system of state aid or as a substitute for such a system, for it does not observe the principles normally applied in the distribution of

grants-in-aid. It does not apportion state revenue in accordance with the needs of local districts either as indicated by their poverty or by the size of their local tax levies. Neither does it consider the quality or efficiency of governmental services locally maintained. These facts have been recognized by a few states in which the income tax has been primarily placed at the disposal of local governments. In Delaware the proceeds of the income tax are apportioned as grants-in-aid for school purposes. In Massachusetts also the yield of the income tax is chiefly distributed in the form of state aid to education. By this means the state is able definitely to apply the tax to the financing of an activity of state-wide importance and to allot the money more nearly in accordance with the needs of the districts to which it is assigned.

The division of the yield of state taxes where no attempt is made at distribution in the form of aid for a specific purpose can best be looked upon as an extension of the local taxing system. It supplies a means by which supplementary sources of revenue may be made available to the locality which cannot satisfactorily be tapped by local governments acting individually. It consequently follows that in developing the policy of dividing the proceeds of state taxes with localities, those taxes may best be selected which bear the most definite relation to local need or which are drawn from distinctly localized sources. The former liquor license tax or a gasoline tax may be cited as illustrations of the former, and the mortgage tax as an example of the latter. Where, however the tax does not bear a close relation to local need or does not arise from a source which is clearly localized, the plan of distributing the proceeds in the form of grants-in-aid for a specific governmental purpose, as in the case of the Massachusetts income tax, has much to commend it.

TABLE XV
 RECEIPTS FROM STATE TAXES, PER CAPITA FULL VALUATION OF REAL ESTATE AND
 TRUE TAX RATE IN CITIES, 1923*
 (City School Taxes are Excluded from the Table)

CITY	Per capita receipts from state taxes	Per cent receipts from state taxes are of local tax levy exclusive of school taxes	Per capita full valuation of real estate	True tax rate exclusive of levy for schools (Mills)
Albany.....	\$2 99	15.5	\$1,499	12.8
Amsterdam.....	3 44	35.2	1,248	7.9
Auburn.....	1 93	12.0	1,002	15.8
Batavia.....	2 61	18.4	1,152	12.3
Beacon.....	1 53	5.6	922	29.5
Binghamton.....	2 22	11.7	1,277	14.8
Buffalo.....	3 28	14.5	1,699	13.3
Canandaigua.....	2 28	23.2	1,222	8.0
Cohoes.....	1 91	18.4	873	11.8
Corning.....	1 93	16.8	982	11.6
Cortland.....	1 92	17.6	1,163	9.3
Dunkirk.....	1 32	15.6	1,120	7.5
Elmira.....	2 51	18.4	1,189	11.3
Fulton.....	2 39	15.0	1,334	11.9
Geneva.....	2 10	19.9	1,397	7.5
Glen Cove.....	2 84	7.9	1,970	18.3
Glena Falls.....	2 91	22.3	1,189	10.9
Gloversville.....	2 72	20.5	1,062	12.4
Hornell.....	2 20	24.4	843	10.7
Hudson.....	2 15	19.5	1,053	10.4
Ithaca.....	2 55	14.8	1,502	11.5
Jamestown.....	2 91	21.0	1,141	12.1
Johnstown.....	2 21	9.9	817	27.3
Kingston.....	1 96	19.7	987	10.1
Lackawanna.....	3 49	17.0	1,610	12.8
Little Falls.....	2 26	23.2	1,002	9.7
Lockport.....	2 32	21.8	1,485	10.3
Long Beach.....	87 54	8.9	98,915	9.8
Mechanicville.....	1 44	18.9	876	8.7
Middletown.....	2 16	15.8	1,360	10.1
Mount Vernon.....	3 29	11.9	2,065	13.3
Newburg.....	2 28	28.0	1,176	6.9
New Rochelle.....	3 95	8.0	2,990	16.5
New York.....	4 92	14.1	2,156	16.2
Niagara Falls.....	4 34	18.1	2,551	9.4
North Tonawanda.....	3 17	24.7	1,304	9.8
Norwich.....	2 07	28.8	1,045	6.9
Ogdensburg.....	1 67	19.9	678	12.4
Olean.....	2 80	27.4	1,333	7.6
Oneida.....	1 08	6.7	1,030	15.8
Oneonta.....	2 04	19.7	1,287	8.0
Oswego.....	1 82	9.6	854	22.2
Plattsburg.....	1 92	12.9	813	18.3
Port Jervis.....	1 94	18.9	1,083	9.5
Poughkeepsie.....	2 23	13.3	1,479	11.4
Rensselaer.....	1 86	12.7	1,138	12.9
Rochester.....	4 28	21.0	1,596	12.8

* Computed from data contained in the report of the State Tax Commission, 1923.

TABLE XV

RECEIPTS FROM STATE TAXES, PER CAPITA FULL VALUATION OF REAL ESTATE AND TRUE TAX RATE IN CITIES, 1923*

(City School Taxes are Excluded from this Table)

CITY	Per capita receipts from state taxes	Per cent receipts from state taxes are of local tax levy exclusive of school taxes	Per capita full valuation of real estate	True tax rate exclusive of levy for schools (Mills)
Rome.....	\$2 49	41.2	\$1,065	5.7
Salamanca.....	1 80	17.1	931	11.3
Saratoga Springs.....	1 96	10.1	1,308	14.8
Schenectady.....	2 64	10.1	1,341	19.5
Sherrill.....	1 52	25.7	1,415	4.2
Syracuse.....	2 51	12.1	1,631	12.7
Tomawanda.....	5 45	30.9	1,511	11.7
Troy.....	2 26	12.0	1,073	17.6
Utica.....	4 47	26.0	1,797	9.6
Watertown.....	2 77	22.9	1,491	8.1
Watervliet.....	1 04	10.6	666	14.7
White Plains.....	3 48	17.2	2,690	7.5
Yonkers.....	4 33	15.0	2,255	12.8

CHAPTER IV — LOCAL TAXATION AND REVENUES

CHAPTER IV—LOCAL TAXATION AND REVENUES

General property acted as the shock absorber for increased New York State and municipal taxes following the Civil War. Real property has served in the same rôle since the World War. The ratification of the sixteenth amendment to the federal constitution happened to precede the outbreak of the World War by a year and permitted the national government to meet the enormous expansion in expenditure of the past decade by income and corporate excess taxes. New York State government, by broadening the levies upon corporate franchises and receipts and by adding a personal income tax, has followed suit, but even this has not prevented an increase in the direct tax upon general property.

TREND IN MUNICIPAL REVENUES

Property Taxes

An analysis of the sources of revenues in sixteen New York municipalities, including the sixteen larger cities of the state, reveals how little the events of the past decade have altered the major outlines of our municipal tax systems. The general property tax contributed approximately 70 per cent of the municipal income in both of the years under comparison—1912 and 1922. The rise in the proportional contribution of general property in nine cities was almost offset by a decline in seven municipalities. More striking is a comparison of the income of all New York cities for the years 1918 and 1923. Though the total revenue had risen more than two-thirds, the proportion raised by the general property tax varied less than a half of one per cent, the contribution being 72.35 per cent for 1923. In none of the sixteen cities did the rate rise in the gross amount collected through the general property tax fall below the increase from 1912 to 1922 in New York City, 97.72 per cent. The increases ranged from that figure to 222 per cent for Binghamton. New York municipalities accordingly have turned to the property tax because it was their only elastic tax, and have secured a larger revenue by the simple expedient of raising the property tax rate and the ratio of assessments.

Minor Sources of Revenue

The decreasing importance of minor sources of income, aside from state aid, reveals a continued neglect of revenues which, though not bulking large in the total, are necessary and important sources for the maintenance of municipal activities. The special assessment as a device for paying for public improvements in the sixteen cities under consideration contributed more income in 1922

TABLE XV-a
PER CENT OF TOTAL MUNICIPAL REVENUE OF SIXTEEN NEW YORK CITIES REPRESENTED BY SPECIFIC SOURCES OF INCOME, 1912-1922

	New York City	Buffalo	Rochester	Syracuse	Albany	Utica	Schenectady	Troy
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
General property tax:.....1912	71.14	64.95	58.45	64.14	58.33	64.22	61.70	72.07
1922	70.76	64.92	66.78	62.3	65.16	72.24	75.67	64.56
Per cent increase 1912-1922	97.72	99.24	316.67	145.3	127.7	163.6	197.3	37.61
Special property tax:.....1912	2.46	2.35	1.87	1.88	3.44	4.19	.17	1.87
1922	3.32	3.42	2.45	2.69	5.19	4.85	2.23	3.99
Per cent increase 1912-1922	167.69	321.13	262.80	229.04	207.60	170.70	663.06	194.83
Business tax:.....1912	3.25	5.81	3.77	4.97	5.97	6.02	6.29	5.42
1922	2.1	3.61	2.62	3.27	1.82	3.12	4.02	2.32
Per cent increase 1912-1922	25.83	20.59	92.8	66.8	-60.77	5.97	55.28	-4.08
Non-business license:.....1912	.39	.33	.18	.27	.39	.23	.22	.20
1922	.81	.13	.09	.15	.33	.16	.24	.09
Per cent increase 1912-1922	308.03	-24.43	17.0	43.8	73.09	53.53	169.74	-39.6
Special assessments:.....1912	5.27	4.77	16.5	12.34	8.11	10.10	14.99	2.90
1922	2.27	4.51	8.07	13.11	4.79	7.42	1.51	4.36
Per cent increase 1912-1922	-16.7	88.28	35.7	165.5	20.34	73.64	-309.79	107.92
Fines, forfeits and excises:.....1912	.34	.17	.22	.24	.09	.17	.30	.03
1922	.39	.24	.18	.37	.26	.27	.27	.18
Per cent increase 1912-1922	125.7	225.67	131.8	287.6	689.74	274.41	122.01	900.20
Subventions, grants:.....1912	.94	2.43	1.24	1.77	1.94	2.24	2.24	1.83
1922	4.38	7.93	6.67	6.72	5.64	8.22	8.20	5.84
Per cent increase 1912-1922	805.90	476.43	1,265.70	712.60	482.37	758.85	789.94	341.90
Donations, gifts, pension assessments:.....1912	.34	.44	.10	.46	.34	.30	.30	.02
1922	1.49	.64	.42	.51	.62	1.26	.64	.41
Per cent increase 1912-1922	385.3	165.43	1,038.6	183.70	230.76	875.49	452.98	8,261.37
Highway privileges:.....1912	.80	1.61	3.01	.19	.....	.....	.02	.05
1922	.61	1.05	.91	.....	.....	.....	.03	.17
Per cent increase 1912-1922	51.80	29.84	-16.1	1,140.80	.....	.....	276.42	356.70

Rent of investment property and interest: ..1912	5.77	2.18	1.60	1.18	3.67	1.20	1.20	1.42
1922	6.08	13.61	1.75	.84	1.60	1.45	1.15	.76
Per cent increase 1912-1922	109.1	113.61	203.10	79.4	-10.93	186.09	42.50	-26.09
Earnings of general departments:.....1912	.69	6.91	1.3	1.25	.47	10.38	1.08	.59
1922	1.29	2.10	3.48	2.00	.44	.79	1.21	.28
Per cent increase 1912-1922	270.16	39.38	641.6	305.8	93.35	-82.13	137.50	-39.47
Earnings of public service corporations:.....1912	8.53	8.68	11.19	11.27	17.13	.13	10.06	12.31
1922	6.51	9.78	6.62	8.12	14.09	.20	4.70	13.05
Per cent increase 1912-1922	51.60	124.60	64.10	82.40	67.69	262.66	15.32	46.73

TABLE XV-a — (Concluded)

PER CENT OF TOTAL MUNICIPAL REVENUE OF SIXTEEN NEW YORK CITIES REPRESENTED BY SPECIFIC SOURCES OF INCOME, 1912-1922

	Binghamton	Yonkers	Niagara Falls	Elmira	Mount Vernon	Jamestown	New Rochelle	Auburn
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
General property tax:.....1912	62.99	73.70	60.61	79.98	69.64	53.96	81.29	55.39
.....1922	63.62	70.86	65.49	61.77	79.08	31.60	80.52	63.96
Per cent increase 1912-1922	222.2	172.7	146.06	122.90	112.94	21.85	36.59	154.65
Special property tax:.....1912	1.97	.87	1.75	2.35	.91	2.49	.94	1.65
.....1922	2.82	2.95	5.83	3.42	6.18	3.92	3.82	2.75
Per cent increase 1912-1922	357.25	850.22	661.67	321.13	1,166.97	227.50	866.30	268.13
Business tax:.....1912	5.16	4.19	4.61	6.96	2.93	2.7	2.9	5.14
.....1922	2.33	3.94	3.76	3.21	1.29	7.77	.73	3.20
Per cent increase 1912-1922	43.69	167.63	85.87	33.37	-17.74	499.35	-40.24	37.39
Non-business license:.....1912	.28	.35	.18	.37	.25	.07	.26	.24
.....1922	.13	.23	.13	.03	.37	.29	.27	.02
Per cent increase 1912-1922	46.52	86.03	64.98	-80.37	182.18	712.88	145.89	-79.1
Special assessments:.....1912	7.70	6.57	11.80	3.14	7.05	11.08	8.99	12.63
.....1922	5.43	2.37	6.21	2.67	4.23	9.11	3.83	4.97
Per cent increase 1912-1922	125.07	2.27	19.95	145.66	12.61	70.97	1.68	13.3
Fines, forfeits and escheats:.....1912	.24	.14	.31	.27	.25	.39	.18	.30
.....1922	.66	.39	.69	.36	.23	1.48	.10	.11
Per cent increase 1912-1922	780.55	674.80	404.73	280.15	69.87	693.53	36.44	-21.38
Subventions, grants:.....1912	2.89	1.72	1.44	3.08	1.93	2.72	1.70	2.93
.....1922	11.10	6.75	5.92	7.09	5.28	.....	6.16	8.8
Per cent increase 1912-1922	1,124.32	1,009.35	835.35	562.95	413.32	.....	766.43	560.1
Donations, gifts, pension assessments:.....1912	.07	.41	.01	.29	.56	.78	.15	.19
.....1922	1.70	1.58	.28	4.03	.50	.19	.77	.80
Per cent increase 1912-1922	7,242.71	987.31	10,089.33	3,911.88	68.81	-47.78	1,166.30	819.40
Highway privileges:.....1912	.....	.06	9.28	.12	2.88	.55	.....	.....
.....1922	.....	.14	.03	.03	.26	1.04	.42	.....
Per cent increase 1912-1922	.....	616.03	-99.36	-33.33	-82.97	294.45	34.23	.....

Rent of investment property and interest: ..1912	1.56	1.08	9.09	1.17	1.86	.73	1.13	.81
1922	1.19	.90	3.84	1.75	1.28	.96	.78	.96
Per cent increase 1912-1922	142.75	136.05	-3.81	331.25	29.54	172.78	65.34	161.83
Earnings of general departments:.....1912	1.77	.44	.92	1.26	11.73	1.48	1.78	1.80
1922	5.32	.94	2.10	1.18	1.29	4.54	2.77	2.80
Per cent increase 1912-1922	857.67	504.70	419.80	170.70	-386.55	535.90	283.40	374.30
Earnings of public service corporations:.....1912	15.40	10.44	8.04	1.01	.....	23.05	.30	19.40
1922	5.73	8.91	5.71	14.40	.....	39.30	.....	11.50
Per cent increase 1912-1922	19.03	142.27	61.74	4,038.10	.....	254.60	.....	31.05

than in 1912, but with two exceptions the proportion of revenue from this source decreased during the decade. Likewise, during the years when the need for enlarged revenue has occasioned more public comment, 1918 to 1923, the cities of the state as a whole failed to utilize the special assessment in as great a degree as in the previous five-year period. The proportional contribution from this source dropped from 3.66 to 2.56 per cent from 1918 to 1923, despite the fact that the period was marked by mounting expenditures for the very purpose for which assessments are specially levied—public construction and improvement programs.

The earnings of public service utilities, municipally owned, diminished proportionally in nine of the cities under examination in comparison with an increase in five. This trend is emphasized when the broader base of all New York municipalities is taken for the period of 1918 and 1923, for the public enterprises supplied but 6.71 per cent of city revenue in the latter year in contrast to 8.73 per cent in the former year. Interest and rent on investment and property had a decreasing importance in almost the same manner, the proportional decline in nine cities being offset by increases in only six cities. The decrease for all municipalities was from 5.43 to 4.85 per cent for the five years following the war. Closer attention has been paid to charges for departmental services, for the proportional income from departmental earnings rose in the majority of the cities examined. A decrease in payments for highway privileges occurred in four cities as well as a decline in the proportion of this income in seven municipalities.

Business Licenses

By invoking the police power to grant or withhold licenses for businesses or privileges, municipalities throughout the country are raising additional revenue. If the ratios for the sixteen cities examined is representative, New York cities are not even maintaining the meager revenue derived from this source in 1912. Both in that year and in 1922 the income from non-business licenses amounted to less than 1 per cent of the total municipal revenue. The proportional contribution by this source had diminished in eleven cities during the decade in comparison with the increase in five cities. More illuminating is the contrast between the revenue from licenses and permits for all municipalities in the state in 1918 and 1923. Not only was there a proportional decline of nearly 100 per cent in license revenue, but, in a period when the general municipal revenue increased by two-thirds, this income suffered a net decrease. The ending of the licensing of saloons, either by the voluntary action of municipalities under local option or by the requirement of national prohibition, undoubtedly was the major cause of the decrease. The revenue of New York municipalities would be larger now by not less than \$10,000,000 if the licensing policy had continued undisturbed by prohibition. Two minor sources of income—fines, forfeits and escheats, and donations, gifts and pension assessments—assumed a slightly greater importance in 1922 than in 1912.

Local Share of State Taxes

The one marked development of revenue during the decade has been in the distribution to localities of the yield of state taxes. Schenectady, for example, in 1922 received 8.22 per cent of its total income from state taxes instead of the 2.24 per cent of 1912. In New York City the proportion rose from less than 1 to nearly 5 per cent. The rise for all the municipalities has been pronounced since the enactment of the personal income tax law, the proportion of 2.0 per cent for 1918 being replaced by 6.62 for 1923.

A serious error would be made by the inference that the local share of state taxes represents a gratuity bestowed by the state on its municipal subdivisions in addition to revenues formerly accruing to them. Division of yield of state taxes is developing into an administrative system which raises taxes adapted to collection on a state-wide basis and distributes them in whole or in part to municipalities as a just recompense for revenues, or the legal right to tax, surrendered by the municipalities.*

New Taxes for Old

The breakup of the general property tax is directly reflected in the growth of grants and subventions to the municipalities. In 1901 the base of the general property tax was narrowed by the

TABLE XVI
LOCAL SHARE OF NEW YORK STATE TAXES †

NATURE OF TAX	1923 DISTRIBUTION	
	To cities	To towns
Bank stock tax.....	\$6,807,749 34	\$604,231 70
Moneyed capital stock (moneyed capital coming into competition with business of national banks).....	2,446,518 65	2,998 74
Corporation income tax.....	6,608,263 83	932,395 24
Mortgage tax.....	3,638,619 14	1,136,935 97
Personal income tax.....	15,634,834 46	3,269,732 85
Motor vehicle tax.....	†1,928,130 81	2,138,952 01
Total.....	\$37,064,116 23	\$8,085,246 51

† This is the amount apportioned to the five counties of New York City.

‡ Report of state tax commission, 1923, p. 52.

elimination of bank stock. As the valuation of personalty in the state declined only \$29,000,000, the next year, the immediate loss to the municipalities, aside from any other contributing factors, could not have been above a half million dollars. In 1923 approximately \$7,500,000 was distributed to municipalities in revenue from the bank stock tax. Mortgages were removed from levy

* See p. 56.

under the general property tax in 1905, and the recording tax, one-half of which is returned to municipalities, was substituted. If the shrinking in the valuation of personal property the next year of \$119,000,000 is attributable to this change alone, the loss to municipalities would have been roughly \$1,500,000. The 1923 loss, assuming a doubling in the tax rate and in the valuation of mortgages as personalty, would not have been in excess of the municipal income actually received that year from the state through the distribution of the mortgage tax, or \$4,775,555.11.

Corporation Income

The income tax on domestic and foreign corporations is specifically a tax in lieu of the capital stock and personal property levies collected from corporations prior to the establishment of the tax in 1917 and its enlargement in 1919. If the 50 per cent reduction between 1917 and 1920 of the five hundred million personalty assessment of 1917 was caused solely by this contraction of the taxable base, the loss to municipalities for 1920 can be estimated at \$7,000,000. Yet the distribution to localities of one-third of the state administered franchise tax was nearly \$10,000,000 in the same year. The decline in receipts from the personal property tax in New York City during this three-year period was \$1,395,118, a figure to be contrasted to the \$4,000,000 revenue the city has annually received as its share of the corporation income tax.

Personal Income

The adoption of the personal income tax in 1919 secured for municipalities an annual revenue far in excess of any amounts collected from the assessment of money and the intangible personal property of individuals and partners. The municipal levies on this assessment had yielded such an inconsequential return that the taxing of the values through a state collected income tax was necessary if the localities were to receive a reasonable revenue from the intangible values within their jurisdictions. The 1923 distribution of income tax receipts to localities, \$18,221,337.15, explains the largest single source of the growth of state payments.

Motor Vehicles

The removal of motor vehicles from the taxable base of personal property in 1911 does, however, involve a distinct loss of municipal revenue, for the cities receive no receipts from the substituted motor vehicle fees with the exception of New York, because of the fact that the counties are there consolidated with the city. Of the \$19,862,441.52 paid in motor registration fees and licenses in 1923, the share diverted to localities was limited to one-fourth of the total receipts, \$4,887,206.19, which was paid to counties for distribution to towns.

An exact determination of the municipal gains or losses through the narrowing of the property tax base by the laws referred to is impossible since the enforcement of the right to tax had been

so imperfectly enforced. That condition in itself shows the futility of local collection of levies on property which could not be segregated and assessed according to local districts. The surrender of the right to tax certain forms of personality should awaken no resentment, since the rights given up were so largely empty privileges.

Decline of Personal Property Valuations

The effect of the laws contracting the base of personal property subject to the general property tax is directly reflected in the valuations of personality on the assessors' books. The decade of 1900 to 1910 saw the decline in personality valuations from \$672,715,703 to \$482,499,193. Remaining around this figure for the following eight years, the assessment began to drop in 1919 so that for 1923 the valuation had reached the amount of \$264,673,496. When it is noted that the 1923 assessment of personality is but 1.52 per cent of the total property valuation in the state, the relative insignificance of personality as a base for municipal taxation is realized. The meaning of this condition is revealed when the 1923 percentage is compared with previous years. In 1910 the percentage of personality of the entire property assessment was 4.76, in 1900 it was 11.66, and in 1890 the percentage was 10.12. During the Civil War and the years immediately following when property values bore the expense of readjusting municipal costs to war and post-war conditions, personality assumed one-fourth of the property tax burden.

The Burden on Real Estate

The burden on real estate in New York State in 1913 was \$267,600,000. In 1923 it was \$474,500,000. This is an increase of 77 per cent in the ten years. During this period the true tax rate increased from \$20.94 to \$23.99 per thousand dollars of full value.* This is a 14 per cent increase in the tax rate. It is the best available measure of the increased burden upon real estate.

Practically all of this burden is due to local taxes. In 1923 only 5 per cent of the total true tax rate represented the amount levied for the state.

The tax rates in rural districts show extremely wide variations. This is indicated by the tables presented in Chapter III. There are instances of average tax levies for all purposes in 1923 running between four and five dollars of estimated full value. The highest rate noted was \$4.77 per hundred dollars of full value. In most of the towns with tax rates in excess of four dollars, the school

* The true tax rate is computed by determining the proportion of total general property taxes which were levied upon real estate in each of the years in question and then dividing this total by the full value of all real estate which is derived from the assessed value by the application of the rate of equalization determined by the State Tax Department in equalizing special franchises. Allowance has been made for the fact that the local tax base in 1923 in several instances is smaller than the state base because of exempt housing. See Appendix VIII.

tax is about a third of the whole. This is about the same proportion as is found in districts with normal tax rates. But in one instance the school tax alone was \$3.02 per hundred dollars of full value. No cities have tax rates as high as some of those found in rural districts, but tax rates for all purposes on the estimated full value of taxable property in 1922 exceeded 3 per cent in twenty-one cities and exceeded 3½ per cent in two. The rate of 3.87 in Oswego was the combined result of heavy taxes and low per capita property values. The rate of 3.89 in Glen Cove was solely the result of high taxes, since only seven cities in the state have a higher per capita property value than that of Glen Cove.

Property taxes consume a large part of the income from land. In the prosperous farming districts 30 per cent of the net income is taken in taxes.* In the less productive sections the percentage is unquestionably higher. In the cities the proportion varies from 12 per cent to 33 per cent. The very rapid increases in true real estate tax rates underlie the complaint which taxpayers are making in all sections of the state. The value of real estate is due to its earnings. Under normal conditions the value of land represents capitalized earnings. When tax rates increase unexpectedly, the earnings are unexpectedly reduced. This in effect reduces the value of the land. If taxes climbed to such a high point that they took regularly three-quarters of the income from all land, the value of the land would drop to approximately one-quarter of the untaxed value. It is clear, therefore, that the rapid increase in the true tax rate during the last ten years represents, to the extent that it was unanticipated, an encroachment upon the expected earnings and so upon the value of land.

REVENUE FROM REGULATION

Municipal services which are performed for the collective benefit must be paid for by taxation. Those services which accord a special benefit to individuals properly should be met by charges on those benefited. This fundamental distinction between methods of paying for public services must preface any consideration of municipal income from the exercise of the police power.

The frequency with which the police power is invoked to protect the health or safety of the community has produced an extensive regulative service. A collective benefit to the municipality is present but it is made necessary by business activities of individuals who profit from occupations hazardous to the community. If the service performed confers an individual privilege or individual benefit aside from any community benefit, the expense of the service should be borne by those specifically benefited. If the nature of an occupation is such that special regulation is required to safeguard the safety or health of the community, a condition of doing business should be that the occupation assumes the extra expense of the city for regulation.

* See 1924 Legislative Document, p. 54.

Business Occupations Requiring Police Supervision

The extent of licensing occupations by New York municipalities discloses an uneven practice which has sought out a few businesses for licensing and neglected, in the vast majority of cities, trades and occupations from which a license payment could be exacted with equal justice. The tabulation of licenses for business occupations requiring police supervision, contained on the accompanying page, is typical in showing how little change has been made recently in municipal licenses. Those occupations which are licensed by any large number of cities are of a few minor trades, the nature of whose business long ago taught the cities that they should be under police surveillance. These fees for hucksters, pawnbrokers, and junk-dealers survive from a period when the licensing power was invoked to protect business men resident in the city.

TABLE XVII

LICENSE SCHEDULES OF BUSINESS OCCUPATIONS REQUIRING POLICE SUPERVISION

OCCUPATION OR BUSINESS	Number of municipalities requiring license	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
		Maximum	Minimum	Average	Maximum	Minimum
Auctioneers.....	32	\$250	\$5	\$61 95	\$750 00	\$25 00
Dealers in fireworks, arms or powder.....	4	20	10	15 00	50 00	10 00
Employment agencies.....	9	25	5	20 55	300 00	15 00
Gas filling stations.....	7	20	5	10 00	.....	.....
Gasoline dealers						
Wholesale.....	2	20	10	15 00	.....	.....
Retail.....	2	3	1	2 00	.....	.....
Hucksters, hawkers and peddlers, (per year)....	41	100	1	22 67	200 00	1 00
Hucksters, hawkers and peddlers, (per day)....	8	4	1	1 53	.....	.....
Junk dealers.....	51	50	5	9 40	500 00	2 00
Pawnbrokers.....	25	250	10	67 40	500 00	40 00
Removal of dead animals.	3	50	1	17 34	50 00	10 00
Second-hand auto dealers.	8	50	1	25 25	200 00	12 50
Soft drink parlors.....	17	.....	.....	.....	1,000 00	25 00

The paucity of licenses for occupations lately arising from altered business conditions is significant. Though fifty-one cities require a license from junk-dealers only nine impose one on employment agencies. Forty-nine municipalities continue the inherited fees for peddlers and hucksters, but only four have adjusted their schedules to include the gasoline dealer. For the nine occupations for which comparable statistics could be secured from cities outside New York, the rates without exception were higher outside the state.

The policy of licensing saloons when alcoholic beverages could be retailed legally was established on recognized grounds of police regulation. Many of the reasons prompting licensing prior to prohibition continue today in respect to soft drink parlors. The

liability for insanitary conditions, the readiness with which soft-drink parlors may be converted into "bootleg" saloons, all call for a rigid inspection. Heavy licenses were used to control the saloon and heavy licenses may be well used to limit the activity of an establishment so near the border-line of legality. Judging from reports available to the committee, licensing of soft drink parlors has been confined almost entirely to the collection of fees of one to five dollars, amounts which cover hardly more than the cost of licensing. The adoption of schedules imposing licenses ranging from \$50 to \$250 according to the size of the locality would yield a million dollars annually to New York municipalities.

Building and Construction

Permits for construction almost uniformly require no payment of a fee, either for the initial approval of the plans or for examination of the building. Only six cities in the state exact a fee for a building permit. Clearly here is a service, the expense of which should be borne by the individual causing a construction hazard to the municipality. Moderate fees should be set by all cities sufficient to offset the expense of checking building plans, the supervision of construction, and the inspection of buildings as to safety. A graduated scale of fees such as the one in force in Newark, New Jersey, would require "for any alterations and for each new building or structure a fee of \$5 per thousand for \$2,000 of building costs; an additional fee of \$2 per thousand on excess cost over \$2,000 which does not exceed \$50,000; and an additional fee of \$1 per thousand on excess cost over \$50,000." The Newark scale exacts \$1 for every inspection of a building. In 1924 the cost of new constructions and of alterations to old buildings was \$851,793,909 in New York City. Not less than a million dollars would have accrued to the city had a schedule similar to Newark's been in force.

TABLE XVIII
FEES AND LICENSES ARISING FROM CONSTRUCTION HAZARDS

FEE FOR	Number of municipalities requiring fee	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
		Maximum	Minimum	Average	Maximum	Minimum
Building permit.....	6	\$5-\$10	\$1	\$2 00	\$2-\$40	\$1 00
Electricians.....	1	.....	.....	5 00	.....	.....
Engineers.....	5	3	2	2 20	.....	.....
Plumbing installation or periodic inspection.....	None	.....	.....	.....	2 00	50
Electrical installation or periodic inspection.....	None	.....	.....	.....	2 50	1 00
Elevator installation or periodic inspection.....	None	.....	.....	.....	2 00	1 00
Boiler installation or periodic inspection.....	None	.....	.....	.....	3 00	50
Plumbers (initial or annual fee).....	21	25	1	6 00	40 00	2 00

The personal license for builders or contractors is not imposed in any New York municipality, though plumbers pay an initial or periodic fee in twenty-one cities. Examining the installation of electrical wires and apparatus, plumbing, elevators and boilers and their periodic inspection call for extra expenditure by the community and result in an individual benefit but no fees are charged in any city to meet the costs.

Hazards to Health

With minor exceptions, New York municipalities bear the cost of regulating establishments liable to be injurious to the health of the community without making the businesses pay for the expense which they require. The one exception to this practice is the licensing of milk dealers by twenty-two municipalities. A scattering number exact a fee from a few tradesmen, as butchers or bakers, subject to inspection by the local health authority. Though the continued supervision of hotels, lodging and boarding houses is caused by the nature of the business, the extra expense of inspection, with the exception of one city, is borne by the municipality. The practice is common among municipalities of allowing restaurants and cafes the right to engage in business only on condition that a statement has been procured from the health authority certifying that the premises are in a sanitary condition and free from any danger to the public health. Only five New York cities attach to this statement a moderate fee to cover the cost incident to regulation.

TABLE XIX
SCHEDULE OF LICENSES FOR ESTABLISHMENTS HAZARDOUS TO HEALTH

LICENSES FOR	Number of municipalities licensing	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
		Maximum	Minimum	Average	Maximum	Minimum
Bakers.....	5	\$30	\$5 00	\$14 00	\$50 00	\$5 00
Boarding houses.....	1	.....	.....	25-5	Rm. 1 00	Rm. 50
Butchers.....	5	20	5 00	14 00	50 00	5 00
Fish dealers.....	2	10	5 00	7 50	40 00	5 00
Ice dealers.....	2	5	2 00	3 50	25 00	2 00
Lodging houses.....	1	.....	.....	25-5 00	Rm. 1 00	Rm. 50
Milk dealers.....	22	10	25	2 66	40 00	2 00
Restauranteurs.....	5	50	1 00	15 40	100 00	1 00
Slaughter houses.....	3	25	5 00	11 66	6,250 00	20 00
Scavengers.....	3	10	5 00	8 33	25 00	1 00

The licensing practice leaves entirely untouched numerous activities with a health hazard to the community. Poultry dealers, laundries and confectioners are among the activities which present practice exempts from any supervisory expense. A glance at the accompanying table of health licenses shows that New York cities consistently charge lower fees than the larger municipalities in other states.

Commercial Recreation

A greater effort to reach the various forms of commercial recreation has been made in the license schedules of New York municipalities than in any other type of license. Circuses and theatres are required to pay for a permit or license in fifty-one and forty-one cities respectively. The number imposing a license upon moving picture theatres drops to twenty-seven. The pool-room, the billiard parlor, the bowling alley, and the dance hall are uniformly subject to special police regulation and in the larger number of cities outside of the state to the payment of a license. Yet for each of these types of commercial recreation less than twenty New York cities seek to offset the extra expense of supervision by the collection of a license.*

TABLE XX
LICENSES AND PERMITS FOR COMMERCIAL RECREATION

LICENSE FOR	Number municipalities licensing	Basis	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
			Maximum	Minimum	Average	Maximum	Minimum
Athletic contests.....	4	Per year.....	\$200 00	\$25 00	\$106 25	.....	.....
Billiard parlors.....	18	Per table (or first table)...	25 00	1 00	6 15	\$25 00	\$5 00
Bowling alley.....	14	Per alley.....	50 00	2 00	10 00	30 00	5 00
Circuses.....	51	Per day.....	300 00	10 00	50 10	500 00	10 00
Fakirs.....	7	Per day.....	10 00	1 00	4 35	25 00	1 00
Ferris wheels.....	14	Per year.....	100 00	10 00	70 30	.....	.....
Moving picture theatres.....	27	Per year.....	300 00	15 00	64 80	400 00	20 00
Merry-go rounds.....	19	Per year.....	150 00	10 00	82 25	624 00	10 00
Pool parlors.....	19	Per table (or first table)...	10 00	1 00	4 90	30 00	5 00
Sideshow.....	5	Per day.....	10 00	5 00	7 00	25 00	5 00
Shooting galleries.....	20	Per year.....	100 00	3 00	41 70	120 00	12 00
Theatres.....	41	Per year.....	300 00	25 00	67 30	420 00	50 00
Dance halls.....	14	Per year.....	75 00	5 00	23 20	200 00	10 00

REVENUE FROM HIGHWAYS

Franchises

Any immediate enlargement of revenues from franchise values can be only slight under the present state tax laws. The primary design of the special franchise tax when it was passed during the administration of Governor Roosevelt in 1899 was to prevent the escape of public utilities from levy under the property tax. That this aim has been accomplished is shown by the income of municipalities alone in 1923 of twenty million dollars from the tax.

In achieving its purpose, however, the special franchise tax has directly encroached upon municipal revenue from the rental of public street privileges to public utilities. Section 48 of the state

* But see Penal Law, Art. 31 (ch. 671, L. 1922), under which the State has taken over the licensing of billiard rooms except in Buffalo and New York City. Half the fee collected is returned to the locality.

tax law directs that "any sum based upon a percentage of gross earnings, or any other income, or any license fee, or any sum of money on account of such special franchise * * * in the nature of a tax * * * shall be deducted from any tax based upon the assessment made by the state tax commission for city, town, or village purposes." Accordingly, any payment made by a public utility to a municipality for franchise privileges that can be construed as a tax is deducted from the special franchise tax. The broad interpretation which the New York courts have given this paragraph in coloring franchise payments as taxes has operated to reduce municipal revenue from the special franchise tax.

The deduction of a tax from total payments to prevent double taxation of the same value is just and necessary. But the deduction of a payment for rental of public property from total tax payments results in the escape from taxation of large values of public utility property. The injustice of the deductions now legally permissible results from the failure to view the franchise payments to municipalities as rentals for the use of public streets. Were these payments for a corporate franchise to conduct business as a corporation the offset would be defensible. The payments, however, are contractual obligations, arising from contracts entered into between municipalities and public utilities when the latter were accorded the privilege of privately using streets held in trust by cities for the public welfare. The payments, accordingly, are for public and not corporate franchises and the municipalities are entitled to annual payments for privileges conferred beyond the normal taxes on corporations lacking the special franchise rights.

A meagre income is now derived from the franchise payments, the amounts for all highway privileges having been stationary during the past decade. This revenue represents the excess of franchise rentals over special franchise taxes, the payments on contracts which waived the legal deductions, and the few exemptions to the offsetting policy contained in the special franchise tax law. Where the payment is made for the paving or repaving of a street or public place or, in a city of the first class, for car license fees or tolls for the privilege of crossing a bridge owned by the city the deduction is not allowed.

In so far as the assessment of public utilities under the special franchise tax law includes values arising peculiarly from the use of public streets, it is argued that the cities secure a return for the use of their property by utilities. The rental of city streets is properly a charge upon the earnings of public utilities. By failing to collect the charge the capitalization of earnings subject to assessment is necessarily augmented. This rough measure of return is curtailed radically by two factors. First, the rate applied to the franchise assessment is the property tax rate which has no direct relation to value of street privileges conferred on the utilities. Secondly, the capitalization of the deducted payments subjects the assessment to levy under the state property tax. Annually, the cities contribute to the state a property tax upon

capitalized rental values of their own property, the franchise privileges granted to public utilities. The analogy is only slightly strained when we compare this situation with a preposterous proposal that the state assessors capitalize the earnings of municipal water works and levy the state property tax against the assessment.

This situation is not satisfactory. The committee renews its recommendation for the repeal of the special franchise tax law and for the substitution of a gross-net earnings tax. This is fully discussed in our 1924 and 1922 reports. When this is accomplished the injustice to the localities to which attention is called above, will be fully adjusted.

Minor Highway Privileges

An almost total neglect of minor highway privileges as a source of municipal revenue exists among the municipalities of the state. Reports from the officials of twenty-one cities received by the committee in January, 1925, reveal that only an unimportant number require permits for the highway privileges and the majority of these are issued free of cost to the applicant. The reports of the twenty-one cities are chiefly significant in one thing, that they disclose a prevailing attitude of mind which views the private use of street privileges as a private right rather than as an encroachment on public property.

Use of Street Surfaces

Licenses for the private special use of public streets are confined mainly to taxicabs, moving vans, and expressmen. While a fairly large number exact license fees for these three privileges, the practice is uneven throughout the state, many cities making no effort to collect fees commensurate with the privileges granted.

In New York City as an example, a public taxicab pays a license of from \$2.50 to \$10.00 annually, and a highly profitable business pays to the city but \$40,000 yearly for the rental of its road bed, the city streets. An additional expense is required of the city by the grant of the taxi driving privilege. Thirty-eight thousand taxi and hack drivers are licensed annually in New York City. A special squad of seventeen policemen is maintained and is used solely to investigate the character of applicants for the taxi driving license, since records of the police department disclose that 10 per cent of those applying have criminal records. In addition, other special squads are required to enforce the taxi and hack ordinance, particularly along the river front and at railroad stations and terminals. Yet the fee for the license is one dollar with a charge of fifty cents for a renewal, a sum which pays for little more than the badge and book which each driver yearly receives.

Aside from the vehicle licenses mentioned the cities permit other uses of street surfaces with little or no payment for the privilege. The owners of stands secure free rental by the expedient of placing their stands in public places, unless they have chosen one of the three cities which exact a license for the privilege. Occupancy of streets such as for temporary storage of materials is exercised as a private right in all but three cities.

Motor Vehicles

Use of streets by motor vehicles constitutes so large a share of the utility of highways today that revenue derived from motor registration fees or licenses is a major source of governmental income from highways. In nine states the municipalities are em-

TABLE XXI
LICENSES OR PERMITS CHARGED FOR PRIVATE USE OF STREET SURFACES

NATURE OF PRIVILEGE	Number of municipalities requiring license or fee	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
		Maximum	Minimum	Average	Maximum	Minimum
Baggageman, cartman and expressman.....	28	\$10 00	\$1 00	\$4 00	\$120 00	\$5 00
Moving vans.....	14	10 00	1 00	4 37	25 00	2 00
Stands in public places:						
Shoe shine.....	2	*30 00	*2 00	*16 00	.....	.....
Confections.....	2	30 00	10 00	20 00	125 00	5 00
Fruit and candy.....	3	36 00	10 00	25 33	75 00	2 00
Tobacco.....	2	30 00	4 00	17 00	100 00	5 00
News stands.....	None	.....	.....	.....	.....	.....
Taxicabs (or taxi drivers).....	35	30 00	2 00	10 15	.....	.....
Temporary storage of material in streets.....	3	Varying rates	.....	.....	.....	.....
Temporary enclosing of a street area.....	3	Varying rates	.....	.....	.....	.....
Temporary excavation in streets..	14	Varying rates	.....	.....	.....	.....

* Per month.

powered to exact local taxes in addition to those collected by the states. A number of cities such as Chicago, San Francisco and Indianapolis, charge a license tax, or "wheel tax," upon all vehicles operated within the city limits. Recourse to a municipal license, aside from taxicabs and auto-buses, is debarred to New York municipalities by the state law reserving to the state sole power of imposing general licenses, fees, or taxes upon motor vehicles. What return municipalities may secure for use of their streets by motor vehicles is limited to an apportionment of state receipts which is considered in Chapter VI.

Division of State Receipts from Motor Vehicles

Cities and incorporated villages are the only governmental units in New York State which receive no portion of the receipts from motor vehicle fees. The state government gets three-fourths of the total receipts from motor vehicles. The counties receive one-fourth of the revenue, the proceeds being disbursed in the discretion of county boards of supervisors for improvement of highways. Normally, the county's share is used for town highways. To this procedure there are two exceptions, New York City retains one-fourth of the fees paid by residents of the city which is the share

of the counties composing Greater New York, and Westchester county may utilize its share in improving roads bordering on New York City regardless of their location in a city.

The specific design of the motor vehicle fees is to reimburse the state and local governments for the cost of regulating motor vehicle traffic and to aid in the maintenance of the highways used and worn down by motorists. That a large portion of the regulative cost and highway expense is borne by local agencies which receive no share of the motor vehicles receipts, the cities and incorporated villages, cannot be disputed.

What the Motor Vehicle Costs the City

The examination of city budgets by the committee two years ago disclosed that increases in appropriations for city police departments were directly chargeable to the automobile. At that time sixteen cities enlarged the number of patrolmen, ascribing the increase in most instances to the need for traffic regulation.

An analysis of municipal expenses related to motor vehicle transportation concluded this year in a limited number of cities shows that the upward trend of municipal costs is particularly marked where motor traffic touches city activities. An examination of the proportion of police appropriations devoted to traffic squads discloses an increasingly heavy burden of expense upon the cities for which no recompense in motor vehicle fees is received. The accompanying table, showing only that expense arising from salaries for traffic patrolmen and not including traffic supplies or overhead, may be taken as fairly representative of municipalities throughout the state. With no appropriation for traffic squads in 1903 the proportion of police expenditure devoted to this item rose from 6.33 per cent in 1913 to 12.78 in 1918, while the 1923 proportion is over two and a half times the 1913 figure, or 16.03 per cent.

Street improvement has proceeded regardless of the nature of the traffic carried on highways, but a larger share of the city's income is devoted to this activity under the stimulus of carrying for motor vehicles. An examination of the municipal debt of seven cities shows that in 1913 the average proportion of indebtedness incurred for street improvement out of the total debt was 18.68 per cent. The proportion rose to 23.85 in 1918 and to 26.19 in 1923. The proportionate rise can hardly be explained on any grounds other than the impetus to street paving arising from the demand of motorists.

TABLE XXII
PROPORTION OF CITY POLICE APPROPRIATIONS USED FOR SALARIES OF TRAFFIC SQUADS

City	1903			1913			1918			1923		
	Total police appropriation	Traffic squad appropriation	Percentage of traffic squad to total appropriation	Total police appropriation	Traffic squad appropriation	Percentage of traffic squad to total appropriation	Total police appropriation	Traffic squad appropriation	Percentage of traffic squad to total appropriation	Total police appropriation	Traffic squad appropriation	Percentage of traffic squad to total appropriation
Amsterdam.....	\$14,295 00	None	.....	\$23,863 00	None	.....	\$29,600 00	\$2,900	9.79	\$49,315 85	\$11,900	24.13
Binghamton.....	No record	.....	.....	No record	.....	.....	\$3,422 50	9,500	10.16	145,529 00	10,500	7.74
Gloversville.....	8,400 00	None	.....	14,100 00	2,500	17.73	17,850 00	5,480	30.70	31,420 00	9,250	29.43
Jamestown.....	15,484 24	None	.....	25,866 07	2,130	8.23	48,659 60	6,300	12.94	71,827 69	11,500	16.01
Lackawanna.....	21,800 00	None	.....	35,000 00	2,000	5.71	48,000 00	6,300	13.12	59,000 00	9,500	16.10
Lockport.....	11,000 00	None	.....	25,000 00	None	.....	30,870 00	None	.....	46,245 00	5,900	12.75
Average.....	.....	.....	.....	.....	.....	6.33	.....	.....	12.78	.....	.....	16.03

TAXATION AND RETIREMENT

The effect of motor vehicles, particularly of trucks, is nowhere quicker reflected in municipal costs than in the expenses for street repairing. That the wear upon street pavements has resulted in the soaring of city costs for repairing is shown in the following table:

TABLE XXIII
PER CENT INCREASE OF CURRENT CITY EXPENSE FOR STREET REPAIRING

CITY	Per cent increase 1903-1923	Per cent increase 1903-1913	Per cent increase 1913-1923
Cortland.....	640.6	100.0	270.3
Elmira.....	277.3	28.8	192.8
Jamestown.....	456.2	118.3	154.7
Lockport.....	430.0	100.0	165.0
Rensselaer.....	384.4	11.0	336.0
Troy.....	570.1	161.9	156.0
Median.....	443.1	100.0	178.9

The average increase for the six typical cities for the twenty years, 1903-1923, is indication of a greater paved area, higher paving costs as well as the intensive wear on pavements by motor traffic. Dividing the increase into two periods, 1903-1913 and 1913-1923, discloses that the major share of the increase has occurred in the period when motor vehicles attained extensive use. From 1903 to 1913, when horse-drawn vehicles formed the bulk of road traffic, the rise in repairing costs was 100.0 per cent. During the following decade, however, when the motor had largely displaced the horse, the increase was very much greater.

The demand for improved street lighting has arisen in part from the needs of motorists. While the current appropriation for street lighting in the seven cities examined rose 124.89 per cent from 1903 to 1923, the bulk of the increase again was centered in the decade when the use of motor vehicles became wide, 1913-1923. The rise for this period was 90.58 per cent in contrast to an increase of 33.86 per cent for the preceding ten years.

In augmenting the volume of arrests and court trials, motor traffic adds another expense to municipalities. By turning over to the state the funds and penalties from traffic offenders the cities sacrifice the revenue which should, in some degree, offset the cost of court administration of traffic cases. In many cities, the arrests caused by violation of traffic regulations, theft of motor vehicles, or other causes incident to vehicles constitutes a fourth of the

TABLE XXIV
PROPORTION OF CITY DEBT OUTSTANDING INCURRED FOR STREET IMPROVEMENT

CITY	1918			1918			1923		
	Total city debt	Street improvement debt	Per cent of street improvement to total debt	Total city debt	Street improvement debt	Per cent of street improvement to total debt	Total city debt	Street improvement debt	Per cent of street improvement to total debt
Cortland.....	\$562,988 12	\$135,353 92	24.04	\$735,955 71	\$123,821 51	16.82	\$1,056,934 20	\$73,900 00	6.99
Elmira.....	1,141,000 00	225,000 00	19.72	2,619,000 00	428,000 00	16.15	2,650,000 00	835,000 00	31.50
Jamestown.....	1,487,099 74	218,766 40	14.71	1,497,973 19	254,211 98	16.97	2,278,728 54	340,737 12	14.95
Johnstown.....	279,500 00	16,000 00	5.72	323,700 00	25,800 00	7.97	293,500 00	66,500 00	22.65
Lockport.....	757,384 00	174,000 00	22.97	913,438 00	203,024 00	22.23	1,263,000 00	496,400 00	39.30
Norwich.....				234,512 00	161,105 76	68.69	216,538 95	108,852 31	50.26
Troy.....	1,184,860 40	298,881 12	24.97	1,279,916 68	232,073 98	18.13	2,164,855 19	383,185 05	17.70
Average.....			18.68			23.85			29.19

TAXATION AND RETIREMENT

total number; in few cities does it fall below 10 per cent. The following table illustrates the trend:

TABLE XXV
PROPORTION OF TOTAL ARRESTS, INCIDENT TO MOTOR VEHICLE TRAFFIC

CITY	Total number of arrests, 1923	Arrests for violation, traffic regulations or involving motor vehicles	Percentage of total arrests relating to traffic
Amsterdam.....	544	243	44.6
Binghamton.....	2,998	813	27.11
Cortland.....	356	86	24.15
Gloversville.....	288	65	22.56
Jamestown.....	2,514	522	20.96
Norwich.....	171	12	7.12
Schenectady.....	2,834	539	19.01
Average.....	1,386	325	23.49

Other expenses of New York municipalities need be only mentioned to illustrate the extent of the costs arising from motor vehicle transportation. Mechanical methods of traffic regulation, whether by towers, lights or a bell system, cause an installation cost, often heavy, and an annual expense for upkeep. Eight of the twelve cities to whom inquiries were addressed maintain mechanical systems. Traffic signs, either of board and post, painted street lines, or "silent policemen," are maintained by almost all municipalities. In a few instances, parking areas are provided by the city for the convenience of motorists. Occasionally, the volume of traffic has forced the widening of streets as in Elmira, Jamestown and New York, or the cutting of new streets through built-up areas as in Rensselaer and New York.

Not only by denying to cities and villages any share in motor vehicle receipts, but by exempting motor vehicles from taxation as personal property, has the state encroached upon local revenue. By legislative act in 1911 the state exempted all motor vehicles from the property tax except vehicles in the hands of manufacturers and dealers. The committee accordingly renews its recommendation that all municipalities be given a share of the motor vehicle receipts in order to remedy the present discrimination against cities and villages to provide an offset against local revenue lost from the elimination of motor vehicles from the property tax base, and to assist localities in meeting increasing expenses caused by motor traffic. The diversion of one-fourth of the receipts to cities and villages, it is suggested, will afford a satisfactory allocation without impairing the volume of motor revenue now received

by the state, counties and towns. For the year ending June 30, 1922, \$12,100,000 was paid in motor fees; for 1923 the receipts rose to \$19,400,000; for 1924 the amount was in excess of \$22,000,000, and for the fiscal year now ending, June 30, 1925, the state tax commission estimates a yield of \$27,000,000. The increase of total receipts by more than 100 per cent in three years makes possible the transference of one-third of the state's share — or one-fourth of the total amount — to cities and villages without causing any serious net loss to the state. If a gasoline tax is enacted, it may prove more satisfactory to leave the distribution of motor vehicle money as now and to provide for an allocation of a large part of the gasoline tax to cities and villages.

Horse-Drawn Vehicles

Logically, no reason exists for licensing one type of vehicle, the motor car, and for failing to license another type, the animal-drawn vehicle. The larger share of the use of highways, the wear on their pavements, and accidents to persons arises from motor vehicular traffic. That the animal-drawn vehicle contributes to the cost of street upkeep and the liability of personal accident in a less degree should not result in their entire exemption from paying any of the expense of police regulation of highways. However, the expediency of not licensing horse-drawn vehicles rather than the logic of exacting a fee may intervene effectively against any plan to require all vehicles drawn by animals to pay license fees. For example, exercise of the licensing power might be confined to commercially used vehicles, particularly since this class includes the many trucks which seriously wear pavements.

Regulation of horse-drawn vehicles by a state agency similar to the motor vehicle bureau would catch in its drag-net vehicles from so many dissimilar sections, urban and rural, that uniform rates and administration would be difficult. Imposition of a license by municipalities would result in the failure to collect fees from vehicles using the city streets but which are owned by non-residents. The county is probably the unit best adapted to administer the license, since the radius of traveling distance of horse-drawn vehicles is in most instances within the county area. The receipts might well be divided equally between the county and municipalities within its jurisdiction. This would provide a small additional income for street or highway maintenance. The committee offers the suggestion that counties be given the discretionary power of imposing licenses upon animal-drawn vehicles within prescribed maximum and minimum rates. An exception to this provision would be New York City which naturally is adapted better to the collection of any vehicular fee than the five counties within its limits.

Subsurface Street Encroachments

Sidewalk vaults represent the most valuable single encroachment by private individuals upon the subsurface of streets. Tapping this value by a direct tax or license is possible wherever the fee of the street lies with the municipality. Investment of the fee in the property abutting the street precludes any tax levied specifically upon the right of using the street, though by including the value of the vault in the property assessment the city indirectly may reach the property values of the vault. New York City charges an initial permit for permission to construct the vault of ten cents to two dollars for each square foot of superficial area affected, though no annual charge is levied for the privilege of maintaining the vault. Experience in charging for vault privileges is confined to a few cities outside the state, notably Chicago, Baltimore, and Omaha. In Chicago, when the plan was in effect, the rate was computed by levying a designated percentage, as 4 per cent on a value equivalent to one-tenth of the average assessed value of the property abutting. In Baltimore, a rate of 5 per cent is levied against the assessed area of the vault, a value equal to one-half of the assessed valuation of abutting property.

Only the larger municipalities of the state, it is true, will be able to secure any considerable revenue from charges for vault privileges. Yet the value of the privileges is not small and with the increase of basement shops, stores, underground vaults or storage rooms, the cities should not continue to bestow vault privileges free of charge. Neither for the vault privilege nor other underground encroachments, as for conduits or pipes, have the governing bodies of New York cities realized that they are giving gratis rights to property which they should hold in trust for the benefit of the public. If the charges are adjusted on the basis of a fair rental for city property rather than as nominal fees for construction permits, the levies will assure an annual income of importance.

Above-Surface Street Encroachments

Outdoor advertising is an encroachment upon public thoroughfares either directly by occupancy or physical projection upon streets or indirectly by "constructive projection." Certainly the physical projection of a sign over a street or the presence of a billboard on a highway subjects it to police regulation and gives the city the right to collect charges for the enjoyment of public privileges. It has been urged that "the view from the highway does not belong to the individual who owns the property along the right of way. It is a community possession."* Possibly legal opinion will uphold this position and allow privilege charges against forms of advertising, even when set back from the street, since it constructively projects on the highway. Whether or not this advertising may be reached on the ground of exercising a highway privilege, it may be taxed through business licenses.

* National Municipal Review Supplement, May 1923.

TABLE XXVI
SCHEDULE OF MUNICIPAL CHARGES UPON OUTDOOR ADVERTISING AND BILL POSTERS

NATURE OF ADVERTISING	Number of municipalities requiring fee or license	NEW YORK RATES			SELECTED CITIES OUTSIDE NEW YORK	
		Maximum	Minimum	Average	Maximum	Minimum
Billboards.....	11	\$50	\$2 50	\$23 75	\$120	\$5
Bill posters and distributors.....	17	300	yr. 20 00	102 50	.....	.....
Signs:						
Ground signs.....	3	2	2 00	2 00	20	2
Projecting over streets.....	2	.....	.....	1-2 00	.....	.....
Illuminating signs.....	2	.....	.....	2-4 00	25	2
Roof signs.....	2	.....	.....	5 00	*10	2
Indemnity bond.....	2	.....	.....	.....	.....	.....

* Plus .05 per sq. ft.

The only form of outdoor advertising licensed in any number of New York cities is the billboard which is the subject either of an initial fee or annual license in eleven municipalities. Signs bear payments in only a negligible number of cities, the ground sign in three and the projecting illuminating and roof signs in two cities. Clearly, signs of all types should pay an annual fee, not only because of the exercise of a highway privilege, but for regulative purposes, since they may become unsightly and, in certain cases, dangerous. Yet in nearly every New York municipality signs escape paying the regulative costs which their presence imposes upon the cities.

Outdoor advertising largely has evaded a return to New York municipalities of any portion of the values created by the presence of the communities. What return should be made to the city is conditioned upon the size, location and value of the sign or board. The city of Baltimore has been the pioneer among American municipalities in working out a tax in which these factors are carefully weighed. Baltimore is zoned into four districts according to the degree of business values in the zones. The levy upon advertising varies, not only according to the size of the sign or board, but with its location in a particular district. The charge then reflects the value of the sign, since its value is dependent upon the immediate section of the city in which it is present. If advertising which is set back from streets is viewed simply as a property value adhering to the property on which it is located, it may be that advertising values are taxed adequately if they are included within the property assessment. To accomplish this end, local assessors must fully capitalize the rental value of the advertising.

In the past five years, cities in other states have been reaching after street car and elevated train and motor bus advertising and imposing charges corresponding to other forms of advertising taxes. Franchise privileges to run cars through public thoroughfares rarely include the right to sell advertising space in the cars,

and the right to impose license fees upon cars bearing advertising has been upheld in Kansas City, San Francisco and Cincinnati. If, in any case, a license of vehicular advertising is an infringement upon franchise rights outstanding, an amendment may be made to the franchise upon its renewal reserving to the city the right to collect an advertising license.

ADMINISTRATIVE AND COMMERCIAL REVENUE

Earnings of Public Funds

Receipts from interest on public funds is increasing generally as New York municipalities are improving their administration of the collection of taxes and the handling of bank deposits. The study of this committee in 1920 showed that the average interest rate secured by cities of the state for daily bank deposits was 2.25 per cent in that year, a figure increased to 2.30 per cent two years later. Inquiries sent to twenty-two typical cities this year revealed interest rates averaging 2.42 per cent. If the replies are representative of all municipalities, the upward trend of rates on municipal bank deposits is continuing. The higher average, however, may be due to the success of a few cities in securing unusually favorable rates. Since the majority of rates of the cities with whom the committee was in touch with this year show an earning rate of 2.0 per cent on deposits, we believe that many municipalities are failing to take full advantage of the earning possibilities of their bank deposits. Only three cities of the selected list fail to collect interest on either daily or monthly balances.

The administration of tax collecting directly reflects in the earnings of municipal funds as well as in expense for interest on temporary borrowings. Both in 1920 and in 1922 the cities were about evenly divided as to their manner of tax collection, one-half collecting taxes in advance of the need for expenditure and the remainder resorting to temporary loans to pay current expenses before the receipt of tax revenue. Of the twenty-one municipalities surveyed this year only six collect city taxes at the beginning of the fiscal year. Even counting the four cities which collect within two months after the start of the year, less than half of the replies indicate a serious effort to avoid unnecessary interest payments on temporary loans required only because tax payments are delayed for months after current bills are due. Five of the remaining eleven municipalities must meet their obligations by borrowed money for half the year due to the collection of taxes more than six months after the beginning of the fiscal period. Though the answers to inquiries among a selected number of municipalities this year probably over-emphasize the faulty aspect of tax collection, the committee can record no progress in this respect since its report two years ago. The collection of taxes for city, state, county and school purposes on different dates, the practice of a majority of municipalities surveyed this year, is an additional cause for unnecessary expense in fiscal administration.

Your committee again points out that if municipal tax collecting precedes or runs parallel with tax spending and if taxes collected by cities for various governmental units are gathered on the same dates, that the municipalities will be assured an enlarged earning power on their funds as well as saved unnecessary interest and administrative expense.

Income from Public Property

Rent of City Property

Rental of city property, outside of first class cities, brings in a negligible income to municipalities of the state. Local officials have not conserved the values of municipal property by requiring a rental whenever a private use is made of city buildings, land or equipment. The practice of eighteen cities was ascertained, eight of whom permit the private use of city property without payment of a rental. Yet of the ten cities which charge a price, six reported the receipt of no rental revenue.

Sale of Property

The salvaging of city property unsuited for use assures the municipality that no capital assets are tied up needlessly or surplus current supplies retained. Whether the stock control over supplies and equipment was adequate to reveal surplus, obsolete or worn-out articles was an inquiry addressed to the officials of twenty-two municipalities, and only seven affirmative answers were made. Sale of unused property was shown to occur frequently without stock control over property, yet the consistent salvaging of such property is quite impossible when the city officials have no accurate means of knowing what property is surplus, obsolete or worn-out and available for sale. Only as municipal officials realize that the values invested in capital assets and in current supplies need to be conserved will adequate stock control be instituted and rentals systematically be charged for the private use of city property.

Receipts from Public Service Enterprises

Normally, the fiscal effect of the operation by municipalities of public utilities should be nil, neither increasing nor diminishing the tax budget by a profit or a deficit. The sole concern of the committee here in municipal operation of utilities has been as to departures from this standard. Inquiries were made in some detail into the public enterprises administered by twenty municipalities including several of the larger cities of the state. The operation of municipal water supply systems was undertaken by all the cities and in only two of them did their operating statement reveal a loss in 1924. In seven cities a profit of considerable size accrued to the municipality, typical examples being Ithaca with a profit of \$40,848, Salamanca with \$20,415, and Olean with a profit of \$42,909 from this utility. The two losses were in small municipalities which had not revised their rate schedules since 1908 and 1912 respectively.

Though the frequency of municipal operation of other utilities was not sufficient to draw any conclusions, the reports in most instances disclosed either a profit or the conduct of the enterprise on a self-supporting basis. Public markets in the selected cases under observation tended to turn an annual profit into the city treasury. From the limited observation of the net results of municipal operation in these cities, the committee sees no alarming tendency for public enterprises to be a drain upon the taxpayer. Deficits in operation, when they are present, can be ascribed to causes open to ready correction. A revision of rates in keeping with higher costs, the installation of water meters, the cutting off of gratis distribution of water to charitable organizations and city departments will eliminate the more obvious defects in management of municipal water systems, the one utility widely operated by New York cities.

REVENUE FROM LOCAL TAXES

Local Taxes

There are four taxes in the administration of which the cities and other local units of New York State play a part. These are the general property tax, the bank stock tax, the moneyed capital tax and special assessments, if the latter may be classed with taxes. In other states our examination shows that the cities have been given other important tax revenues, particularly in the levy of business and occupation taxes. In this section, we wish to refer briefly to our present taxes and to other possible local taxes.

The General Property Tax

It is unnecessary to discuss the general property tax in any extended way at this point. Various phases of property taxation are mentioned in other parts of this report.* It is enough to remember: (1) that the general property tax has gradually disintegrated until it is now to the extent of 98.5 per cent a real estate tax; (2) that real estate now carries over 70 per cent of the taxes of local government; (3) that the real estate tax is the only elastic source of local revenue; (4) that as a result the burden on real estate has increased over 77 per cent in ten years and the tax rates over 14 per cent; (5) that the tax rates vary extensively in different sections of the state because of the extreme inequality in the distribution of taxable wealth; (6) that it is generally recognized that no additional burdens should be thrown upon real estate; and (7) that tax rates cannot be increased because of constitutional restrictions in certain cities and because of economic conditions in many country sections.

Bank Stock

The bank stock tax is another tax which needs no special comment. It is one of the simplest and most economical taxes to administer. It is not, however, a satisfactory tax from the standpoint

* See pages 18, 155-191.

of equality. Banks with the same bank stock make very different profits on their business. We have suggested in previous reports that a better method of laying a tax on banks is through a net business income tax. This is not feasible for New York State under the present provisions of the United States laws which govern the taxation of national banks. A full discussion of the committee's position on this matter will be found in our 1922 and 1924 reports. In any case we cannot look to the bank stock tax to produce additional local revenues.

Moneyed Capital

In 1923, as a result of the recommendations of this committee and of the state tax department, there was enacted by the legislature a tax on moneyed capital. This was made necessary by the bank stock tax which was revised at the same time to conform to the new decisions of the courts.* The responsibility for the assessment of moneyed capital is laid upon the local assessors as in the case of the bank stock tax. It is obvious that the great bulk of moneyed capital is located in the cities. In spite, however, of the need of the localities for additional revenue, an examination of the assessment rolls shows that most of the cities of the state have failed seriously in the enforcement of the moneyed capital tax.

The accompanying table presents the situation. In this table the twenty largest cities of the state are included as well as all smaller cities which have levied any tax on moneyed capital. The thirty-five cities omitted in addition to twelve cities which are included levy no moneyed capital tax. It will be seen that of the sixty cities in the state only eight made any assessment on moneyed capital in 1923, and that only twelve made any assessment in 1924.

The gross inequality which this situation reveals is emphasized by further examination of the figures presented. It is to be assumed that moneyed capital in the average community will bear a rough relation to bank stock or to taxable income. It is of course not to be expected that the relationship will be at all close, but certainly both bank stock and income serve to measure economic factors which might well be reflected also in moneyed capital. It appears, however, that New York City with 51 per cent of the property, 79 per cent of bank stock, and 72 per cent of the taxable personal income, has 99 per cent of the moneyed capital assessed. For every \$100 of bank stock assessed in Utica, there is \$85.17 of moneyed capital upon the books. But, in Albany, which has more taxable real estate, more bank stock, and more taxable income, there is none.

Your committee has already expressed its opinion of the unsatisfactory character of our state tax on bank stock and on moneyed capital. The situation revealed by the figures presented here does not make us feel any more friendly toward these taxes. Nevertheless, no change can be made until the federal statutes are changed so as to authorize taxes upon bank stock which will fit in with the general system of taxation in New York State.

* See Legislative Document No. 91, 1924, p. 135.

TABLE XXVII
MONEYED CAPITAL ASSESSED IN CITIES

Order of size 1920 Census	CITY	MONEYED CAPITAL ASSESSED		Bank stock assessed 1923	Taxable income 1921	MONEYED CAPITAL ASSESSED 1923	
		1924	1923			For every \$100 of bank stock	For every \$100 of taxable income
1.....	New York.....	\$468,817,731 00	\$522,401,769 00	\$590,544,691 00	\$2,194,157,412 00	\$38,56	\$23 81
2.....	Buffalo.....	1,520,650 00	620,535 00	13,245,285 00	142,296,840 00	4 68	4 36
3.....	Rochester.....	43,781 00	368,700 00	9,582,216 00	95,714,622 00	3 85	38
4.....	Syracuse.....	*362,045 93	None	2,736,926 00	52,455,119 00	.....	.....
5.....	Albany.....	None	None	9,935,508 00	36,917,210 00	.....	.....
6.....	Yonkers.....	None	None	873,803 00	35,320,310 00	.....	.....
7.....	Utica.....	516,947 67	54,094 16	6,351,138 00	23,151,464 00	85 17	23
8.....	Schenectady.....	None	None	859,703 00	22,010,018 00	.....	.....
9.....	Troy.....	None	None	4,278,300 00	16,095,657 00	.....	.....
10.....	Binghamton.....	73,810 75	97,344 00	1,606,065 00	18,544,767 00	6 06	52
11.....	Niagara Falls.....	No report	None	2,954,134 00	11,503,099 00	.....	.....
12.....	Elmira.....	None	None	1,646,053 00	11,612,281 00	.....	.....
13.....	Mt. Vernon.....	None	None	919,663 00	24,996,016 00	.....	.....
14.....	Jamestown.....	None	None	1,905,581 00	9,499,134 00	.....	.....
15.....	New Rochelle.....	None	None	704,726 00	24,355,952 00	.....	.....
16.....	Auburn.....	None	None	834,327 00	7,665,106 00	.....	.....
17.....	Poughkeepsie.....	None	None	1,946,575 00	9,131,409 00	.....	.....
18.....	Amsterdam.....	None	None	1,741,733 00	7,855,677 00	.....	.....
19.....	Watertown.....	745,429 21	None	1,367,180 00	8,183,071 00	.....	.....
20.....	Newburgh.....	None	None	1,734,068 00	6,345,631 00	.....	.....
22.....	Rome.....	12,250 00	12,250 00	437,601 00	4,076,689 00	2 80	30
36.....	North Tonawanda.....	91,056 79	93,528 00	914,915 00	2,474,771 00	10 22	3 78
38.....	Geneva.....	100,000 00	None	336,432 00	3,676,029 00	.....	.....
39.....	Ogdensburg.....	None	None	836,285 00	2,541,843 00	.....	.....
57.....	Mechanicville.....	None	25,066 00	310,200 00	1,857,657 00	8 08	1 35

* Amount originally assessed \$562,171.74 of which \$200,125.81 cancelled pursuant to the decision of Justice Proskauer.

Special Assessment

While municipal activities in general contribute to the rise of property values, the practice of cities recovering any of the specific values created has been confined to the levying of special assessments to pay for the cost of public improvements and, in a few instances, to cover the expense of current activities directly beneficial to property. Cities have not sought to recover all the property values arising from public improvements. To seek this end would make necessary the measuring of the increase in realty values from the date of the completion of the improvement to a later specified date, a period during which values would be influenced by many factors in addition to the public improvement. In short, the cities are without a yardstick which can single out the values arising solely from the improvements and measure the amount contributed by the municipality. Accordingly, when an improvement results in a local benefit, the policy of many American cities has been to assess the *cost* of the property in proportion to the estimated benefit, assuming that cost and benefit are synonymous.

The special assessment is, in effect, a charge at cost for service rendered by the municipality in the improvement of a man's property. To fail to make the cost charge results in a free contribution by the city to specially privileged individuals and the assumption by taxpayers-as-a-whole of the entire expense of an improvement which, at least, in part is for the benefit of the few.

Your committee has inquired into the assessment procedure of twenty-three cities in the state to determine how widely municipal costs for improvements are offset by special levies against property. A summary of the present practice is tabulated below:

TABLE XXVIII
PURPOSES FOR WHICH SPECIAL ASSESSMENTS ARE LEVIED AGAINST PROPERTY
OWNERS IN TWENTY-THREE NEW YORK CITIES

PURPOSE	Number of cities levying special assessments
I. Street improvement:	
1. Opening and widening streets.....	9
2. Street grading.....	5
3. Street paving.....	20
4. Repaving.....	7
5. Sidewalks.....	16
6. Street lighting.....	4
7. Bridges.....	2
II. Sewer construction:	
1. Lateral sewers.....	9
2. Trunk sewers.....	6
3. Intercepting sewers.....	2
4. Storm sewers.....	4
5. Combined sewers.....	3
III. Parks.....	1
IV. Public utilities:	
1. Water lines.....	3
2. Docks.....	1

The assessment policy of these cities, if typical of all New York municipalities, represents a serious failure of localities to meet public improvement costs by special assessment. For the seven types of street improvement, the use of special assessments in any considerable number of cities is limited to street paving and sidewalks. While the majority of the cities questioned specially assessed property to pay for some form of sewer improvement, the assessment is far from universally accepted as the means of defraying all or part of the construction costs. The limited examination indicates that nearly every New York municipality now includes in its budget appropriations which properly should be met by assessing the amounts against property. The fuller use of the special assessment will not reduce the gross tax burden upon real property, but it will redistribute that burden equitably so that payment will be proportioned in accordance with benefit.

Excess Condemnation

New York municipalities, under the 1913 amendment to the state constitution, may exercise the power of excess condemnation. By right of eminent domain the city may take more land than is physically necessary for a public improvement, and at a later time may sell or rent the excess property. The increase in land value of property abutting an improvement is a direct creation of the community and the profit, it is urged, should be taken by the municipality instead of being retained solely by the property owners.

To attain this end by means of excess condemnation, however, will require a perilous undertaking by the municipality in real estate brokerage. Purchase of land on a wholesale scale would be required if the city would secure any considerable share of the profits. Sales might be deferred indefinitely, resulting in a loss of interest on the investment and of taxes that would have been paid had title been privately held. What profits might accrue would be realized only after a long period following the purchase, and the cost of the improvement might even be met through the redemption of bonds in the tax budget. The profits, in such instances, would be expendable for other purposes and would not directly benefit those who paid the costs.

A necessary administrative use of excess condemnation has been pointed out by a number of public finance commissions, and particularly by Mr. Lawson Purdy, former commissioner of taxes and assessments of New York City, in relation to street improvements. Irregular strips and triangles frequently are present or arise with the laying out of new streets or in cutting through built-up areas for new streets. The city may purchase the irregularly shaped lots and, by proper consolidation of lots and replotting, make a development of the abutting property which would have been impossible had title remained in private hands. This use of excess condemnation avoids the injustice to owners of the irregular lots who otherwise would pay special assessments on property incapable

of securing the full benefit that accrues from street improvements to normally shaped plots.

Land Increment Tax

The New York Commission on New Sources of City Revenue in 1913 proposed a plan to tax increments in land value. The tax was to have been a levy in addition to the property tax and was to be laid only on increments of assessed land value arising after the adoption of the plan. Its advocates sought to secure a return to the municipality of the social values unearned by the property owner by annually measuring all increases in values which did not result from the property owner's effort. A rise of \$25,000 in the value of a parcel between two assessments, for illustration, would measure the total increment for the year, earned and unearned. From this sum would be deducted special assessments levied against the property, as \$5,000 for example, and any amounts directly traceable to the owner's initiative in improving the property, a figure that can be set at \$10,000 in the illustration. The net deductions would leave \$10,000 as the unearned increment against which the increment tax would be levied in addition to the regular property tax. The New York commission proposed a 1 per cent levy upon the unearned increment.

While administrative difficulties in the question as to what constitute values resulting from the property owner's effort might be solved by the application of arbitrary rules defining property improvements, a more serious problem is the measurement of the increment in land value itself. Changes in general price levels carry with them ultimately enormous shifts in land values. If the recommendation of the New York commission had been adopted when it was advanced in 1913, the property owner in New York City would subsequently have been subject to a tax largely on values to which neither he contributed by capital improvements nor the community created by increased population or business. The tax in the main would have been on values reflecting the new price level.

No practical administrative device has been proposed which would enable the municipality to measure the true increment in land value as distinct from the fluctuations incident to a changing price level. After currency value has been adjusted fully to post-war conditions, the price level may become stabilized to a degree where the fluctuations will not seriously distort the normal true increment of land value. Until that occurs or a workable plan is advanced for squeezing out price fluctuations from the yardstick used to measure increment, the land increment tax cannot be considered seriously by municipalities as a source of revenue.

Taxes on Consumption

A sales tax was agitated in Congress during the sessions of 1920 and 1921 and widely discussed in the press as a suitable source of revenue for the federal government. Though debate on the plan lapsed without any favorable Congressional action, public atten-

tion was directed to a form of tax which has never been used extensively by any branch of government, national, state or local. The federal government long maintained an excise tax on liquor and continues one on tobacco, as well as imposing, by the War Revenue Act, excises upon certain retail sales of jewelry, soft drinks, and wearing apparel. Connecticut, since 1921, has collected a sales tax of one-fourtieth of 1 per cent on wholesale mercantile stores, and one-tenth of 1 per cent on retail mercantile establishments. The state of West Virginia levies a sales tax of 1/5 per cent.

Recourse to a tax on sales by municipalities is urged with plausibility by several public economists and was recommended favorably by a committee on new sources of revenue reporting to the mayor of Boston in 1921. The tax, it is argued, would be upon sales of business concerns utilizing community services provided by municipalities. The protection to person and property, the services to business for streets, traffic regulation, rapid transit, are provided by the city. The market for sales itself, if the sales are of a retail character, is found in the locality.

The plan, as advanced by the Boston commission, was to narrow the tax to a 1 per cent levy on retail sales of all goods, wares and merchandise, as distinct from a tax on "turnovers." By such a limitation pyramiding the tax would be avoided. That is, instead of levying a tax upon each turnover sale from producer to consumer, with the resulting rolling up of a half dozen taxes into the bill of the final purchaser, a single tax would be placed upon one stage in the process, the retail sale.

The committee recognizes elements in a tax on retail sales which make it admirably adapted to collection by a municipality. Its adoption would more widely distribute the municipal tax burden. Many citizens who escape contributing to the municipality through the state income tax or through the property tax would be reached by the levy. If purchase prices were marked so as to distinguish between the commodity cost and the tax, a much needed element of tax publicity would be introduced which is lacking in the indirect taxes on property paid through rentals. We have pointed out previously that property values lag far behind the mounting municipal costs. Retail sales, however, enlarge with the growth and activity of a city. Municipal expenditure expands much in the way that sales expand. A higher standard of living is indicated both in the demand for new municipal activities and in a greater volume of private purchases. It may be argued, therefore, that an automatic elastic tax base would be provided related to the need for municipal income. A very substantial municipal income would result from the levying of a tax at the rate of 1 per cent on retail sales as was suggested in Boston.

The force of these advantages is weakened by the difficulty of administering the tax and certain inherent injustices that would result from its operation. Though the tax return itself would not be complicated, to secure the return from all business firms from

whom purchases are made by residents of the city would be impossible. In other words, the smallness of the area covered by a local levy would preclude collection from out-of-town retailers selling to residents. If a sales tax were imposed by all municipalities in the state, this objection would be minimized, though not eliminated for the difference in local rates might result in competition between cities in cutting rates at the instance of local merchants. Even though the statewide use of the tax might be possible if an optional state law were passed, in practice many municipalities would not exercise the option by imposing a sales tax. It can hardly be denied that a locality would penalize its retailers by the adoption of the tax when the merchants of neighboring communities, not levying one, could consistently underbid the home stores or at least claim so in their advertising. The committee is of the belief that a sales tax, if it is at all justifiable, must be collected from an area not smaller than the state if inequalities between localities are to be avoided and if all business houses within a state are to be made subject to the tax.

A sales tax inevitably places a heavier burden on the poor than on the rich. The larger share of the volume of business levied upon would be for common necessities and the man with limited means would pay a greater proportion of his income in taxes than the wealthy resident. To overcome this objection, a scale of rates graduated as to objects of sales could be required, introducing difficulties in administration. The tax would operate unequally upon retailers, some not being able to shift the tax to the purchasers and others being able to shift an amount greater than the tax.

Your committee, accordingly, is not prepared to recommend the passage of a state law granting to municipalities the option of imposing a sales tax. Of the value of such a tax it is dubious in view of the patent injustice of administering it in a small jurisdiction, its uneven operation upon retailers and purchasers with varying incomes, and the lack of any successful trial of a broad sales tax in any American municipality.

Business and Occupational Taxes

The need for additional revenue has driven many American cities, particularly since the war, into the field of business taxes as a means of supplementing the property tax. The tax has usually been imposed in the form of a license for the privilege of conducting business within the municipal jurisdiction, though the method of levy has differed radically with cities.

Flat License Tax

A license fee solely designed to raise revenue from business regulated through the police power may well be adjusted to a flat charge for each business, the fee varying only with the nature of the business. When the license is primarily a revenue raising measure, however, the flat charge scale must be geared so high that an injustice results to the small businessmen and minor tradesmen. Introduce-

tion of a scale with the charges graded according to volume or profits or of a physical factor incident to business becomes necessary whenever the license system aims to raise an appreciable revenue.

Tax According to Some Physical Factor

The grading of the business by a tangible, physical factor has the advantage of simplicity in administration and a greater measure of justice than the flat charge. When hotels, for example, pay according to the number of rooms or beds, the assessment of the license tax is a simple arithmetical process and the hostelrys pay a charge in proportion to their size or capacity. Uniform use of this method, however, is difficult because adequate physical measures cannot be easily established for all business concerns. It is objectionable since it often bears no relation to the ability of the owner or lessee to pay.

Tax on Gross Income

Licenses with rates in percentages of the gross income of business are in force in a number of American cities and have been tried sufficiently to warrant deductions as to their value. Your committee has examined in detail in a number of cities the operation of a business tax based upon gross receipts in the form of income, sales or premiums. When the San Francisco license rates were based on gross income, with a minimum charge, of 4,614 licenses issued in a typical period, 4,017 or 87 per cent were for the minimum rate.

In the South, where license taxes have been developed to a higher degree than in any other section of the country, the committee inquired into their operation in two of the larger cities, Charleston, South Carolina, and New Orleans, Louisiana. In the former city the scale is based not alone on gross receipts but includes quantity of goods, in some instances, and the number of persons connected with the firm, in other instances. For a year of unusual business prosperity, 1920, 573 merchants reported their gross sales, of whom 382 declared their annual sales to have been \$2,000 or less. Three-fifths of the merchants pay their license taxes on the palpably false return of less than \$7.00 gross sales a day. Nor were the returns of the professional group more accurate. In 1921 only 30 lawyers, dentists, physicians and chemists, out of 116 paying a license, reported an annual income above \$2,000. Of the total number, more than a third reported yearly incomes of less than \$500. The Charleston experience represents a breakdown of the administration of the gross receipts license tax.

New Orleans divides its business licenses into twelve major groups, with sub-classes numbering 326. An examination of the charges by classes reveals a marked inequality in the application of the license rates to the same type of business. The rates are highest for the smallest retailers and for banking and trust companies. The discrimination between classes continues through

most of the groups, the rate for manufacturers, for example, being high at both ends and low in the middle of the scale. The New Orleans experience revealed the readiness with which an attempt to classify licenses according to type of business and gross receipts results in an inequitable distribution of the tax.

The committee sees no warrant for recommending for use by New York municipalities a tax which has proven so unsatisfactory in operation.

Tax on Net Income

A municipal business tax based on net income is far superior theoretically to one based on gross income. As a practical matter, however, it is impossible of fair administration. Even if the tax is based upon and checked against the income as reported to the federal and state governments, so that the net income is reasonably accurate, there is still the almost insuperable obstacle of determining what part of the income is really earned locally and therefore fairly taxable locally.

Tax on Business Rentals

The most satisfactory local business or occupational tax appears to the committee to be a tax measured by rentals or rental values in the case of properties occupied by the owner. In order to make this fair, the percentage of the rental to be used should be different for different classes of business. A broker should pay a higher percentage than is applied to a lumber yard. The purpose of such a classification is to apportion the final tax roughly in proportion to net income.

It is difficult to estimate the productivity of such a tax on the basis of facts now available. In New York City business rentals may be placed conservatively at \$450,000,000.* A tax at the rate of 2 per cent would produce \$9,000,000, not allowing for classification or for the costs of administration. Rates for similar taxes in Canada range from 2 to 12½ per cent. This would make possible the reduction of the real estate tax by eight points. In other cities of the state the product of such a tax would be far less than in New York City, but the effect on the tax rate should be about the same. The committee regards a local business rentals tax as less satisfactory than the enactment of an unincorporated business tax as suggested in Chapter VI.

Income Tax Surcharge for Cities

If all the cities of the state were in equal need of new revenues it would not be difficult to furnish such funds by increasing the state personal income tax and providing for the distribution back to the localities of the additional amounts collected. Such an in-

* An examination of land value maps by districts has been made as the basis of determining the value of business property in New York City. It is assumed that the rental of this property is not less than 12 per cent of the assessed value.

crease for distribution to all units does not appear to be necessary at the present time. In order to relieve the great need of certain special localities without throwing a new burden upon the whole state, it has been suggested that the state authorize the legislative authorities of cities to levy a municipal surtax upon the income of the inhabitants of the city. Under such a plan the rate of the local tax would be determined by the local authorities, but the tax would be collected by the state at the same time and on the basis of the same return as that used for the state. The state would continue to be responsible for the examination and audit of all returns. It would furnish to the localities a list of all individuals who make returns as residents of the locality. It would fall to the local authorities then to check through these lists to see whether there were residents who had misstated their legal residence or who had failed entirely to make income tax returns.

From the standpoint of general equality and economy of administration, a local income tax of this character has much in its favor. There is one serious difficulty: evasion through the shifting of residence. To what extent residence will be shifted to avoid payment of the local tax, will depend upon local conditions. If the rate is high, it will be vastly encouraged. In any case, it will be confined primarily to the larger taxpayers, because they alone can afford more than one residence. In cities in which there is a strong community spirit, this will serve to limit evasion of the local tax. The "suburbanites" who work in the great cities and live just beyond their boundaries will escape the tax entirely. In their case, this can hardly be called "evasion," because the cost of educating their children and protecting their homes does not fall upon the city in which they work. Usually the suburbanite is already paying a heavy tax to his local government to maintain his city standards of education, protection and service.

TAX LIMIT CITIES

The cities operating under the 2 per cent constitutional tax limit present a different problem.* Here the property owner has some protection, but it seems to be difficult to carry on the governmental functions demanded in these cities within the 2 per cent limit. The new program of state aid for schools will not give any large additional funds to these cities.

There were six cities in New York State with a population in excess of 100,000 in 1920, viz., New York City, Buffalo, Rochester, Syracuse, Albany and Yonkers. Two more, Utica and Schenectady, have passed the 100,000 mark since 1920, and with the state census of 1925 will come under the 2 per cent limit.

* The 2 per cent limit is, briefly, that taxes for city purposes, other than debt service, in cities with a population in excess of 100,000 may not in any one year exceed 2 per cent of the assessed value of the real and personal property taxable in the city. In New York City where the city and county governments are combined, the tax for county purposes is also included.

Fiscal Effects

Just what the effect of this provision has been it is difficult to determine. It is impossible to state with any degree of certainty that the tax limitation is the cause of such differences as are apparent in the accompanying table, because of the small number of cases and the fact that the cities in the first group are all larger than the cities in the second group. But the fact that the average* tax rate on full valuation for city purposes is somewhat smaller in the group operating under the 2 per cent limit indicates that it has served as a real check. The slightly higher average assessment rate and the slightly lower percentage of revenue obtained from the general property tax suggest also that the pressure has been sufficient to encourage the increase of rates of assessment and to develop other sources of revenue, although the difference is not marked.

TABLE XXIX
ASSESSMENT RATES, TAX RATES AND PERCENTAGE OF REVENUES FROM GENERAL PROPERTY TAX IN FIRST AND SECOND CLASS CITIES IN NEW YORK STATE, 1923

CITY	TAX RATE ON ASSESSED VALUATION FOR \$100		Ratio of assessed to full valuation	TAX RATE ON ESTIMATED FULL VALUE PER \$100		Percentage of revenue of city from general property tax
	For all purposes	For city purposes		For all purposes	For city purposes	
Cities subject to 2 per cent limit:						
New York.....	2.74	2.63	92	2.52	2.42	71.2
Buffalo.....	3.31	2.77	88	2.91	2.44	68.3
Rochester.....	3.45	3.06	80	2.76	2.45	69.7
Syracuse.....	3.42	2.57	81	2.77	2.08	62.4
Albany.....	3.53	2.77	77	2.72	2.13	66.9
Yonkers.....	3.04	2.52	90	2.74	2.27	76.1
Cities not subject to 2 per cent limit:						
Utica.....	3.31	2.51	85	2.81	2.13	72.7
Schenectady.....	5.33	4.38	87	3.57	2.93	76.0
Troy.....	5.40	3.16	92	4.97	2.91	69.8
Binghamton.....	3.87	3.05	81	3.13	2.47	65.6
Median for cities with 2 per cent limit.....	3.365	2.70	84.5	2.75	2.345	69.0
Median for cities not subject to 2 per cent limit.....	4.60	3.05	83	3.35	2.69	71.25

It is unfortunate that the cities facing this limitation have resorted to borrowing to meet their growing expenditures. Here, again, it is difficult to say to what extent the tax limit has influenced, but it has undoubtedly been a factor. A comparison of per capita debts shows that there has been an increase in all of the six cities operating under the 2 per cent limit—the greatest increase between 1920 and 1923 being 119 per cent. In the second class cities not subject to the 2 per cent limit, the greatest increase in the same period was 57 per cent, and there was an actual

* The median is taken as the average throughout this section.

decrease in the per capita debt of one of these cities. The average debt increase for the cities under the 2 per cent limit was 46 per cent between 1920 and 1923 and 51 per cent between 1921 and 1923. The average increase for the second class cities not subject to the 2 per cent limitation was 27 per cent between 1920 and 1923, and 14 per cent between 1921 and 1923.

TABLE XXX
AVERAGE PER CAPITA INDEBTEDNESS OF CITIES WITH 2 PER CENT TAX LIMIT AND
SECOND CLASS CITIES WITHOUT LIMIT

	Six cities with limit	Four cities without limit
1920.....	\$73 08	\$46 08
1921.....	71 53	50 94
1922.....	80 81	56 25
1923.....	110 79	58 47

As has been stated above, all six of the cities with tax limits are at present levying taxes practically up to the limit of the law. There is some slight fluctuation from year to year. For instance, New York City levied 2 per cent for general city purposes in 1923 and 1.94 per cent in 1924. But on the whole the cities are taking advantage of the full amount. Utica, which will come under the tax limit with the state census of 1925 has a tax rate comparable to those in cities already limited. Schenectady which will also come under the tax limit in 1925 has a much higher rate. The levy of 1924 was more than 70 per cent larger than would have been possible under the 2 per cent limit.

The Way Out

There is obviously little possibility of increasing tax rates under the limit. There are six possible ways, however, short of repealing the constitutional limit, of meeting the situation.

Reduce Expenditures

The first method of making revenues adequate is to reduce expenditures. There are many economies which can and should be effected in city administration. There is probably a greater opportunity for economical management in education than in any other field. Economy in local administration is not, however, a responsibility of the state. It rests squarely upon the local government and the local voters. The state is responsible, nevertheless, for providing a tax system which will meet the reasonable demands of the cities. If the cities want to spend freely and are willing to tax themselves to pay the necessary costs, the state must provide adequate tax systems. This is a corollary of home rule.

Increase Assessments

The second possibility is to increase rates of assessment. None of these cities has a 100 per cent assessment rate, and responsible city officials in more than one city have expressed doubt as to whether assessment rates are even as high as the state tax commission credits them with being. New York City, Buffalo and Yonkers are now credited with assessment rates of from 88 to 92 per cent and there seems to be some doubt as to whether they can be increased materially above this point. Rochester and Syracuse, with assessment rates of 80 and 81 per cent, respectively, and in serious need of increased revenues, are revising their methods of assessment this year in the hope of obtaining material increases in general property tax revenues. Albany has only a 77 per cent assessment rate, but the financial situation in this city is not yet acute, and apparently no measures are being taken to revise assessment methods. Of the two cities coming under the tax limitation in 1925, one, Utica, already has an 85 per cent rate of assessment and not an especially high tax rate. The other, Schenectady, with a tax rate 48 per cent higher than permitted by the 2 per cent limit on the one hand, and an assessment rate of only 67 per cent on the other hand, is taking steps to improve methods of assessment and increase the assessment ratio.

Higher assessments bring only partial relief, however. With an assessment rate of 100 per cent (could such a rate be attained) it would be possible to make both ends meet in Rochester for a year or two — but only for a year or two at the present rate of growth of expenditure. And in Schenectady an increase in assessment rates by 100 per cent would only make it possible to obtain 87 per cent of the tax levied in 1924.

TABLE XXX-A
PERCENTAGE OF PROPERTY EXEMPT* FROM TAXATION IN CERTAIN CITIES OF
NEW YORK STATE

CITY	Year	Percentage of all property exempt	Percentage of property other than city property exempt	Percentage of privately owned property exempt
New York †.....	1923	20.4	6.1	5.3
Buffalo.....	1924	13.7	7.0	4.6
Syracuse.....	1924	15.0	6.0	.....
Albany.....	1924	54.1	25.7	.....
Yonkers.....	1923	19.4	14.4	.....
Utica.....	1923	9.4	.....	.....
Schenectady.....	1923	13.8	.....	.....

* Exempt from taxation in any form.
† Real estate only.

Reduce Exemptions

A second possible way of increasing the general property tax is to cut down the amount of property exempted. Real estate exempted from taxation in first and second class cities amounts to very considerable sums. Nearly 20 per cent of all real estate was exempt from taxation in New York State in 1922 and much of this is in the larger cities.

Not all of the exemptions now permitted are justified and a decrease in the amount of exempt property would bring some relief. Any extensive repeal of exemption provisions probably could not be obtained, however.*

Exclude Education

The third possibility is to withdraw the tax for some city purpose, e.g., education, from the 2 per cent limit. This is being attempted in Rochester by forming a school district with boundaries which are not co-terminus with city boundaries. Whether or not the bill providing for the change will pass the legislature, and if so whether it will be regarded as constitutional, is as yet uncertain. Other cities have considered the same plan, but thus far none has taken any action. Owing to the large proportion of property taxes going to education, this would immediately solve the problem of the city with the 2 per cent tax limit, but it would hardly bring relief to the property taxpayer.

TABLE XXX-B
TAX REVENUES OF FIRST AND SECOND CLASS CITIES IN 1923 AND PROPORTION OF SUCH TAX REVENUES DEVOTED TO EDUCATION

CITY	Total city tax revenue (thousands)	City general property tax revenue (thousands)	City Tax revenue to education (thousands)	PERCENTAGE OF CITY TAX REVENUE	
				From general property tax	To education
New York.....	\$318,721	\$288,969	\$96,696	90.7	30.3
Buffalo.....	20,297	18,917	8,370	93.2	41.2
Rochester.....	12,243	10,778	4,727	88.0	38.6
Syracuse.....	5,070	5,508	2,543	92.8	42.9
Albany.....	4,202	3,861	1,779	91.9	42.3
Yonkers.....	6,845	6,392	2,314	93.4	33.8
Utica.....	2,946	2,733	1,370	92.8	46.5
Schenectady.....	3,656	3,362	1,641	92.0	44.9
Troy †.....	2,110	1,820	1,874	92.8	37.3
Binghamton †....	1,819	1,680	676	92.4	31.1

* For further discussion of the problem of exempt property in New York State see Report of the Special Joint Committee on Taxation and Retrenchment, 1922, p. 62.

† 1922.

Develop Existing Local Sources of Revenue

As has been shown earlier in this chapter, the cities of New York State are far behind other American cities in the development of their minor sources of revenue. Only three cities have made a complete overhauling of their miscellaneous revenues since the war, though it is obvious that all fees, charges, licenses, permits and fines should be changed to meet present conditions. In most New York State cities no charges are made for the examination of building plans and the issuance of building permits; for building, plumbing, electrical and other such inspections; for special privileges to use the streets for the storage of building materials, for vaults, for sidewalk stands or for overhanging signs. Special assessments can furnish a larger portion of the financing of public improvements in many cities.

Authorize New Sources of Local Taxation

A sixth method of relief for the cities is to be found in one or the other of the two new taxes discussed earlier in this chapter: the local business or occupational tax based on rentals and the local surcharge on the state income tax.

The State Program and Local Effort

The most important result of the constitutional tax limit has been to force the careful consideration of the revision of the state and local tax system. The tax limit has not limited expenditures in the long run; it has not kept taxes down. It has encouraged unsound practices of finance and it has served to shift the growing burden of taxation from real estate to other kinds of tax-paying ability. This has resulted in a very large expansion of state aid for schools and highways and in the development of state taxes for distribution to the localities.

The present plight in the tax limit cities can be relieved. To this end we are recommending a state program. There must be, however, an honest local effort to improve conditions. The localities cannot expect the state to save them from the results of their own failure to act.

The localities themselves must endeavor to reduce expenditures, increase assessments to full value, and overhaul local revenue resources. The state must refuse to increase tax exemptions if indeed no move can be made at the present time to reduce exemptions. The state must also provide increased distribution to the localities of state taxes. Such a program is presented in other sections of this chapter. If these measures will not meet the situation in the tax limit cities then cities should be authorized to levy by ordinance a classified business or occupation tax based on rentals or a local surcharge on the state personal income tax.

COUNTY ASSESSMENT UNIT

Property Tax Administration

The locally elected town and village assessors are the weakest link in the property tax system of New York State. In our report for 1923, we summarized our findings as follows:

1. Full value assessments of real and personal property are the exception rather than the rule in the great majority of towns.
2. The system of assessment consists to a very large extent of copying the preceding year's assessment rolls.
3. The copies are badly made as regards description of property.
4. Assessments cost more per capita and more per \$1,000 of assessed value in towns than they do in cities; and represent almost five times as great a percentage of expenditures for local purposes in towns as they do in cities* in spite of the facts that per diem payments to assessors are limited in most towns to five dollars or less; that the total payments to individual assessors are in some cases less than \$100, and in practically all cases less than \$1,000 per annum; and that many of the functions of city assessors, such as extending the tax rolls, making out tax bills, etc., are performed in the case of towns at the expense of the county.

A study of county equalizations at that time demonstrated that the present machinery for equalization is far from satisfactory in all except a very few counties. And even in these counties it is almost impossible through equalization to produce even the shadow of equality because of the basic rottenness of the assessments. *No amount of equalization by the county or the state can wipe out the individual inequalities created by bad local assessing.*

The development of new kinds of property since the early establishment of our local assessing machinery is chiefly responsible for its failure. At no point is this more evident than in assessing property running through many tax districts such as the railroads. How can fair assessments of railroad property come from a system which arbitrarily cuts up a railroad system like a picture puzzle and turns the various parts over to various men scattered from New York to Buffalo and from Canada to Pennsylvania?

County-Unit Assessments

These faults of the New York system of tax administration have long been recognized. They should not be tolerated longer. No other large industrial state relies upon such antiquated administrative machinery, especially in dealing with public utility assessment. Furthermore, there is no provision for an administrative

* 1923 Legislative Document 55, p. 115.

review of the acts of assessors, the sole recourse of an aggrieved taxpayer being an appeal to the supreme court for a writ of certiorari. It is the belief of the committee that the remedy in New York is to be found through making the county the unit for tax administration. Under this plan there would be a single locally appointed county assessor who would *assess and equalize* with modern uniform methods all taxable property within the county except that lying within cities, unless a city voluntarily accepts his jurisdiction. There would be in each county a board of review to hear assessment appeals. Equalization between the city and the county and between counties would be by the state tax department, which would take over also the assessment of all public utility properties, such as the railroads, and certify the fair equalized valuations back to the counties as is now done for special franchises. This is not a new or revolutionary program. It has been discussed since 1915. Certain parts of the plan have been rejected by the people because, as we believe, they did not understand it and because selfish interests succeeded in arraying ignorance and local prejudice in opposition.

Will it require a constitutional amendment to open the way for this county assessor plan? On this point qualified authorities are not in complete agreement. We wish to present, therefore, in the following pages a concise summary of the constitutional provisions involved and of the more important decisions of the court. We hope that this will serve to clear the way for action.

General Principles Relating to Legislative Powers Over Local Government

Article 10, sec. 2, of the New York State Constitution provides as follows:

“All county officers whose election or appointment is not provided for by this Constitution, shall be elected by the electors of the respective counties or appointed by the boards of supervisors, or other county authorities, as the legislature shall direct. All city, town and village officers, whose election or appointment is not provided for by this Constitution, shall be elected by the electors of such cities, towns and villages, or of some division thereof, or appointed by such authorities thereof, as the legislature shall designate for that purpose. All other officers, whose election or appointment is not provided for by this Constitution, and all officers, whose offices may hereafter be created by law, shall be elected by the people, or appointed as the legislature may direct.”

The court of appeals has ruled that it is for the legislature to distribute the powers of local government as it may deem best, and that this discretion, when not restrained or excluded by some provision of the constitution, is absolute. (*Allison v. Welde*, 172 N. Y. 421.) The effect of the foregoing constitutional provision has, however, been so construed as to restrict the powers of the legislature in such matters within rather narrow limits.

Influence of Historical Backgrounds

In order fully to understand the reasons for such restrictions, the whole history of English and colonial local government must be considered. The court has pointed out that

“the principle of home rule, or the right of self government as to local affairs, existed before we had a Constitution. Even prior to Magna Charta some cities, boroughs and towns had various customs and liberties which had been granted by the crown or had subsisted through long user, and among them was the right to elect certain local officers from their own citizens and, with some restrictions, to manage their own purely local affairs. These customs and liberties, with other rights, had been so often trampled upon by the King as to arouse deep hatred of centralization of power, and we find among the many grants of the Great Charter that ‘the city of London shall enjoy all its ancient liberties and its free customs as by land as by water. Furthermore, we will and grant that all other cities and burghs and towns . . . shall have all their liberties and free customs’ . . .

“The rights thus secured after a long struggle and by great pressure, although at times denied and violated by the ruling monarch, were never lost, but were brought over by the colonists the same as they brought the right to breathe, and they would have parted with the one as soon as the other. The liberties and customs of localities reappear on a novel and wider basis in the town meetings of New England and the various colonies, including the colony of New York . . .

“The business transacted at the town meeting related to highways, care of the poor, and matters of purely local concern. . . . The officers selected generally by viva voce vote, were supervisors, assessors, collectors, constables, commissioners of highways and overseers of the poor. The powers and duties of these officers were regulated by statutes, but the right to select them resided in the people of the locality and was stubbornly insisted upon as inviolable.

“Such was the state of affairs when the first Constitution was adopted. . . . The Constitution of 1777 recognized local self government as already existing, and continued and protected it, so that it could not lawfully be departed from without changing the Constitution itself. It provided that ‘town clerks, supervisors, assessors, constables and collectors and all other officers heretofore eligible by the people, shall always continue to be so eligible’ (sec. 29). Sheriffs, coroners, loan officers, county treasurers, clerks of supervisors and justices of the peace were to be appointed (sec. 26, 29). Thus our earliest Constitution did not create the right to elect the administrative officers of towns, but continued it as it had existed during the history of the colony while it was under the dominion of the English crown. The only local officers

mentioned by name as 'eligible by the people' were town officers, and in fact almost all officers of other local divisions were appointed by central authority.

"The second Constitution, framed in 1821, continued the right by the general clause, applicable to county, town, city and village officers, that 'all officers heretofore elected by the people shall continue to be elected.' . . . Sheriffs, coroners, and some other county officers were for the first time made elective."

When the third Constitution was drafted, in 1846, "it contained the provision and expanded the right," by a clause identical with that now in effect. This clause has been brought down to the present day without change.

Continuing, the court observed that

"These and other commands of the different Constitutions, when read in the light of prior and contemporaneous history, show that the object of the people in enacting them was to prevent centralization of power in the state and to continue, preserve and expand local self government.

"This was effected through a judicious distribution of the power of selecting public officers, by assigning the choice of local officers to the people of the local divisions, and to the people generally, those belonging to the state at large. The management of the local political business of localities, whether as large as a county or as small as a village, is entrusted to local officers selected by the communities where those officers act and through which their jurisdiction extends. The principle of home rule is preserved by continuing the right of these divisions to select their local officers, with the general functions which have always belonged to the office." (People ex rel. Metropolitan Street Railway Co. v. Tax Com'rs., 174 N. Y. 417.)

Limits to the Doctrine of Local Election and Appointment

By its decisions the court of appeals has made it abundantly clear that the reservation of the right to local appointment or election applies only to such offices as existed at the time the Constitution took effect. (People v. Draper, 15 N. Y. 532; People v. Pinckney, 32 N. Y. 377; People ex rel. Kingsland v. Palmer, 52 N. Y. 83.) The doctrine of these early cases, however, has been extended somewhat by the ruling that it relates to all local offices "existing under actual laws of the state at the time the *present* Constitution went into effect"—that is, to all offices established prior to January 1, 1895. (Matter of Brenner, 170 N. Y. 185.)

The entire principle has been applied in a very recent case, involving the office of transit commissioner for New York City. In *McAneny v. Bd. of Estimate*, the court held that "the office of

transit commissioner being a *new* office, the legislature could constitutionally fill the same by designating the persons to act as commissioners." (232 N. Y. 377.)

What Constitutes a New Office

Furthermore, the court has been rather liberal in its determination of what constitutes a new office which is exempt from the constitutional restriction. Thus, it has upheld an act "authorizing for the first time in the history of the state the assessment or valuation for the purpose of general taxation of all special franchises by a state board of tax commissioners appointed by the governor." (People ex rel. Metropolitan Street Railway Co. v. Tax Commissioners, 174 N. Y. 417; quoted above.) In this case the court emphasized the fact that

"the function of assessing a special franchise does not in its nature belong to a county, city, town or village, for it has never been exercised by officers of such localities, but to the state, by which it is now exercised for the first time. . . . This supreme power (of taxation) should be construed in connection with the Constitution and neither should be so construed as to embarrass or cripple the other. Home rule, as understood and practiced in the past, giving the right to localities to govern themselves, but not to hamper the government of the state, should be carefully protected from open attack or indirect invasion. Shadows, however, should give way to substance, and the right to create a *new* system of taxation and bring in property of a *new* character, hitherto untaxed, with some property incidental thereto and worthless without it, cannot as we think be denied upon principle."

The principle thus laid down was reaffirmed by the same court in 1909 (196 N. Y. 62) and in 1913 (207 N. Y. 628), and has frequently been cited, *obiter*, with approval. It may fairly be viewed as the leading case on the subject to which it relates.

Effect of Combining Old and New Offices

Likewise, it has held that a railway terminal station commission created by the legislature for the city of Buffalo was composed of new officers within the meaning of Constitution, and that they exercised new duties

"although they include some duties which had been previously performed by city officers." (People v. Bradley, 207 N. Y. 592, 620, citing Sun v. Mayor, 152 N. Y. 257, and 174 N. Y. 41.) It was held that "the duties of the commissioners that are new are so associated and intermingled with the duties now devolved upon them that have heretofore existed in other officers, that it is impracticable wholly to separate them. For this reason the appointment of the terminal commission by the act does not violate the . . . Constitution."

The court, by unanimous opinion, upheld the act of 1915 which substituted the chief medical examiner of New York City, to be appointed by the mayor, for the elective coroners, because "the characteristic features of the office and power of the coroner are not retained. . . . The ancient office (of coroner) is gone and the ancient duties have largely disappeared with it. Another method of investigating suspicious deaths has supplanted crowner's quest." (221 N. Y. 414.)

This decision possesses a special significance in view of the fact that the chief medical examiner took over all of the essential powers of coroners with the exception of the right to impanel a special coroner's jury as an adjunct to the inquest. The only novel features of the act in question (L. 1915, Chap. 284) related to the technical qualifications required of medical examiners, security of tenure and the provisions for appointment by the mayor in place of local election. As a limitation upon the force and effect of Art. X, section 2, the decision is probably the strongest thus far handed down by the Court of Appeals.

Absolute Limits Upon Legislative Power

On the other hand, legislative acts have been held unconstitutional whenever in the judgment of the court the *function* or the *office* concerned was clearly one which antedated the constitutional restriction. Thus, in *Matter of Brenner* (170 N. Y. 185) an act of 1901 which sought to transfer the appointment of the commissioner of jurors in Kings County from the control of local authorities to that of the justices of the appellate division, was held null and void on the ground that it violated the section in question. This opinion was rested squarely upon *People ex rel. Bolton v. Albertson* (55 N. Y. 50), in which it was declared that "as to offices known and in existence at the time of the constitution, this provision is absolute in its prohibition of an appointment by the central government or its authority, or by any body other than the local electors or some local authority designated by law."

Summary of the Law

It may therefore be said by way of summary that the restrictions of Art. 10, sec. 2, of the Constitution extend to all county, city, town or village *offices* which were in existence prior to January 1, 1895, and that all such functions, if exercised at all, must be administered by *officers* who are respectively elected or appointed by such counties, cities, towns or villages. However, where new functions or duties are created, and old functions or duties are so intermingled and associated with them as to make it impracticable wholly to separate them, then the courts will permit the exercise of such combined duties by an officer of a different jurisdiction and not necessarily "locally" elected or appointed.

Constitutionality of the County Unit Plan

The county unit assessment plan advocated by the committee provides for an entirely new officer with new functions. It is true

that these functions will include the present work of the local assessor but they will be materially augmented because they will include as well the function of equalization within the county. The work of equalization and the gathering of value statistics will be added to and completely intermingled with the old duties. The county assessor will be a full-time, appointed official with technical qualifications responsible for the application of modern, scientific methods of assessment and equalization in the process of assessment throughout the area of the county. From the standpoint of his selection and technical qualifications he represents a new officer just as the medical examiner in New York City, cited above, represented a new officer with new functions.

A second feature of the committee's plan provides for the assessment by the state tax department of property which extends through more than one tax district. It is true that such property is now, theoretically, completely assessed piecemeal in each one of the taxing units. It is well known, however, that such property, even omitting the franchise, has a very different value as a going concern taking the entire property as a whole than it has when considered in individual divisions. This fact has not been recognized in the past and the assessment of such property as a whole has, therefore, never been a responsibility of the local assessors. Consequently, the enactment of legislation which provides for its assessment, even though it may involve the transfer of certain work from time immemorial entrusted to local assessors, can hardly be considered a violation of Art. X, sec. 2, of the Constitution.

It is, therefore, the conclusion of the committee that properly drawn legislation to provide for the county assessment unit and for the transfer to the state tax department of the assessment of property of public utilities which extends through more than one taxing district may be achieved without constitutional amendment.

It must be recognized that Art. X, section 2, of the Constitution was enacted to protect localities against unfair political meddling with the rights of local government. The program which the committee advocates has no such motive. It is purely in the interests of adapting the tax machinery to present conditions. We wish to open the way for the application of the same scientific methods of assessment in the rural sections as have been adopted in a number of the cities. This cannot be done with a system of part-time, underpaid local assessors. We wish to make way also for the fair appraisal of all kinds of property which cannot be reached under the present system. Under these circumstances the program which we are advocating represents new functions and the creation of new officers. We do not believe that the court will regard such a program as a violation of Art. X, section 2, of the Constitution.

**CHAPTER V — STATE AID AND THE INCREASE OF
STATE EXPENDITURES**

CHAPTER V—STATE AID AND THE INCREASE OF STATE EXPENDITURES

What effect has state aid had upon the growth of state expenditures? This question inevitably arises as the result of the preceding chapters. To answer this question intelligently and to present a true picture of the growth of state expenditures since the war, the following facts are presented.

Growth of Budget Expenditures

During the six years ended June 30, 1923, the total ordinary general budget expenditures of the state of New York increased from \$61,000,000 to \$132,000,000 per annum. In other words, the cost of state government more than doubled within the space of six years.

Large as this increase appears when viewed by itself, it is by no means without a precedent in the financial history of the state. A more rapid increase occurred during the Civil War when state expenditures tripled within a period of three years. Even as regards periods unaffected by war-time influences, it will be found that there is nothing abnormal about increasing state expenditures. The trend of governmental costs has always been upward. At the beginning of the nineteenth century the total expense of carrying on the state government was less than \$300,000 per annum. By 1860 expenditures had increased to over \$3,000,000 per annum and by 1870 they were running at the rate of about \$10,000,000 per annum.* Chart I, which depicts the trend of state disbursements for general purposes during the last forty years, shows a steady increase in expenditures throughout the three decades preceding the World War,† the normal rate of growth during this period being about 5 per cent per annum.

* See *Financial History of New York State* by Don C. Sowers, Columbia University Studies in Political Science, Vol. LVII, Number 2, Appendix I.

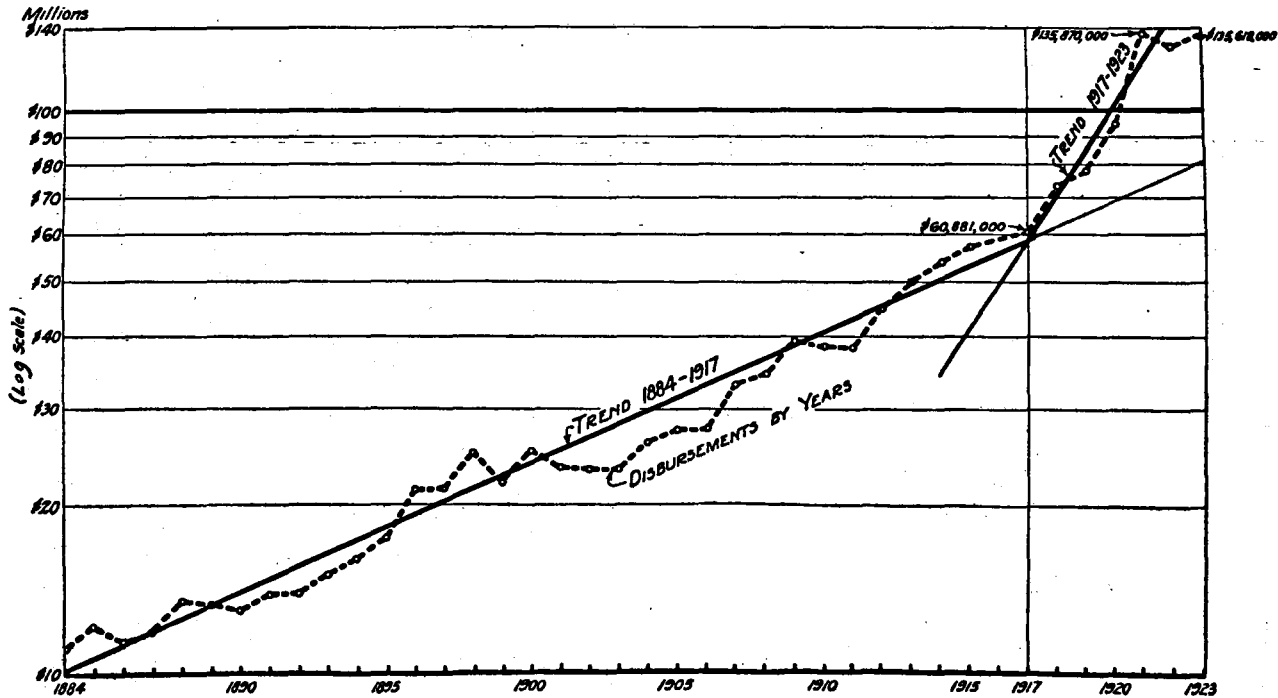
† Chart I is based on data taken from the Annual Report of the Comptroller for the fiscal year ended June 30, 1923, p. 249. Disbursements for General Purposes of Government" differ slightly from "Expenditures for General Purposes of Government" as used elsewhere in this report in that the former include amounts expended for the redemption of temporary loans and certain advances made by the state but subsequently refunded.

The disbursements for each year have been plotted on a ratio scale. Consequently equal percentage increases in disbursements are represented by equal vertical distances on the chart. The slopes of the straight lines which have been fitted to the curve by the "method of least squares" represent the respective normal rates of increase for the periods covered. The equations of these lines are respectively

$$\begin{aligned} \log y &= .022393x \text{ plus } 7.011155 \\ \text{and } \log y &= .080544x \text{ plus } 5.111803 \end{aligned}$$

Since the fiscal year ended June 30, 1916, comprised only nine months, the disbursements for that year have been omitted in computing the trend from 1884 to 1917.

CHART I
TREND OF STATE DISBURSEMENTS FOR GENERAL PURPOSES OF GOVERNMENT, 1883-1923



Commencing with the fiscal year 1918, however, there was a sharp departure from the previous trend and during the next four years disbursements began suddenly to grow at the rate of 20 per cent per annum. The peak was reached in the fiscal year ended June 30, 1921, when expenditures for general purposes of government showed an increase of 123 per cent over those for 1917. Since 1921 there has been no further increase, but governmental expenditures have not receded appreciably, and in 1923 were still 116 per cent above their 1917 level.

Explanation of Recent Increase

Various explanations are currently given concerning the underlying causes for the recent rapid increase in state expenditures. Among those commonly put forward are "depreciation in the purchasing power of the dollar," "governmental waste and inefficiency," "the extravagant issuance of tax-free bonds," "unwarranted increases in the number of state employees" and "the undue multiplication of state commissions and regulatory bodies." Your committee is of the opinion that exact knowledge is needed concerning the real causes for the increase in question, not only to correct many current misconceptions, but in order to supply a necessary background for the intelligent consideration of the tax problem in New York State. The following section, therefore, is devoted to a detailed analysis of the increase in state expenditures for the fiscal year ended June 30, 1923, as compared with the year ended June 30, 1917, with a view to ascertaining how much each class of expenditure has increased as between the two years in question and what were the actual causes for the increase in each particular case. More specifically we wish to show how much of the \$71,000,000 increase in expenditures which took place between 1917 and 1923 was actually due to the depreciated purchasing power of the dollar; what other causes have been operative to increase expenditures; and finally, whether the state is expending its income less efficiently than heretofore.

Expenditures Defined

The data utilized by the committee in making its study have been in large part obtained from the annual reports of the state comptroller. The accounts of the comptroller are kept on a cash disbursement as distinguished from an accrual basis. Expenditures as here used, therefore, mean cash expenditures. The results of the study would have had more significance had it been possible to make an analysis of expenses and liabilities actually incurred, instead of merely cash payments. This was unfortunately not possible on the basis of existing state records.

From the viewpoint of taxation, expenditures are chiefly important in relation to their effect upon the general tax burden. Since this is the viewpoint from which the present study was undertaken, it was desirable that consideration be limited to those expenditures which had a direct influence in the determination of the amount

to be raised by taxation. As classified in the accounts of the state comptroller, the expenditures most nearly conforming to the above description were the so-called "expenditures for general purposes" which were accordingly used.

Expenditures for general purposes may be defined as all state expenditures defrayed out of general revenues. Expenditures paid for out of the proceeds of the sale of bonds are, therefore, excluded. The expenditures to be analyzed comprise the current expenses of government, fixed charges and contributions, and capital outlays paid for out of general revenues. They represent actual cash disbursements except as regards contributions to sinking funds for interest and amortization of funded debt and contributions from general revenues for canal construction. In these cases, expenditures mean the amounts transferred from the general fund to the special sinking and construction funds involved.

The reports of the comptroller classify expenditures by governmental functions, by character, by administrative units and by object of expenditure. From the standpoint of the analysis which it was desired to make, these classifications were in some respects inadequate. However, since a reclassification would have been exceedingly difficult if not impossible on the basis of available data, the comptroller's classifications have been used throughout with two exceptions. These are (1) the treatment of contributions made to sinking funds for interest and amortization of debt as a separate classification, and (2) the shifting of contributions made to the canal fund for construction from the classification "fixed charges and contributions" to the classification "capital outlays." Both of these changes were made merely for the special purpose in view.

Growth of Expenditures for General Purposes

The following table shows the growth in expenditures for general purposes of government between 1917 and 1923:

TABLE XXXI
EXPENDITURES FOR GENERAL PURPOSES

FISCAL YEAR ENDED JUNE 30	Total expenditures	INCREASE OVER 1917	
		Amount	Per cent
1917.....	\$60,881,298	.....	.....
1918.....	73,142,571	\$12,261,273	20.1
1919.....	78,341,313	17,460,015	28.7
1920.....	93,924,215	33,042,917	54.3
1921.....	135,608,175	74,726,877	122.7
1922.....	126,669,172	65,787,874	108.1
1923.....	131,868,672	70,987,374	116.6

As has already been noted, the fiscal year 1917 was the last year in which expenditures increased at a rate which approximated the normal rate for the thirty years preceding the World War. The following period was characterized by the sharp upward movement which it is proposed to explain. The culmination of this movement was reached in 1921, but since expenditures have not notably decreased since then, and since moreover, the 1923 figures are the latest available, the committee has considered that a detailed comparison of expenditures for 1923 as against 1917 would have more value for the purpose in view than a comparison of expenditures for 1917 and 1921.

Analysis of Expenditures by Character

Table XXXII supplies interesting information concerning the character of the items which were mainly responsible for the seventy-one million dollar increase in state expenditures as between the fiscal years 1923 and 1917. Over half of the aggregate increase was attributable to fixed charges and contributions which experienced a growth of 271 per cent during the period under review. Fixed charges consist for the most part of grants and subventions determined by legislative enactment. They are but indirectly affected by a changing price level. The fact that they contributed the major share of the total increase in state expenditures is therefore of considerable significance.

Expenditures for administration, maintenance and operation, which represent the current expenses of government, increased only 55 per cent during the period under review and were responsible for about 27 per cent of the total increase in governmental disbursements. Capital outlays exhibit the greatest percentage increase over 1917, viz., 589 per cent, but due to their relative unimportance, they were responsible for only 19 per cent of the aggregate increase under consideration. Expenditures for state debt service (interest and amortization charges) show a growth of less than 15 per cent over 1917 and contributed but 2 per cent of the total increase in state expenditures.

TABLE XXXII
INCREASE IN EXPENDITURES FOR GENERAL PURPOSES, FISCAL YEAR 1923 OVER 1917—ANALYSIS BY CHARACTER

	EXPENDITURES 1917		EXPENDITURES 1923		INCREASE 1923 OVER 1917		Per cent increase 1923 over 1917
	Amount	Per cent to total	Amount	Per cent to total	Amount	Per cent to total	
Administration, maintenance, operation	\$34,364,766	56.4	\$53,457,029	40.5	\$19,092,263	26.7	55.6
Fixed charges and contributions.....	13,705,276	22.6	50,733,461	38.5	37,028,185	52.3	270.2
Debt service.....	10,548,309	17.3	12,079,062	9.2	1,530,753	2.2	14.5
Capital outlays.....	2,262,947	3.7	15,599,120	11.8	13,336,173	18.8	589.3
Total.....	\$60,881,298	100.0	\$131,868,672	100.0	\$70,987,374	100.0	116.6

Analysis by Governmental Functions

Table XXXIII analyzes the increase in state expenditures as between 1917 and 1923, according to governmental functions. The data for this table have been obtained from the annual reports of the comptroller, but in order to place the figures for the two years on a more comparable basis, some modifications have been made in the comptroller's classifications. These changes include the deletion from 1917 legislative expenditures of some \$370,000 represent-

TABLE XXXIII
INCREASE IN EXPENDITURES FOR GENERAL PURPOSES, FISCAL YEAR 1923 OVER 1917
— ANALYSIS BY FUNCTION¹

FUNCTION	1917	1923	Increase + Decrease —	Per cent of gross increase	Per cent Increase + Decrease—
Executive.....	\$133,876	\$108,190	—\$25,686	.....	—19.2
Legislative.....	*1,800,609	1,531,965	—268,644	.....	—14.9
Judicial.....	*2,284,628	2,351,010	66,382	.09	2.9
Administrative a n d regulative.....	†4,940,994	8,449,573	3,508,579	4.83	71.0
Educational.....	9,654,666	42,515,426	32,860,760	45.32	340.4
Agricultural.....	2,569,761	6,448,328	3,878,567	5.34	150.9
Defensive.....	2,768,257	2,807,291	39,034	.05	1.4
Penal.....	1,946,722	3,065,592	1,118,870	1.54	57.5
Curative.....	8,071,319	14,440,528	6,369,209	8.78	78.9
Charitable.....	3,773,054	5,109,548	1,336,494	1.84	35.4
Protective.....	1,828,950	3,104,988	1,276,038	1.76	69.8
Constructive.....	6,614,807	22,035,728	15,420,921	21.25	235.1
General.....	930,889	1,549,276	618,387	.85	66.4
Canal maintenance.....	1,722,570	3,805,167	2,082,597	2.87	120.9
Canal construction.....	.....	2,467,000	2,467,000	3.40	.....
State debt service.....	10,548,309	12,079,062	1,530,753	2.11	14.5
Not classified *.....	1,291,887	.....	—1,291,887	.....	.....
Total.....	\$60,881,298	\$131,868,672	\$70,987,374	.....	116.6

¹ From Annual Report of Comptroller, Fiscal Year ended June 30, 1923, p. 260.
² Excludes \$373,086 representing cost of printing departmental reports not charged to legislative function in 1923.
³ Excludes \$918,801 representing judgments in stock transfer tax cases.
⁴ Excludes departments of weights and measures and foods and markets which have been classed with agricultural function, because subsequently absorbed by that function.
⁵ Excludes \$3,422,338 representing expenditures on New York-New Jersey Vehicular Tunnel. These expenditures have been classed as constructive.
⁶ Comprises judgments in stock transfer tax cases and undistributed cost of departmental reports. See notes 2 and 3.

ing the cost of printing department reports. This cost was not classified as a legislative expense in 1923. Another deletion of some \$900,000 has been made from the 1917 expenditures of the judicial function. The deleted items represent judgments assessed against the state in stock transfer tax cases and have no counterpart in 1923 expenditures. During the period under review a number of activities were transferred from the administrative to the regulative branch, and since it is difficult to segregate the expenditures relating to these transferred activities, administration and regulation have been treated as one function on the table. The only other modification of importance is the transfer from the regulative to the constructive function of expenditures applicable to the construction of the New York-New Jersey vehicular tunnel.

It is worth noting that the combined cost of carrying on the executive, legislative, judicial and defensive branches was actually less in 1923 than in 1917. On the other hand education cost the state over four times as much in 1923 as in 1917 and contributed 45 per cent of the gross increase in state expenditures as between those two years. Construction also added heavily to the state's costs. If expenditures for canal construction and maintenance are classed with this function, as they properly should be, it will be seen that the constructive arm was responsible for over 27 per cent of the gross increase in state expenditures as between the two years under comparison. The reasons for these heavy increases will appear in the following sections of the report.

FIXED CHARGES AND CONTRIBUTIONS

As has already been noted, fixed charges and contributions were responsible for over half of the increase in state expenditures occurring between 1917 and 1923. This class of expenditures will now be subjected to further analysis for the purpose of throwing some light on the causes for their extraordinary growth.

Fixed charges and contributions may be subdivided into (1) refunds, (2) fixed charges, and (3) contributions or grants-in-aid. Two kinds of expenditures are classed as refunds in the annual reports of the comptroller. The first class comprises payments made out of the state treasury to meet costs which are actually a charge against the various counties. The counties benefited by such payments are required to reimburse the state by means of special tax levies on general property. Certain court expenses and the cost of erecting, repairing and maintaining armories are handled in this manner. The second class of refunds comprise payments to individuals and corporations in connection with taxes erroneously assessed and collected. Refunds are not expenditures in the sense in which the term is used in this study and need be given no further consideration.

Fixed charges as here used comprise items such as interest on temporary loans, taxes, local assessments, insurance, pensions, contributions to retirement funds, disability claims and indemnities. The most important fixed charges, as will subsequently appear, are relief payments to disabled veterans, and indemnities paid to farmers in reimbursement of losses sustained through the destruction of tubercular cattle.

Contributions or grants-in-aid may be classified as follows:

1. Grants to local governmental units such as aid granted by the state to counties and towns for highways.
2. Grants and subventions to institutions and organizations, such as state aid granted to institutions for the education of the blind, deaf and dumb, and contributions to various cooperative farm and home bureaus.
3. Prizes, rewards and allowances to individuals.

Table XXXIV gives an analysis of the increase in fixed charges and contributions between 1917 and 1923 on a basis designed to bring out the specific items which contributed most heavily to the total growth. It will be seen that the aggregate increase of thirty-seven million dollars is more than accounted for by abnormally large increases in the following four items:

	Increase 1923 over 1917
Grants in support of education.....	\$31,234,000
State aid for highway purposes.....	3,234,000
Indemnities for diseased animals.....	2,294,000
Relief of war veterans.....	963,000
Total	<u>\$37,725,000</u>

Grants in Support of Education

The augmentation of thirty-one million dollars in subventions for educational purposes, is the largest single item of increase dealt with in the present study. The fact is worth emphasizing that practically all of this increase represents grants-in-aid to local political units. The system of supporting local education through the distribution of funds from the state treasury is not new. Ever since 1851 the state has apportioned to the localities for this purpose money raised by the general state taxes. In 1917 the contributions of the state government in support of public instruction amounted to approximately seven million dollars per annum, which was roughly about 9 per cent of the cost of maintaining the public schools of the state. Between 1917 and 1923 educational expenditures rose rapidly, due principally to the higher price and wage level and to an increase of 20 per cent * in the number of pupils attending schools. By 1923 expenditures for public instruction for the state as a whole were approximately 170 per cent * greater than in 1917. On the basis of continuing to pay its 1917 proportion of the total burden, the state should have increased its educational support by about twelve million dollars. The actual increase in state aid was, as already noted, thirty-one million dollars, and the difference of nineteen million is a measure of the increased participation by the state government in the costs of local education. The immediate cause for the increase in question was the Lockwood-Donohue bill † which became effective in August, 1920, and which raised the minimum salaries of teachers in public schools throughout the state, providing the additional sums needed for this purpose by an appropriation from the state treasury.

State Aid for Highway Purposes

State aid for the construction and repair of town highways is provided for under section 101 of the highway law. The state has made grants to towns for this purpose ever since 1898. It will be

* Annual Report, 1923, University of State of New York.

† Chapter 645, Laws of 1919.

seen from Table XXXIV that the aid granted towns in 1923 was some \$900,000 greater than that given in 1917. More than a third of this increase, however, is merely nominal and arises from the fact that the state accounts are on a cash disbursement basis and thus understate the actual aid granted in respect to 1917 by some \$370,000. If allowance is made for this under-statement, the aid granted towns in 1923 is found to be \$530,000, or 27 per cent

TABLE XXXIV

INCREASE IN FIXED CHARGES AND CONTRIBUTIONS, FISCAL YEAR 1923 OVER 1917

	1917.	1923.	Increase (+) or decrease (—) 1917-1923
<i>Refunds</i>			
Stenographers, court expenses and armory taxes refunded.....	\$1,075,669	\$1,520,205	+ \$444,536
Judgments, stock transfer tax.....	918,801	.....	— 918,801
Miscellaneous refunds, taxes, etc.....	218,450	103,247	— 115,203
Total refunds.....	\$2,212,920	\$1,623,452	— \$589,468
<i>Fixed charges</i>			
Indemnities for diseased animals, plants, etc.....	\$174,907	\$2,468,709	+ \$2,293,802
Relief of war veterans.....	13,466	976,886	+ 963,420
Taxes, insurance and local assessments	253,475	596,853	+ 343,378
Judgments.....	369,901	102,682	— 267,219
Miscellaneous.....	389,568	444,534	+ 54,966
Total fixed charges.....	\$1,201,317	\$4,589,664	+ \$3,388,347
<i>Contributions</i>			
<i>Educational</i>			
Support of common schools.....	\$6,022,591	\$35,915,108	+\$29,892,517
Grants to high schools and academies	642,379	1,747,310	+ 1,104,931
Grants to institutions for deaf, dumb and blind.....	409,111	516,687	+ 107,576
Miscellaneous.....	407,909	537,337	+ 29,428
Total educational.....	\$7,481,990	\$38,716,442	+\$31,234,452
<i>State aid for highway purposes</i>			
Aid to towns.....	\$1,589,314	\$2,489,660	+ \$900,346
Aid to counties.....	.....	2,329,400	+ 2,329,400
Miscellaneous.....	42,000	46,300	+ 4,300
Total highway.....	\$1,631,314	\$4,865,360	+ \$3,234,046
Miscellaneous grants and subventions.	\$1,177,735	\$938,543	— 239,192
Total contributions.....	\$10,291,039	\$44,520,345	+\$34,229,306
Grand total.....	\$13,705,276	\$50,733,461	+\$37,028,185

greater than that of 1917. The amount of highway aid received by a town is regulated by the amount the town itself raises for highway purposes, which in turn is dependent upon a variety of local conditions. It is, therefore, unsafe to generalize as to the cause for the increase in highway aid during the period under review. Elsewhere in this report, however, it is estimated that the unit cost of labor and materials used in repairing state roads was 35 per cent greater in 1923 than in 1917, and it is a reasonable assumption that labor and materials used on town highway projects underwent a somewhat similar advance.

State aid for the construction and improvement of county roads is provided for under section 320-B of the highway law commonly known as the Lowman Act. This act was passed in 1921,* consequently all of the \$2,300,000 paid under its provisions in 1923 appears as an increase in the present comparison.

Indemnities for Diseased Animals

The increase of two million dollars in the item indemnities for diseased animals, reflects the cost of a movement recently inaugurated by the state to stamp out bovine tuberculosis in the interest of public health. In 1923, nearly \$2,500,000 was paid to cattle owners in partial indemnification for losses sustained through the slaughter of tubercular cattle. Since this movement for a clean milk supply was scarcely under way in 1917, practically all of the indemnities paid in 1923 show up as an increase in this comparison.

Relief of Veterans

The growth of about \$1,000,000 in expenditures for the relief of veterans is an aftermath of the World War and results from the creation in April, 1922, of the bureau for the relief of sick and disabled veterans.† During the fiscal year ended June 30, 1923, this bureau distributed about \$927,000 to disabled and needy New York veterans.

CAPITAL OUTLAYS

Capital outlays comprise expenditures for permanent improvements and betterments such as canal and highway projects, the construction of bridges and tunnels, the acquisition of land, and the building and equipping of schools, prisons, hospitals, etc. The cost of such projects are defrayed either from the proceeds of the sale of bonds or out of appropriations made from general state revenues.

It has already been pointed out that capital outlays financed out of the general state revenues were nearly seven times greater in 1923 than in 1917 and were responsible for about 19 per cent of the total increase in state expenditures between the above mentioned years. The cause of this extraordinary increase appears to be not that the state is spending more money than formerly on construction projects, but that it is financing an increasingly larger propor-

* Chapt. 840, Laws of 1920.

† Chapt. 589, Laws of 1922.

tion of such projects by current taxation. The extent to which the state has shifted from a borrowing to a "pay-as-you-go"* policy in relation to its capital outlays is brought out in Table XXXV.

It will be seen that the aggregate amount of capital outlays including those financed through the sale of bonds was not notably greater in 1923 than in 1917 and that the 1923 outlays were in fact less than those of 1914 and 1915. In 1917, however, only 12 per cent of all capital outlays were paid for out of current revenues, whereas in 1923 fully 73 per cent of all such outlays were provided for in that manner. Prior to 1920, the principal capital outlays of the state related to canal and highway projects, the purchase of land for the forest preserve, and the construction and equipment of buildings for various governmental purposes. Of these only buildings, equipment and small extensions and improvements of a miscellaneous character were financed by current taxation. In 1923, in addition to providing for building and miscellaneous extensions and betterments, the general state revenues were made to provide 78 per cent of the costs of canal improvements, 56 per cent of the cost of highway construction, and all expenditures connected with the construction of the New York-New Jersey vehicular tunnel.

The total increase in capital outlays paid for out of general state taxes for the fiscal year 1923 as compared with the fiscal year 1917 was some \$13,336,000. This increase was distributed as follows:

CAPITAL OUTLAYS

	1917	1923	Increase
Highway construction.....	\$23,200	\$4,927,900*	\$4,904,700
Canal construction.....		2,467,000	2,467,000
New York-New Jersey vehicular tunnel.....		3,422,300	3,422,300
Buildings, equipment and miscellaneous extensions and betterments.....	2,239,800	4,781,800	2,542,000
Total.....	\$2,263,000	\$15,599,000	\$13,336,000

The increase in the first three items listed in the above statement may be accounted for on the basis of the state's shift from the borrowing to the "pay-as-you-go" method of financing the class of improvements represented. Since, however, buildings, equipment and miscellaneous extensions and betterments have always been financed out of current revenues, there still remains to be explained the increase of \$2,542,000 in that item.

It is obvious that the outlays in question are subject to considerable fluctuation from year to year and that a comparison between

* The term "pay-as-you-go" as here used means the financing of permanent improvements out of current taxation.

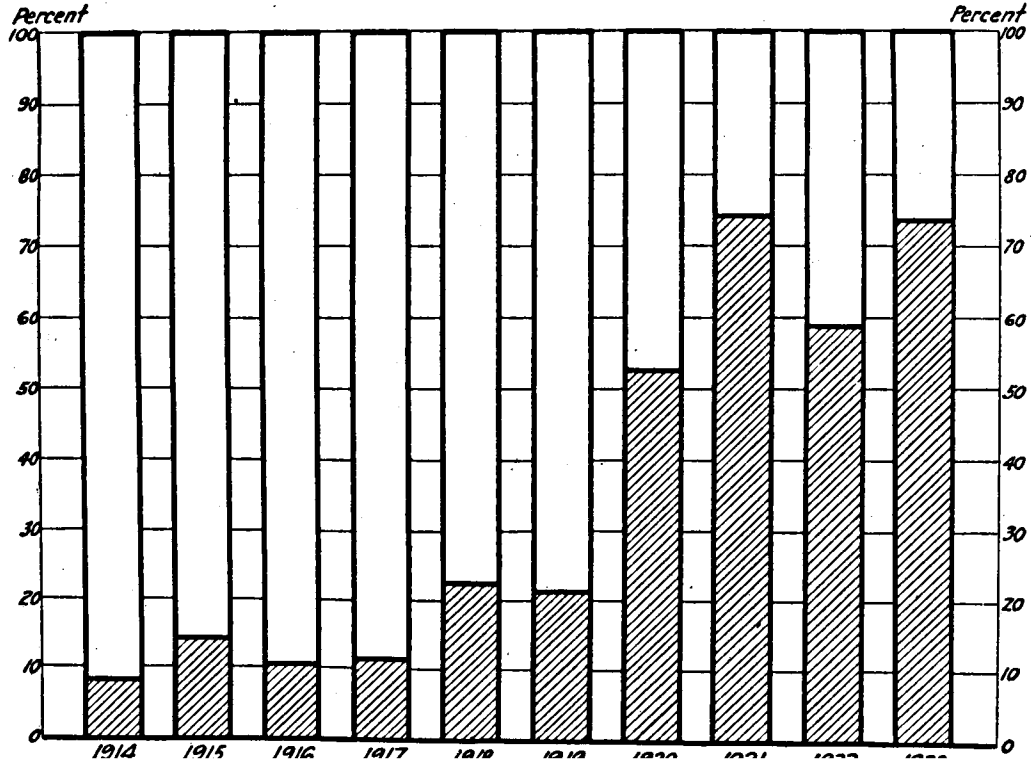
TABLE XXXV
PERCENTAGE OF TOTAL CAPITAL OUTLAYS FOR SPECIFIED PURPOSES, FINANCED BY GENERAL REVENUE APPROPRIATIONS, 1914-1923

	CANAL CONSTRUCTION		HIGHWAY CONSTRUCTION		PARKS AND FOREST PRESERVE		NEW YORK-NEW JERSEY VEHICULAR TUNNEL		BUILDINGS, EQUIPMENT AND MISCELLANEOUS EXTENSIONS AND IMPROVEMENTS		TOTAL CAPITAL OUTLAYS	
	Capital outlays	Per cent provided from general revenues	Capital outlays	Per cent provided from general revenues	Capital outlays	Per cent provided from general revenues	Capital outlays	Per cent provided from general revenues	Capital outlays	Per cent provided from general revenues	Amount	Per cent provided from general revenues
1923	\$3,165,637	77.9	\$8,866,916	55.6	\$1,145,138	8.4	\$3,422,338	100.0	\$4,685,557	100.0	\$21,285,586	73.3
1922	4,826,510	46.9	12,612,701	46.8	1,297,852	9.8	468,061	100.0	6,028,500	100.0	25,233,624	58.6
1921	7,241,450	100.0	9,049,132	43.8	1,299,786	23.6	299,044	100.0	5,526,405	100.0	23,415,816	73.8
1920	4,987,938	42.7	5,710,187	80.3	1,011,991	.5	106,893	100.0	4,631,910	100.0	16,448,919	62.3
1919	10,987,828	1.4	2,267,007	6.7	519,814	3.0	1,722	100.0	3,316,181	100.0	17,076,773	21.2
1918	9,830,898	6.5	3,784,360	0.7	78,322	83.1	.....	.....	3,105,689	100.0	16,799,269	22.6
1917	9,538,616	.....	5,529,873	0.4	2,066,152	.3	.....	.....	2,233,002	100.0	19,367,643	11.7
1916	9,063,860	.....	*	*	*	*	.....	.....	*	*	15,986,888	10.8
1915	12,453,671	.....	10,860,539	0.4	269,980	2.3	.....	.....	3,901,623	100.0	27,485,813	14.4
1914	20,016,686	.....	9,391,030	0.2	136,126	26.5	.....	.....	2,533,562	100.0	32,177,404	8.3

* Not available.

CHART II

PERCENTAGE OF TOTAL CAPITAL OUTLAYS PAID FOR FROM CURRENT REVENUES. 1914-1923



two periods of but a year's duration each cannot have much significance. Table XXXV, however, gives the total expenditures for buildings, equipment, and miscellaneous extensions and improvements for each of the last ten years, and it will be seen that these expenditures have experienced a consistent growth during the period under review. This is especially clear in Chart II.

Undoubtedly a part of this growth was due to rising labor and material costs, and although it is not possible to compute the exact proportion of the increase which was due to that cause, a rough estimate may perhaps be made.

Of the \$4,781,800 expended for buildings, equipment and miscellaneous extensions and improvements in 1923, approximately \$4,000,000 were spent for the construction or improvement of buildings. Average building costs during the twelve months ended June 30, 1923, were about 53 per cent * higher than during the twelve months ended June 30, 1917. It may be assumed, therefore, that approximately a third of the four million dollars expended on building construction in 1923 or more precisely \$1,400,000 reflected increased costs due to a higher price level.

Debt Service

Contributions to sinking funds for interest and amortization of funded debt, as previously indicated, were responsible for only 2 per cent of the aggregate increase in state expenditures between 1917 and 1923. The total charges for debt service in 1923 were approximately \$12,000,000, which represented an increase of less than 15 per cent over the comparable charges for 1917.

One of the principal reasons for this moderate increase was the fact already dwelt upon that during the period under review, an unusually large proportion of capital outlays were paid for out of current revenues. As shown by Table XXXVI, only \$31,800,000 of state bonds were sold during the six years ending June 30, 1923, despite the fact that capital outlays within the same period aggregated nearly four times that amount.

Another important factor in keeping down interest and amortization charges was the adoption of a more scientific basis for computing the annual sinking fund contributions, made possible by the ratification in November, 1920,† of the necessary changes in the state constitution. Under the old provisions of the constitution the annual sinking fund contributions were based on fixed rates which resulted in a more rapid accumulation of funds than was required to meet semi-annual interest charges and to retire bonds as they matured. The new provisions charged the state comptroller with the duty of computing the contributions to sinking funds for each year on the basis of the fair market value not exceeding par of sinking fund investments held. As shown by Table XXXVI, this change resulted in a reduction of over \$5,000,000 in debt service re-

* Based on data supplied by the National Industrial Conference Board.

† Constitution of the State of New York, Article VII, Sec. 5 as amended Nov. 1920.

quirements for 1922 as compared with the previous year in which sinking fund contributions were computed on the old basis. Moreover, for the fiscal year ended June 30, 1923, debt service requirements were still some \$3,500,000 less than those for 1920, despite the fact that the gross funded debt had been increased by thirty millions in the interim.

Although the present analysis does not go beyond the close of the fiscal year ended June 30, 1923, it should nevertheless be pointed out that the outlook for the immediate future is for a considerable increase in debt service requirements. At the general election

TABLE XXXVI

CONTRIBUTION TO SINKING FUNDS, GROSS FUNDED DEBT, NEW BOND ISSUES AND CAPITAL OUTLAYS, 1914-1923

YEAR	Contributions to sinking funds, fiscal year	Gross funded debt as of June 30	Amount of new bond issues fiscal year	Capital outlays fiscal year
1923.....	\$12,079,063	\$264,244,500	.....	\$21,285,586
1922.....	10,441,113	266,998,000	.....	25,233,624
1921.....	15,584,817	257,729,000	\$31,800,000	23,415,816
1920.....	13,591,721	236,024,000	.....	16,448,919
1919.....	13,330,145	236,119,660	.....	17,076,773
1918.....	13,168,459	236,214,660	.....	16,799,269
1917.....	10,548,309	236,309,660	25,000,000	19,367,643
1916.....	9,648,987	211,404,660	25,099,000	15,986,888
1915.....	7,681,030	186,400,660	27,235,000	27,485,813
1914.....	9,668,600	159,260,660	51,000,000	32,177,404

in November, 1923, new bond issues to the amount of \$95,000,000 were authorized by the voters. Of this amount \$45,000,000 was applicable to the payment of a soldiers' bonus provided for by special amendment to the constitution.* The remaining \$50,000,000 was for the purpose of providing safer and more adequate housing accommodations for patients in state institutions.† In addition to the above amounts, proposed amendments to the state constitution are now pending which would authorize the state to increase its funded indebtedness by 400 millions of dollars, of which amount, 300 millions are to be used for the elimination of railroad grade crossings throughout the state,‡ the other 100 millions are to be available over a period of ten years in amounts not exceeding 10 million dollars per annum for the purpose of enabling the state to acquire property, construct buildings and make miscellaneous improvements.§ This latter issue, if author-

* Constitution of the State of New York, Article VII, Sec. 13.

† Chapter 591, Laws of 1923.

‡ Session Laws, 1924, Appendix p. 1240.

§ Session Laws, 1924, Appendix p. 1241.

ized, would result in a considerable reduction in expenditures for capital outlays, now financed out of current revenues.

Administration, Maintenance and Operation

The classification "administration, maintenance and operation" comprises all of the current expenses of government including the state payroll and the cost of all materials, supplies and services purchased for current purposes. The expenditures included under this grouping are larger in amount than those of any other classification here considered. For the fiscal year ended June 30, 1923, they amounted to some \$53,457,000, which was over 40 per cent of the total of all state expenditures for that year.

Aside from their magnitude these expenditures are important in that they are practically the only class of state disbursements which are subject to administrative control. Generally speaking, therefore, they furnish the field within which administrative economy and efficiency may be exercised. Moreover, since they consist almost entirely of salaries and wages and the cost of commodities and services purchased, they represent the class of state expenditures most directly affected by changes in the purchasing power of the dollar.

As shown by Table XXXII, expenditures for administration, maintenance and operation for the year ended June 30, 1923, were greater by nineteen million dollars or 56 per cent over the com-

TABLE XXXVII

INCREASE IN EXPENDITURES FOR ADMINISTRATION, MAINTENANCE AND OPERATION,
Fiscal Year 1923 Over 1917 — Analysis by Functions

FUNCTION	1917	1923	Increase (+) or decrease (—)	Per cent increase (+) or decrease (—)
Executive.....	\$128,376	\$102,190	— \$26,186	— 20.4
Administrative....	1,452,046	1,638,556	+ 186,510	+ 12.8
Legislative.....	2,171,918	1,531,560	— 640,358	— 29.5
Judicial.....	1,508,417	1,572,440	+ 64,023	+ 4.2
Regulative.....	3,152,709	6,588,236	+ 3,435,527	+ 109.0
Educational.....	2,032,244	3,315,721	+ 1,283,477	+ 63.2
Agricultural.....	1,690,360	2,885,220	+ 1,194,860	+ 70.7
Defensive.....	1,627,396	515,882	— 1,111,514	— 68.3
Penal.....	1,676,434	2,399,595	+ 723,161	+ 43.3
Curative.....	7,326,478	12,293,586	+ 4,967,108	+ 67.8
Charitable.....	3,178,747	4,805,060	+ 1,626,313	+ 51.2
Protective.....	1,482,103	2,948,668	+ 1,466,565	+ 99.0
Constructive.....	4,776,310	8,770,958	+ 3,994,648	+ 83.6
General.....	515,913	758,514	+ 242,601	+ 47.0
Canal maintenance.	1,645,315	3,330,843	+ 1,685,525	+ 102.4
Total.....	\$34,364,766	\$53,457,029	+\$19,092,263	+ 55.6

parable expenditures for the year ended June 30, 1917, and contributed 27 per cent of the total increase in state expenditures during the period under review. Table XXXVII, shows how this increase was distributed among the respective governmental functions.

In considering Table XXXVII, it should be remembered that there has been some shifting of activities from one function to another within the period under review. The most important of these was the transfer of the motor vehicle bureau, formerly under the secretary of state, to the reorganized tax department, and the transfer to the same department of the duties of the state comptroller in relation to the assessment and collection of certain taxes.* Both these transfers became effective July 1, 1921, and as a result expenditures under the regulative function for 1923 include about \$2,225,000 of disbursements which would have been classified under the administrative function had the reorganization in question not taken place. Another transfer, although of minor importance, was the absorption by the agricultural function of the departments of weights and measures and goods and markets which in 1917 were classed as regulative.† This resulted in a shift of some \$39,000 of expense from the regulative to the agricultural function.

General Causes for Increase in Current State Expenses

In an analysis of the causes of the \$19,000,000 increase between 1917 and 1923 in state expenditures for administration, maintenance and operation, consideration must be given to the effect of the following four influences which were operative during the period:

1. New state activities inaugurated since June 30, 1917.
2. Expansion of old activities.
3. Effect of changes in price and wage levels.
4. Administrative efficiency.

Each of these factors will be considered in turn.

New Activities

The most costly new activity embarked upon by the state during the period under review is represented by the department of state police. This department was established in April, 1917,‡ but the resulting expense was not reflected in the state accounts until the following fiscal year. In 1923, the new department had 380 employees and its total expenditures were in excess of \$1,000,000 per annum. The department of state police is classified as a protective function and it accounts for the bulk of the increase in expenditures for that function shown on Table XXXVII.

* Chap. 90, Laws of 1920, Sec. 179 and 179-b.

† Chap. 802, Laws of 1917, Sec. 21 and 25.

‡ Chap. 161, Laws of 1917.

The income tax bureau organized to administer the personal income tax law enacted in 1919* represents another activity added since 1917. This bureau was originally under the state comptroller and classified as an administrative function but as previously noted it was transferred to the tax department and thereby became a charge upon the regulative function in July, 1921. As at the close of 1923 this bureau had 392 employees and its total expenses for the year amounted to \$777,000.† In this connection, however, it should be borne in mind that in 1923 the income tax bureau collected nearly thirty-eight million dollars in personal income taxes.

The only other new state activity of any consequence added between 1917 and 1923 is that of the motion picture commission established in 1921.‡ During the fiscal year 1923 the expenditures for this commission aggregated \$84,000, which is included as an expense of the regulative function on Table XXXVII.

As a partial offset to the increased expense resulting from the new activities enumerated above, there should be mentioned the saving effected through the discontinuance during the period under review of the state excise department and the office of superintendent of elections. The expenditures of both of these departments are included among those of the regulative function for the fiscal year ended June 30, 1917, as shown on Table XXXVII, and together amounted to some \$500,000. The excise department was abolished in April, 1921,§ and the office of superintendent of elections in July of the same year.¶

Deducting the saving resulting from the discontinuance of activities from the cost of activities added, it may be said that the net increase in state expenditures between 1917 and 1923 in consequence of new state activities was about \$1,400,000. Of this amount about \$1,000,000 was spent for protective, and the remaining \$400,000 for regulative purposes.

Expansion of Old Activities

The state does not produce a tangible and uniform product susceptible of quantitative measurement. On the contrary it performs a great variety of dissimilar services most of which are of an intangible nature. It is therefore impossible to measure the state's output directly. Moreover, there is no one external criterion such as for instance population which will serve as an

* Chap. 627, Laws of 1919.

† Report of State Tax Commission 1923, p. 42.

‡ Chap. 715, Laws of 1921.

§ Chap. 155, Laws of 1921.

¶ Chap. 555, Laws of 1921.

index of the state's presumptive output. Table XXXVIII, however, shows the percentage increase between 1917 and 1923 in a number of different criteria. Some of them such as mileage of highways under maintenance and the number of inmates of state institutions are closely correlated with specific state expenditures. In other cases the relation is less direct. The facts presented indicate, however, that the services rendered by the state must necessarily have expanded somewhat between 1917 and 1923. The effect of such expansion on specific items of expense is considered further on.

TABLE XXXVIII

EXPANSION OF STATE SERVICES AS INDICATED BY VARIOUS CRITERIA

	Percentage increase 1923 over 1917
Population of State.....	8.4
Assessed value of real and personal property.....	34.3
Number of children attending school.....	20.0
Population of State institutions.....	9.7
Miles of improved highway maintained by State.....	32.7
Number of licensed motor vehicles.....	200.7
Canal traffic (tons carried).....	98.3

Classification of Expenditures by Object

In order to gain an adequate idea of the effect upon state expenses of the raising price and wage level, as distinguished from the effect of expanding state activities and the results of administrative control, it is necessary to classify current expenditures by object, that is, according to the specific kinds of services and commodities which the state purchases. Such a classification is given in Table XXXIX.

TABLE XXXIX

INCREASE IN EXPENDITURES FOR ADMINISTRATION, MAINTENANCE AND OPERATION
Fiscal Year 1923 Over 1917

Analysis by Object *

	1917	1923	Increase (+) decrease (-)	Per cent of gross increase	Per cent in- crease
Personal service.....	\$15,890,200	\$26,196,100	+\$10,305,900	53.1	64.8
Highway maintenance.....	4,325,300	8,070,400	+ 3,745,100	19.3	86.6
Canal maintenance.....	796,400	1,741,800	+ 945,400	4.9	118.7
Food.....	3,539,000	4,067,700	+ 528,700	2.9	15.5
Fuel, light and power.....	1,084,700	2,302,800	+ 1,218,100	6.3	112.3
Traveling expense.....	835,800	1,447,500	+ 611,700	3.1	73.2
Printing and advertising.....	1,375,600	1,064,800	- 310,800	.....	- 22.6
Furniture, furnishings and household supplies (State institutions).....	463,700	966,600	502,900	2.6	108.4
Building repairs.....	331,900	812,000	480,100	2.5	144.7
Clothing.....	542,400	717,600	175,200	.9	32.3
Communication.....	359,500	511,800	152,300	.8	42.4
Miscellaneous.....	4,820,200	5,527,900	707,700	3.6	14.7
Total.....	\$34,364,700	\$53,457,000	\$19,092,300	100.0	55.6

* For explanation of sources from which above table was compiled, see Appendix V.

It will be seen from Table XXXIX that over half of the total increase in current governmental expenses was due to the growth of expenditures for personal service. Highway maintenance was responsible for about one-fifth of the total increase. The remaining increases were considerably smaller and more evenly distributed. The only expenditures showing a decrease were those for printing and advertising, which were reduced by about one-fifth during the period under review.

Personal Service

Expenditures for personal service comprise amounts disbursed for salaries and wages including payments for temporary work. In 1923 these expenditures amounted to over twenty-six million dollars, which represented an increase of about 65 per cent over the comparable expenditures for 1917. Table XL shows how this increase was distributed between the various governmental functions. For the purpose of giving some indication as to how much of the increase was due to growth in the number of state employees and how much to a higher salary level, the number of positions provided for in general budget appropriations, and the average compensation of state employees for the fiscal years 1917 and 1923 are also shown on this table.*

* Average salaries were obtained from the "Requests for Appropriations" compiled by the legislative budget committee by dividing the aggregate authorized salaries, excluding payments for temporary service, by the number of authorized positions. The number of authorized positions does not necessarily coincide with the number of persons actually in the pay of the state at any given time, since it does not take account of vacant positions and temporary employees. Multiplication of number of positions by average compensation, therefore, will not yield the total expenditure for personal service made during the year.

TABLE XL

INCREASE IN EXPENDITURES FOR PERSONAL SERVICE, NUMBER OF POSITIONS PROVIDED FOR IN GENERAL BUDGET APPROPRIATIONS AND AVERAGE COMPENSATION OF STATE EMPLOYEES, 1917-1923

FUNCTION	EXPENDITURES FOR PERSONAL SERVICE				NUMBER OF REGULAR POSITIONS PROVIDED FOR IN GENERAL BUDGET APPROPRIATIONS				AVERAGE ANNUAL COMPENSATION REGULAR EMPLOYEES				
	1917	1923	Increase + decrease	Per cent increase + decrease	1917	1923	Increase + decrease	Per cent increase + decrease	1917	1923	Increase + decrease	PER CENT INCREASE + DECREASE	
												All salaries	Exclusive of salaries above \$2,400
Executive	\$72,403	\$71,331	-\$1,072	-1.5	27	26	- 1	- 3.7	\$2,650	\$2,983	+\$333	+12.5	15.2
Administrative	1,023,866	1,196,964	+ 173,098	+16.9	522	434	- 88	-16.9	1,973	2,522	+ 549	+27.8	15.6
Legislative	653,126	764,806	+ 111,680	+17.1	448	452	+ 4	+ .9	599	690	+ 91	+15.4	14.9
Judicial	1,370,290	1,474,826	+ 104,536	+ 7.6	219	225	+ 6	+ 2.7	7,438	7,212	- 226	- 3.0	5.6
Regulative	2,356,926	4,680,242	+ 2,323,316	+98.6	1,781	2,345	+ 564	+31.7	1,571	1,727	+ 156	+ 9.9	17.3
Educational	1,424,588	2,568,236	+ 1,143,748	+80.3	1,307	1,390	+ 83	+ 6.4	1,218	1,790	+ 578	+46.9	35.9
Agricultural	1,125,888	2,083,222	+ 957,334	+85.0	868	1,088	+ 200	+23.0	1,284	1,841	+ 557	+43.4	26.8
Defensive	224,059	290,087	+ 66,028	+29.5	98	116	+ 18	+ 1.8	1,491	1,686	+ 195	+13.1	10.8
Penal	756,255	1,147,057	+ 390,802	+51.7	789	889	+ 100	+12.7	960	1,341	+ 381	+39.7	40.1
Curative	2,166,618	5,653,491	+ 2,486,873	+78.5	6,516	6,995	+ 479	+ 7.4	512	853	+ 341	+66.4	67.7
Charitable	1,368,078	2,310,565	+ 942,487	+68.9	2,518	2,635	+ 117	+ 4.5	662	916	+ 254	+38.4	39.5
Protective	772,583	1,504,682	+ 732,099	+94.8	724	1,044	+ 320	+44.2	1,045	1,401	+ 356	+34.1	86.9
Constructive	378,959	517,302	+ 138,343	+36.5	212	249	+ 37	+17.5	1,929	2,259	+ 330	+17.1	81.7
General	270,448	344,480	+ 74,032	+27.4	241	287	+ 46	+19.1	1,859	2,085	+ 226	+12.1	10.6
Canal maintenance	926,158	1,589,057	+ 662,899	+71.6	1,503	1,516	+ 13	+ .9	590	901	+ 311	+52.5	49.1
Total	\$15,890,245	\$26,196,148	+\$10,305,903	+64.8	17,778	19,671	+1,893	+10.7	\$923	\$1,297	+\$374	+40.5	43.0

Increase in Salaries of State Employees

As shown by Table XL, the average compensation of state employees, including officials and department heads, increased by 40.5 per cent during the period under review. If salaries in excess of \$2,400 per annum are excluded the increase was 43.0 per cent. For purposes of comparison, the increases accorded other classes of employees during the same period are herewith presented:

TABLE XLI
COMPARATIVE WAGE INCREASES

	Per cent increase fiscal year 1923 over 1917
Average compensation New York State employees.....	40.5
Average weekly earnings in representative New York State factories*	72.0
Average weekly earnings of office employees in New York State factories *.....	59.3
Average annual salaries of New York State public school teachers †.	91.6
Wages of common labor in Middle Atlantic States ‡.....	\$50.0

* Industrial Bulletin, issued monthly by the industrial commissioner of New York State.

† Annual Report, 1923, University of State of New York.

‡ Survey of Current Business, August 1924, U. S. Department of Commerce.

§ Represents increase for calendar year 1923 over calendar year 1917.

Although the general salary level for state employees is estimated to have increased 40.5 per cent between 1917 and 1923, examination of Table XL will show that the increases were very unequally distributed as between various groups of employees. Generally speaking, the employees at the lower end of the salary scale received the greatest proportionate increases. Thus salaries of employees at state hospitals were advanced over 65 per cent, but the average compensation of these employees in 1917 was less than \$500 per annum. On the other hand, in the case of functions such as the administrative and regulative where average salaries in 1917 were relatively high, the increases granted were extremely meager. The educational and agricultural functions are an exception to this rule, but the greater advances in average salaries for these functions was due in the main to increases granted professors and instructors to meet the general rise in teachers' salaries in the state at large.

In the case of certain functions, the real effect of salary changes has been obscured by an increase in the number of positions in the lower salary ranges without a corresponding increase in the higher salaried positions. This development would result in a reduction in average compensation even though salary scales remained unchanged, and it accounts for the reduction in average compensation in the judicial branch as well as the comparatively slight increase in the average salary of employees in the regulative function. In the case of canal employees, the opposite development has occurred; that is, the proportion of the higher salaried positions has increased.

Because of the misleading effects of this disproportionate increase in the number of low as compared to high salaried positions, a more accurate picture of salary increases in certain functions is obtained by excluding the higher salaried positions altogether. For this purpose the percentage increases in average salaries exclusive of those in excess of \$2,400 per annum are given in the last column of Table XL. The line has been drawn at \$2,400 because that is the maximum salary allowed employees in the graded civil service and only 7 per cent of all persons in the pay of the state receive an annual salary in excess of that amount.

Although averages for particular functions have been somewhat influenced by changes in the relative proportions of low and high salaried positions, it is improbable that the combined average for all state employees has been affected to any appreciable extent. An examination of Table XL shows a fairly symmetrical distribution of new positions around the 1923 average. In other words, if all the employees of the state are considered in one group, the average compensation of the new employees is found to be not much different from the average for the whole group and the introduction of these new employees does not dilute the effect of changes in the general salary scale.

Increase in Number of State Employees

Table XL shows an increase of 1,898 or 10.7 per cent in the number of positions provided for in general budget appropriations, and assuming the same proportion of vacancies in 1923 as in 1917, these figures may be taken as representative of the increase in the number of state employees between those two years. It will be noted that the largest increases were in the regulative, agricultural, curative and protective functions.

The increase in the regulative function can readily be explained on the basis of the reorganization of the tax department and the resulting transfer from the administrative to the regulative functions of the new income tax bureau, the motor vehicle bureau, and the various tax activities formerly under the state comptroller. The increase in the agricultural function is principally due to additions to the staffs of the various state agricultural schools. The number of employees in the curative function increased by 479 or 7.4 per cent, but this additional force was more than required by an increase of 11 per cent in the number of patients at state hospitals. The increase of 320 employees in the protective function is accounted for by the additional positions created through the establishment of the department of state police.

Generally speaking, the increases in other functions do not appear unwarranted. Thus, although there was an increase of 6.4 per cent in the number of positions in the educational service, this was matched by an increase of 20 per cent in the number of children attending school. There was a growth of 4.5 per cent in the number of employees at state charitable institutions, but during the same period the inmate population of these institutions increased by 15 per cent.

Highway Maintenance

Next to personal service, the state spends more for highway maintenance, which includes the wages of gang labor, than for any other item of current expense. In 1923, disbursements for this purpose totaled \$8,070,000, which was \$3,745,000 or 87 per cent greater than the corresponding amount for 1917. Generally speaking, this increase was due to two causes: a higher price and wage level and an actual increase in the volume of highway maintenance work performed. It is desirable, first of all, to estimate the proportion of the total increase attributable to the effect of price changes.

As shown by Table XLII, the composite price of labor and materials employed on the maintenance and repair of highways was about 34 per cent higher in 1923 than in 1917. Owing to the variety of local conditions which affect the cost of highway repairs, the above figure is necessarily an estimate and is based on the assumption that the percentage increase in material prices for the state as a whole was on the average the same as for New York City. The comparative smallness of the increase is due to the fact that highway costs had already risen considerably by 1917.

TABLE XLII
INCREASE IN COMPOSITE PRICE OF LABOR AND MATERIALS EMPLOYED IN HIGHWAY
MAINTENANCE FISCAL YEAR 1923 OVER 1917 *

ITEM	Per cent of total expenditures for highway maintenance	Price index 1923 on 1917 base	Product of columns (1) and (2)
	(1)	(2)	(3)
Labor	51.75	152	78.7
Materials			
Broken stone	13.77	162	22.3
Sand and gravel .....	.88	166	1.4
Bituminous materials	21.86	100	21.9
Cement	1.35	145	1.9
Miscellaneous	2.85	98	2.8
Equipment and supplies	7.54	66	5.0
All items			134.0

* The sources from which the above table was compiled are as follows:

Data shown in column (1) relative to the percentages which expenditures for specified items bear to the total of all highway maintenance expenditures were obtained from a statement found on page 49 of the report of the State Commissioner of Highways for the calendar year 1922.

The increase in labor costs is based on an index of wages paid common labor in the Middle Atlantic States, compiled by the U. S. Department of Agriculture, Bureau of Public Roads. Price indices for broken stone, sand and gravel, bituminous materials and cement were computed on the basis of the average prices of these materials in New York City as reported by the Engineering-News Record. For miscellaneous materials the general wholesale price index of the U. S. Department of Labor was used, and for equipment and supplies which includes the rental of motor trucks, the department's index of metals and metal products was employed.

On the basis of a 34 per cent increase in labor and material prices, about \$2,000,000 of the total increase in highway maintenance expenditures as between 1923 and 1917 may be imputed to price influences. The remaining \$1,745,000, which represents an increase of 40 per cent over maintenance expenditures for 1917, must be attributed to the increased volume of maintenance work performed. It remains to be seen, however, whether the increase in work done was sufficient to justify a 40 per cent increase in costs.

There is no unit for measuring the volume of highway repairs. It is clear, however, that to the extent that highways are adequately maintained, the volume of repairs will depend largely on the number of miles of highway to be cared for and on the volume and character of the traffic carried. During the six year period under review, the number of miles of improved highways under maintenance by the state increased by approximately 33 per cent. Highway traffic as measured by the number of licensed motor vehicles increased by over 200 per cent, and motor trucks and buses, which cause more damage to roads than any other type of vehicle, increased by 262 per cent. The effect of these two factors alone appears sufficient to account for the 40 per cent increase in highway maintenance expenditures as between the two years under review.

Another consideration, however, must be borne in mind in considering the increase in highway maintenance expense as between 1923 and 1917. Owing to the difficulty of procuring labor and materials in consequence of the war conditions then prevailing, the state highways were not adequately maintained in 1917, nor for several years thereafter. During some of the war years even the necessary amount of oil to protect the old waterbound macadam roads was unobtainable and, as a consequence, there had been a progressive deterioration.*

A rough indication of the extent of the under-maintenance prevailing during and immediately after the war is furnished by the following statement which shows the number of miles of highway given light surface treatment for the calendar years 1915 to 1922, inclusive:

TABLE XLIII
MILES OF HIGHWAY GIVEN SURFACE TREATMENT †

YEAR	Number of miles treated	Per cent of 1915
1915.....	2,086	100.0
1916.....	1,869	89.6
1917.....	1,187	56.9
1918.....	1,147	55.0
1919.....	1,029	49.3
1920.....	776	37.2
1921.....	1,938	92.9
1922.....	1,828	87.6

* Report—State Commissioner of Highways, 1921, p. 18.

† *Ibid.* 1922 p. 39.

The foregoing discussion of highway maintenance costs may be briefly summarized as follows: Of a total increase of \$3,745,000 in this class of expense about \$2,000,000 may be attributed to the advance in the price of labor and materials. The remaining \$1,745,000, which represents an increase of 40 per cent over maintenance expenditures for 1917, appears to be amply accounted for on the basis of a 33 per cent increase in highway mileage, a 200 per cent increase in motor traffic, and the extensive under-maintenance of highways obtaining during the war.

Canal Maintenance

The classification canal maintenance comprises chiefly expenditures incident to the repair, alteration or replacement of canal structures and equipment and the cost of dredging operations. It excludes all personal service expense except that included in the cost of contract work. As shown by Table XXXIX, the cost of canal maintenance was \$945,000 greater in 1923 than in 1917.

One reason for this increase was the fact that the canal system maintained in 1923 represented a considerably greater capital investment than the one maintained in 1917. During the last twenty years the state has spent more than \$167,000,000 on canal construction and improvements. These new facilities were not fully put into use until the spring of 1918, when the barge canal was opened for the first time throughout its entire length.

Another important factor was the higher cost of labor and materials. Owing to the paucity of available data, it is not possible to construct an index of canal maintenance costs, but in view of the character of the principal expenditures represented, it may be assumed that these costs followed substantially the same trend as building costs. As previously noted, average building costs during the twelve months ended June 30, 1923, were about 50 per cent greater than during the twelve months ended June 30, 1917. Wages of common labor were also about 50 per cent higher in 1923 than in 1917. On this basis about \$560,000 of the increase in canal maintenance expenditures may be attributed to the influence of price changes.

Food

Expenditures for the above purpose aggregated \$4,097,000 during 1923, which represents an increase of 16 per cent over similar expenditures for 1917. This increase cannot be explained on the basis of an advance in prices, since as indicated by the index of wholesale food prices of the United States department of labor, food costs in 1917 were practically on a parity with those of 1923.* An explanation is to be found, however, in the increase in the

* Average food costs for the twelve months ended June 30, 1923, were 1.2 per cent lower than for the twelve months ended June 30, 1917. Assuming, however, a lapse of one month between the time food is contracted for and the time it is consumed, the actual cost of food consumed in 1923 would have been 2 per cent higher than for 1917.

number of inmates of state institutions which, as previously mentioned, was 10 per cent. The establishment of the department of state police also increased food expenditures somewhat.

Fuel, Light and Power

The state spent over twice as much for fuel, light and power in 1923 as it did in 1917. As shown by Table XXXIX, the actual increase in expenditures for this purpose was \$1,218,000. Practically all of it may be attributed to the rise in the cost of coal, expenditures for which represent 90 per cent of the total expenditures in the classification under consideration. The state contracted, in June, 1916, for the coal required by the different state hospitals during the fiscal year 1917.* The advance in coal prices between June, 1916, and June, 1922, according to the wholesale indices of the United States department of labor was 100 per cent for anthracite and 183 per cent for bituminous coal. These percentages should be compared with an increase of 112 per cent in the actual fuel expenditures of the state.

Traveling Expenses

Traveling expenses, consisting principally of fares and hotel charges, increased by \$612,000, or 73 per cent, during the period under review. Of this amount, however, \$332,000 is attributable to the establishment of the department of state police. The remaining \$280,000, which represents an increase of 33 per cent, is more than accounted for on the basis of price changes, since both railroad fares† and the cost of living‡ were over 40 per cent higher in 1923 than in 1917.

Printing and Advertising

As shown by Table XXXIX, expenditures for printing and advertising for 1923 show a reduction of \$310,000 over those for 1917. In view of the fact that printing costs were considerably higher in 1923 than in 1917, the actual saving to the state was much greater than the size of this figure indicates.

The reduction was the result of a series of reforms in the methods of handling state printing, all of which applied to periods subsequent to June 30, 1917. A new printing law,§ which went into effect May 28, 1917, reduced the quantities of many department reports, authorized uniform standards for blanks and other office stationery and conferred greater powers on the state printing board.

In 1921 an even more radical change was made in the printing law.¶ The printing board was abolished and its powers were

* Twenty-Eighth Annual Report, State Hospital Commission, p. 50.

† Based on increase in revenues per passenger per mile as compiled by Interstate Commerce Commission.

‡ U. S. department of labor, Cost of Living Index, December 1922 as compared with December 1916.

§ Chap. 667, Laws of 1917.

¶ Chap. 337, Laws of 1921.

vested in the board of estimate and control. This board was empowered to determine the number of reports to be printed and issued by each state officer, department, commission, institution and board, the nature and amount of materials to be incorporated in such reports, the manner of distributing the same, and the form, contents and frequency of every publication, except judicial and legislative printing. Another law,* enacted in 1921, eliminated the publication of session laws in newspapers. This act became effective December 1, 1921, and resulted in a saving to the state of several hundred thousand dollars per annum.

Furniture and Furnishings

Expenditures of state institutions for furniture, furnishings and household supplies show an increase of \$503,000 as between the two years under comparison. At least \$350,000 of this additional expense may be explained on the basis of price advances, since average prices for housefurnishing goods were 58 per cent† higher during the fiscal year 1923 than during the fiscal year ended in 1917.

Building Repairs

As shown in Table XXXIX, expenditures for building repairs for 1923 were \$480,000 above those of 1917. This type of expenditure, since it involves contract payments of large amount, is subject to considerable fluctuation from year to year, and a comparison of any two given years cannot have much significance. It is worth while, however, to estimate the sum which would have been saved had 1923 repairs been made at 1917 prices. As previously indicated, building costs were 53 per cent higher in 1923 than in 1917. If this percentage is also representative of the increase in the cost of building repairs, it follows that the state's 1923 repair bill would have been about \$280,000 less had there been no change from the 1917 price level.

Clothing

In 1923 state institutions spent approximately \$718,000 for clothing, which represented an increase of \$175,000, or 32 per cent, over expenditures for the same purpose in 1917. Since average wholesale prices for cloths and clothing, as computed by the United States department of labor were 29 per cent higher during the twelve months ended June 30, 1923, than during the corresponding period ended in 1917, it may be assumed that about \$160,000 of the increase in clothing costs was due to the effect of price changes. The remainder, which represents a growth of less than 3 per cent, must be considered in connection with a growth of 10 per cent in the inmate population of state institutions.

* Chap. 467, Laws of 1921.

† U. S. department of labor, Index Numbers of Wholesale Prices, Housefurnishing Goods.

Communication

The state expended about \$512,000 for communication in 1923, which was \$152,000 more than the amount expended in 1917. Very little of this increase can be attributed to the influence of price changes. Roughly speaking, postage comprises about 70 per cent* of the total expenditures classified under communication, and postage rates for 1923 were substantially the same as those for 1917. The increase in question was mainly due to the increase in postage requirements, resulting from the introduction of the personal income tax, and from the growth of 200 per cent in the number of licenses to be issued to motor vehicle owners.

Miscellaneous

Miscellaneous expenditures comprise such items as office furniture and equipment, office stationery and supplies, rentals, medical and surgical supplies at state institutions, expenses other than labor incident to the operation of institutional farms and gardens. In addition they include all other items of current expense not elsewhere classified. As shown by Table XXXIX, miscellaneous expenditures for 1923 exceeded those of 1917 by \$708,000, or 15 per cent. A portion at least of this increase must have been caused by higher prices, since such items as office furniture and rentals were notably higher in 1923 than in 1917. It is impossible, however, on the basis of available data to make any estimate of what the increase due to price influences actually was.

Summary

The results of the analysis of expenditures for administration, maintenance and operation may now be summarized as follows:

Of the entire increase of \$19,000,000 in respect to this class of expenditures, it is roughly estimated that at least 65 per cent, or about \$12,300,000, was due to advances in salaries and prices. About 7 per cent, or \$1,400,000 represents the net cost of new state activities after deducting the cost of activities abolished. The remaining increase of \$5,400,000 registers the composite effect of several factors, the most important of which was the expansion of service rendered by the state as indicated by such criteria as highway mileage, canal traffic and number of inmates supported at state institutions.

GENERAL SUMMARY AND CONCLUSION

Your committee concludes from the foregoing analysis that the increase of \$71,000,000 in state expenditures between 1917 and 1923 was not due to waste and extravagance. Moreover, it was not predominantly the result of a higher price and wage level.

* Based on an analysis of communication expense as reported in the "Requests for Appropriations," 1924.

Broadly speaking, there were four main causes for the increase which, in order of their importance, may be stated as follows:

1. Increased state aid granted local political units for educational and highway purposes.
2. The effect of a higher price and wage level.
3. The policy of financing the major portion of permanent improvements out of current taxes instead of through the sale of bonds as heretofore.
4. An increase in the variety and volume of services rendered by the state.

A brief statement of the more important increases attributable to the above is furnished by Table XLIV.

TABLE XLIV

SUMMARY OF PRINCIPAL INCREASES IN STATE EXPENDITURES FISCAL YEAR, 1923 OVER 1917

<i>Increase in Current Governmental Expenses</i>	
Estimated increase due to rise in salary and price level.	\$12,300,000
Increase due to new state activities.	1,400,000
Miscellaneous increases, due in large part to expansion of services rendered by state.	5,392,000
Total	\$19,092,000
<i>Increase in Capital Outlays Paid for Out of Current Revenues</i>	
Due to financing from revenues of canal and highway improvements formerly financed through bonds.	\$7,400,000
New York-New Jersey vehicular tunnel, 1923 expenditures.	3,400,000
Due to increase in volume of state building activity.	1,100,000
Due to higher building costs.	1,400,000
Total	13,300,000
<i>Increase in State Grants and Subventions</i>	
State aid in support of local education.	\$31,234,000
State aid to towns and counties for highway purposes.	3,234,000
Indemnities paid to farmers for destruction of diseased cattle, etc.	2,294,000
Relief of war veterans.	963,000
Total	37,725,000
Balance of remaining increases less decreases.	870,000
Total increase in expenditures.	70,987,000

State Aid and Subventions

It is worthy of note that about half of the growth in state expenditures between 1917 and 1923 applied, not to the ordinary expenses of state government, but to aids and subventions granted to local political units. To the extent that the sums thus granted would otherwise have been raised through local taxation, this increase represents a lightening of the local tax burden on real estate and the participation by localities in state revenues. An idea of the present degree of this participation may be gained from the fact that in 1923 state aid for educational and highway purposes represented about one-third of the total of all state expenditures.

Effect of Higher Price and Wage Level

It is estimated that the state's current expenses for 1923 would have been \$12,300,000 less than they actually were had wages and prices remained at their 1917 level. Capital outlays for building projects would have been approximately \$1,400,000 less had the 1917 price level been maintained. Approximately \$13,700,000, or about one-fifth of the total increase in state expenditures as between 1923 and 1917, may, therefore, be directly attributed to depreciation in the purchasing power of the dollar.

This estimate does not include increases in state disbursements resulting indirectly from the effects of a higher price level. Thus, capital outlays for canal and highway projects doubtless cost more in 1923 than they would have at 1917 prices, but since only building construction was financed out of current taxes in 1917, the entire increase in expenditures for outlays other than buildings has been considered as being due to the changed financing policy of the state. Had the state continued its former practice of paying for such improvements through the sale of bonds, only a small fraction of this increase would have appeared in 1923. The remainder would have been distributed over the life of the bonds in the shape of increased interest and amortization charges.

Similarly, a portion of the increase in state aid for educational and highway purposes might indirectly be charged to the advance in prices. As previously pointed out, the total cost of public education for the state as a whole increased by 170 per cent during the period under review, and on the basis of continuing to bear its 1917 proportion of this cost, the state would have had to increase its 1917 support by \$12,000,000.

Financing of Permanent Improvements

About 15 per cent of the total increase in state expenditures as between 1923 and 1917 is ascribable to the defraying out of current revenues of the cost of permanent improvements formerly financed through the sale of bonds. In the case of a project like the New York-New Jersey vehicular tunnel, which is expected to yield a revenue, this means that the present generation of taxpayers is paying for an investment, the revenue from which will serve to reduce the taxes of a future generation, the very generation which will benefit from the tunnel.

Increase in State Services

The period between 1917 and 1923 was characterized by a growth both in the variety and volume of services rendered by the state, of which the establishment of a state constabulary, the opening of the barge canal, the extension of the highway system, and the increase in the number of persons cared for at state hospitals and charitable institutions, may be taken as representative. It is not possible to determine the exact amount of the additional expense entailed by this increase in service rendered, but it may safely be said that it accounts for the bulk of the remaining increase in total state expenditures.

**CHAPTER VI—FINANCING THE STATE'S SCHOOL AID
PROGRAM**

CHAPTER VI—FINANCING THE STATE'S SCHOOL AID PROGRAM

Cost of New Program

The cost of the state's new school aid program depends entirely upon the standard which is set as the basis for equalization. If the equalization standard is set at \$1,200 for an elementary teacher and the rural quotas and teacher quotas are increased as outlined in Chapters I and II, the cost will be \$10,000,000. This can be financed from present revenues. If the minimum standard is set at \$1,922, which is the present average in villages and cities, the cost will be \$23,500,000 on the basis of the 1923 figures.* If, in addition to this, the state should decide to relieve the property taxpayer further by giving up or reducing the state property tax, from \$5,000,000 to \$30,000,000 would have to be obtained from other sources; and finally, should the remainder of the personal property tax be given up, as we have recommended,† and the local districts reimbursed from state taxes for their loss, another \$6,500,000 would be added.

This would mean an increase in state taxes other than the tax on real estate of from thirty to fifty million dollars on the 1923 basis. The actual state receipts from taxes other than the real estate tax in 1923 were a little under \$100,000,000 (\$99,984,035). Thus it would have been necessary to increase these state taxes by 30 to 50 per cent in 1923 in order to meet this program.

So large an increase is not easily obtained, particularly when the tax on real estate with its broad base and elastic rate is to be reduced or eliminated from the range of possibilities. And this is a conservative estimate. Expenditures have been increasing much more rapidly than tax bases, and further, the state tax was low in 1923, being \$21,000,000 in that year as compared with \$37,000,000 in 1921, \$24,000,000 in 1922 and \$34,000,000 in 1924.

Before presenting a plan for financing the new school program, it is necessary to consider with considerable care the present taxes of the state and the present distribution of the tax burden. This chapter is therefore divided into the following sections:

- The Present Tax Burden and Its Distribution.
- Elastic Taxes.
- Program of Tax Revision.
- The Net Result.

* \$1,200 is the equivalent of \$44 per pupil, as used in Appendix I; and \$1,922 is the equivalent of \$70 per pupil.

† Report of the New York State Joint Legislative Committee on Taxation and Retrenchment, 1922, p. 42 ff.

THE PRESENT TAX BURDEN AND ITS DISTRIBUTION

The Burdens of Government

The most satisfactory measure of the financial burdens imposed by government upon the people is probably to be found in taxes. Total current revenues and expenditures, both of which are properly used in measuring the size and growth of government activities, include extensive receipts and disbursements on account of special services rendered or public enterprises operated which serve to swell both sides of the budget without imposing a burden upon the community. Taxes measure the burden.

In the state of New York the total burden of taxation in the fiscal year ending on June 30, 1923, was \$1,351,000,000.* This includes the total taxes levied and collected within the state by the state government, all units of local government and our share of federal taxes.†

The Growth of Taxes

In the last ten years, that is, since 1913, the growth of the entire tax burden in the state of New York has been 227 per cent. The bulk of this growth has taken place since 1917, as is shown by the following table:

TABLE XLV

AGGREGATE FEDERAL, STATE AND LOCAL TAXES BORNE BY NEW YORK STATE

TAXES LEVIED FOR	1923	1917	1913
Federal government.....	\$716,543,843	\$211,996,219	\$77,833,489
New York State.....	88,477,623	51,160,221	43,715,384
Local governments in New York State.....	546,085,226	309,551,438	291,226,682
Total.....	\$1,351,106,692	\$572,707,878	\$412,775,555

If we make the figures for 1913 equal 100, this table shows the following ratios:

	1923	1917	1913
Federal government.....	921	272	100
New York State.....	202	117	100
Local governments.....	188	106	100
Total.....	327	139	100

* Cf. Report of the State Tax Commission, New York, 1923, p. 14. The figure here presented is larger, partly due to the difference in the fiscal year covered by the federal figures. The distribution presented here differs also because all tax moneys received by the localities, including state aid and parts of the yield of state taxes, are treated as local.

† In allocating federal taxes, income and estate taxes are apportioned on the basis of collections, and customs, sales and other taxes on a per capita basis.

It is significant that the burdens of state and local government have increased in approximately the same ratio during the ten years. The growth from 1913 to 1917 was 17 per cent for the state and 6 per cent for the local units; the growth from 1913 to 1923 was 73 per cent for the state and 76 per cent for the localities. The tremendous and disproportionate increase in the federal burden was due to the direct and indirect expenses of the war.

There has been little change in the relation of the state burden to the local burden in this period. In 1913 the local burden was 6.6 times the state burden, in 1917 it was 6.0 times, and in 1923 6.1 times. The important change is of course to be found in the proportion which the federal taxes bear to the total. The federal burden was 19 per cent of the total in 1913, 37 per cent in 1917, and 53 per cent in 1923.

Where Does the Burden Fall?

The chief sources from which taxes are drawn are property and income. There are also many other minor sources, such as inheritances, sales taxes, customs, etc. The following table shows how the growing burden has been divided among these chief tax sources in each of the three years in question:

TABLE XLVI

AGGREGATE FEDERAL, STATE AND LOCAL TAXES BORNE BY NEW YORK STATE —
CLASSIFIED BY SOURCES

YEAR	Based on property	Based on net or gross income	All other taxes	Total
1913.....	\$286,607,750	\$13,064,419	\$113,103,346	\$412,775,555
1917.....	297,676,713	136,653,600	138,377,565	572,707,878
1923.....	500,362,325	525,872,082	324,872,285	1,351,106,692

The same figures presented on a percentage basis show more clearly the significant shift which has taken place in the proportion of taxes raised from the various sources. This is done in the following table and in chart on page 160:

TABLE XLVII

PERCENTAGE OF AGGREGATE TAXES FROM PROPERTY, INCOME AND OTHER SOURCES

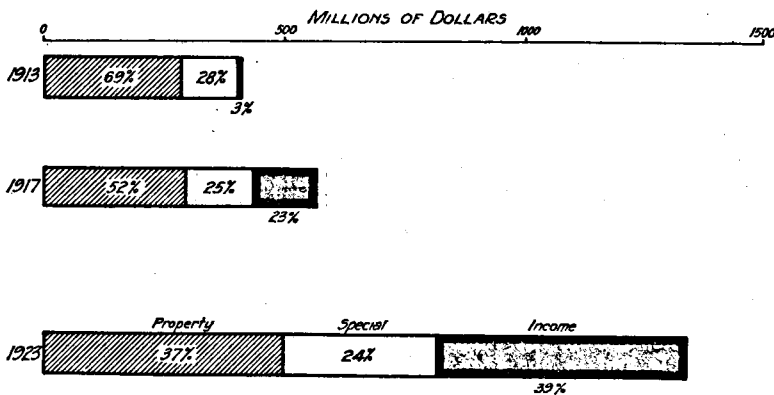
YEAR	From property taxes	From income taxes	From other taxes	Total
1913.....	69	3	28	100
1917.....	52	23	25	100
1923.....	37	39	24	100

The proportion of taxes from miscellaneous sources has remained about the same throughout. The important change has come about through the development of the taxes based on earnings. Though starting with a negligible proportion in 1913, income taxes were already carrying 23 per cent of the aggregate burden in 1917. In 1923 income taxes furnished 39 per cent, and exceeded the amount raised through property taxes. In 1923, therefore, of the grand total of federal, state and local taxes borne within the state of New York, three-quarters was divided almost equally between property taxes and income taxes and the remaining quarter was derived from inheritance, customs, sales, luxury and other miscellaneous taxes. When this situation is compared with the distribution in 1913, it is clear that the development of income taxation has served primarily to relieve property. If the effort had been made to distribute the rapidly increasing burdens of government through the tax system as it stood in 1913 and in accordance with the same proportionate burden upon the various sources, the burden upon property in 1923 would have been 88 per cent higher than it actually was.

CHART III

AGGREGATE FEDERAL, STATE AND LOCAL TAXES BORNE BY NEW YORK STATE

Classified by Sources



The New York State Tax System

While it is obviously necessary to take the federal tax system into account in considering state and local taxes, it is equally important to examine the system of the state as a unit by itself. This committee and the legislature cannot influence the federal system in any direct way. We can deal only with the tax system set up by the laws of this state. The committee wishes, therefore, to present in simple form the outstanding facts with regard to the development of the tax system of the State of New York.

It is not necessary to outline the provisions of the tax laws. This has been done succinctly in tabular form in the 1923 report of the tax department, along the lines of the table which was presented in a previous report of this committee.* The financial results, however, deserve restatement here. The total amounts received by the state from the various state taxes are presented for selected years in Table XLVIII. The detailed material from which this is drawn is found in the 1923 report of the tax department on pages 132 to 137. The figures here presented show only the amounts received by the state for state purposes. In the case of taxes which are shared with the localities, such as the personal and the corporation income taxes, only the state's share is given. No deduction has been made, however, for the amounts turned over to the localities on account of state aid. These are drawn from the general funds of the state and cannot be traced to individual taxes.

* Legislative Documents, 1921, p. 16. Report of the State Tax Commission, New York, 1923, p. 95.

TABLE XLVIII
STATE TAX RECEIPTS BY SOURCES

YEAR	CORPORATIONS			Excise	Stock transfers	Secured debt	Investments	Personal income
	Organization	Earnings	Other					
1900.....	\$356,778 61	\$1,615,181 47	\$1,205,078 42	\$4,235,870 25	.....	.....	.....	.....
1905.....	354,495 65	2,290,626 44	4,526,112 62	9,163,391 59	\$1,226,757 82	.....	.....	.....
1910.....	488,177 76	3,954,391 29	5,532,837 37	9,589,779 19	4,635,443 20	.....	.....	.....
1913.....	455,512 50	4,874,634 35	6,593,063 42	9,280,681 65	2,927,810 88	\$1,167,476 04	.....	.....
1914.....	345,133 78	5,120,574 89	7,068,758 03	9,360,099 31	2,056,687 06	828,619 87	.....	.....
1915.....	436,383 38	5,090,767 05	6,786,420 71	9,089,355 28	3,559,425 60	1,016,748 63	.....	.....
1916.....	940,056 43	3,702,732 22	3,244,504 08	12,606,908 02	4,865,764 50	429,646 76	.....	.....
1917.....	1,217,436 96	6,301,039 22	8,742,966 77	12,685,228 22	7,786,511 88	766,791 28	\$49,778 60	.....
1918.....	819,365 17	17,029,983 72	7,016,395 39	11,045,354 65	5,312,032 60	.....	1,399,381 21	.....
1919.....	816,521 80	21,969,285 12	7,013,088 25	5,487,449 35	6,989,317 08	.....	852,847 26	.....
1920.....	2,139,281 83	28,876,191 12	6,699,413 33	2,039,613 03	10,648,993 01	.....	162,297 49	\$16,500,000
1921.....	1,415,160 95	40,168,060 27	6,530,476 67	233,717 65	7,105,902 08	.....	.....	18,250,000
1922.....	1,027,978 22	31,838,969 63	7,604,448 59	21,452 47	7,708,924 28	.....	.....	14,900,000
1923.....	2,553,334 94	25,895,769 08	9,883,521 72	6 105 74	8,573,220 36	.....	.....	17,900,000
1924.....	1,357,048 23	32,500,000 00	10,150,000 00	826 82	7,078,198 56	.....	.....	9,583,333
		42,644,488 55						

Source: 1923 Annual Report Tax Commission, p. 136.

TABLE XLVIII — (Concluded)
STATE TAX RECEIPTS BY SOURCES

YEAR	Mortgages	Motor vehicles	Direct State Tax	Inheritances	Total taxes	Other revenues	Grand total
1900.....			\$10,704,153 30	\$4,324,803 27	\$22,451,865 41	\$1,352,311 21	\$23,804,176 62
1905.....		\$25,953 50	1,191,677 51	4,627,051 43	23,406,066 56	1,598,116 36	25,001,182 92
1910.....	\$1,931,848 39	397,509 90		8,212,735 61	34,742,722 71	2,745,651 50	37,488,374 21
1913.....	1,647,710 82	1,267,832 95	6,460,093 12	12,724,236 88	47,399,052 59	2,082,408 83	50,391,460 02
1914.....	1,390,746 98	1,528,220 73		11,162,478 40	38,861,319 05	3,707,800 47	42,569,119 52
1915.....	1,552,201 54	1,857,289 00	20,519,715 51	8,563,893 67	58,182,200 37	3,061,828 83	51,244,029 20
1916.....	910,208 53	2,125,056 50		5,984,018 42	84,808,895 46	2,576,525 57	87,385,421 03
1917.....	1,183,409 50	2,028,189 42	13,058,752 65	13,791,969 65	67,610,074 15	4,032,965 14	71,643,039 29
1918.....	939,896 11	2,677,531 65	13,272,069 00	11,433,400 00	70,945,377 50	4,949,310 97	75,894,688 47
1919.....	919,659 79	2,509,609 74	13,523,503 27	13,399,582 99	73,420,863 65	4,684,713 71	78,105,577 36
1920.....	2,259,437 46	4,214,235 03	35,006,523 81	21,259,640 81	129,505,657 02	5,488,107 62	135,293,734 64
1921.....	2,412,840 69	8,298,735 01	22,340,343 66	18,135,508 73	124,890,743 71	7,555,105 61	132,445,849 32
1922.....	2,784,756 20	10,652,348 82	19,876,700 27	15,385,042 43	111,800,820 71	12,357,854 77	124,158,475 48
1923.....	3,071,928 24	13,278,674 23	32,467,458 78	17,786,388 59	132,016,401 68	12,434,119 32	144,450,521 00
1924.....	5,060,984 54	18,528,011 80	34,321,454 92	19,369,394 22	138,430,575 88	8,157,080 14	146,587,656 02

The Shifting Burden

An examination of the amounts collected from each of the major sources of state revenue shows that there has been a number of important changes in the distribution of the tax burden. It is easier to follow these changes when the receipts from the various sources are placed on a percentage basis. The total revenues have grown so fast that some individual sources are shrinking in their comparative importance, though there has been an actual increase in the number of dollars of revenue which they have produced. In the following table the receipts for each source of revenue are shown as a percentage of the total receipts of the year.

Each column traces the changes in the relative burden of taxation which has fallen upon each kind of property, business, faculty or transaction. The rise and decline of the liquor excise tax is thrown into sharp relief. This tax was at one time the largest single source of state revenue. In 1916 over a third of the state tax burden fell on this one business alone. While this was partly due to a shift in the fiscal year which served to reduce the amount of other taxes listed for that year, the great importance of the excise tax up until 1918 and its rapid disappearance deserve note. In fact the wiping out of the excise tax and the embarrassment which this caused in the finances of the state were the direct causes lying back of the increase in the corporation income tax rate, the extension of this tax to include all domestic and foreign corporations not otherwise taxed and the adoption of the personal income tax on the recommendations of this committee. The "secured debts tax" and the "investments tax" with which the state experimented from 1912 to 1917 and from 1917 to 1919, respectively, were abandoned and superseded by the personal income tax which reached intangible property in a far more satisfactory manner.

TABLE XLIX
PERCENTAGE DISTRIBUTION STATE TAX RECEIPTS BY SOURCES

YEAR	CORPORATIONS			Excise	Stock transfers	Secured debt	Investments	Personal income	Mortgages	Motor vehicles	Direct State tax	Inheritances	Total taxes
	Organiza- tion	Earnings	Other										
1900.....	1.6	7.2	5.3	18.9	.....	.....	.....	.....	.....	.....	47.7	19.3	100
1905.....	1.5	9.8	19.3	39.1	5.2	.....	.....	.....	.....	.1	5.1	19.8	110
1910.....	1.4	11.4	15.9	27.6	13.3	.....	.....	.....	5.6	1.1	.....	23.6	100
1913.....	.9	10.3	13.9	19.6	6.2	2.4	.....	.....	3.5	2.7	13.6	26.8	100
1914.....	.9	13.2	18.2	24.1	5.3	2.1	.....	.....	3.6	3.9	.....	28.7	100
1915.....	.8	8.7	11.7	15.6	6.1	1.7	.....	.....	2.7	3.2	35.3	14.2	100
1916.....	2.7	10.6	9.3	36.2	14.0	1.2	.....	.....	2.6	6.1	.....	17.2	100
1917.....	1.8	9.3	12.9	18.8	11.5	1.1	.01	.....	1.8	3.0	19.3	20.4	100
1918.....	1.2	24.0	9.9	15.6	7.5	.....	.20	.....	1.3	3.8	18.7	16.1	100
1919.....	1.1	29.9	9.6	7.5	9.5	.....	.12	.....	1.3	3.4	18.4	18.2	100
1920.....	1.6	22.2	5.2	1.6	8.2	.....	.01	12.7	1.7	3.2	27.0	16.4	100
1921.....	1.1	32.1	5.3	.2	5.7	.....	.....	14.6	1.9	6.6	17.9	14.5	100
1922.....	.9	28.5	6.8	.02	6.9	.....	.....	13.3	2.5	9.5	17.8	13.8	100
1923.....	1.9	19.6	7.5	.....	6.5	.....	.....	13.6	2.8	10.0	24.6	13.5	100
1924.....	1.3	23.5	7.3	.....	5.1	.....	.....	6.9	3.7	13.4	24.8	14.0	100

TAXATION AND RETIREMENT

Stability of New York's Tax System

Whatever faults may be attributed to the tax system of the State of New York, it cannot be criticized either for failure to produce the necessary revenues or for a lack of stability. In spite of the expanding program of expenditures, particularly in connection with state aid school and highway projects, the state has piled up a series of large surpluses, and was enabled this past year to reduce both the personal income tax rate and the direct state tax rate on property. No other state in the Union has been in this position.*

Since 1920, the first year of the personal income tax, the total tax revenues of the state, excluding the direct state tax, have been:

1920	\$94,800,000
1921	102,550,000
1922	91,925,000
1923	99,550,000
1924	<u>104,100,000</u>

Though there was a 10 per cent drop in receipts from 1921 to 1922, due to the serious financial conditions which existed throughout the state and the nation, even this variation was not so important as to cause any embarrassment. As a matter of fact, the direct state tax levy was reduced the same year by two and a half million dollars.

This characteristic of stability is true, not alone of the grand total of tax receipts, but also of most of the individual taxes. The most variable tax is that on the net income of corporations. This tax, which is included with the gross receipts taxes in the figures above under the heading "earnings," fell from \$29,500,000 in 1921 to \$15,050,000 in 1923, a drop of nearly 50 per cent. In contrast to this, the personal income tax has been remarkably stable during the five years since its adoption. It has borne consistently 13 to 14 per cent of the general burden of state taxes each year. If the income tax had not been reduced in 1924 the situation would have remained the same. The inheritance tax appears to be another relatively stable tax in spite of the fortuitous foundation upon which it rests. The return from this tax has been growing gradually in keeping with the wealth of the state, though this growth has not been enough to keep the proportion from this source from shrinking appreciably. It now furnishes from 13 to 16 per cent of the taxes, where it seldom produced less than 20 per cent ten years ago. The motor vehicle license tax is shown to be an exceedingly dependable and growing source of revenue.

* The cash surpluses on June 30 for each year are reported by the comptroller as follows:

1917	\$ 6,536,295.12	1921	\$ 32,986,346.17
1918	7,248,108.32	1922	44,543,819.57
1919	9,890,616.48	1923	43,042,327.67
1920	11,407,937.32	1924	39,607,376.95

Annual Report of the Comptroller, 1923, p. 260.

Income and Property in the State System

It is interesting to notice the comparative burdens falling upon income and upon property through the state taxes. Before the net income taxes were levied upon corporations (1918) and individuals (1920), the state tax burden on property* may be considered as roughly 20 per cent of all state taxes, though it varied extensively, was abandoned in some years, and rose in others to almost 50 per cent. It always exceeded half of the total revenues between the Civil War and 1900. From 1900 to the adoption of the new income taxes, taxes based on earnings furnished some 10 per cent of the state's revenues. It may be said, therefore, that the state tax burden on property was twice as heavy as the burden on earnings. Beginning with 1918, however, the situation has been quite different. Since that time the burden falling on earnings has in every year exceeded the property tax burden. Indeed, in 1921 and 1922, the earnings taxes were more than twice the property taxes. The percentage of the total burden falling on income, property and other sources is presented in the following table:

TABLE L
PERCENTAGE OF STATE TAXES FROM PROPERTY AND INCOME

	Property *	Income	Other
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
1900.....	47.7	7.2	45.1
1905.....	5.1	9.8	85.1
1910.....	5.6	11.4	83.0
1913.....	19.5	10.3	70.2
1914.....	5.7	13.2	81.1
1915.....	39.7	8.7	51.6
1916.....	3.8	10.6	85.6
1917.....	22.3	9.3	68.4
1918.....	22.0	24.0	54.0
1919.....	20.9	29.9	49.2
1920.....	28.8	34.9	36.3
1921.....	19.8	46.7	33.5
1922.....	20.3	41.8	37.9
1923.....	27.4	33.2	39.4
1924.....	28.5	30.4	41.1

* In addition to the direct state tax, state taxes on mortgages, investments, and secured debts are considered as falling on property.

ELASTIC REVENUES

Every governmental unit must have one or more elastic sources of revenue in order to maintain a balanced budget. When necessary expenditures increase, there must be available sources of revenue which can be increased to correspond; and when economies are effected, tax reductions should follow. Up until 1923 the state of New York has had but one elastic source of revenue — the direct state tax on the assessed value of property. Whenever the finances of the state demanded increased tax revenues, the legislature was called upon to increase the state tax. Consequently, the rate has been changed either up or down almost every year since the Civil War. The state tax rates have ranged from nothing to 9.375 mills on the dollar in 1872.*

From time to time new taxes have been developed in order to meet the expanding needs of the state without unduly increasing the direct state tax. The new corporation and personal income taxes were developed with this in mind. If these taxes had not been adopted and no substitutes enacted, it would have been necessary to increase the direct state levy on property during the past five years to not less than 4 or 5 mills on the dollar, approximating the rates levied after the Civil War.

New Elastic Taxes

Up until 1924 the new taxes which were added from time to time to the state's system were considered permanent taxes. Though they served to relieve the necessity of very high property tax levies, they were not thought of as new elastic sources. The direct state tax on property continued to serve as the one variable tax. This situation was changed in 1924. In that year the personal income tax was accepted as an additional elastic source of revenue. When it was determined that a substantial reduction could be made in the state tax levies for the year 1924-1925, a program was drafted providing for a 25 per cent reduction of the personal income tax and for an exactly corresponding reduction of the direct state tax from 2.0 mills on the dollar to 1.5 mills.

In view of the fact that the personal income tax has been used successfully as an elastic source of revenue by the United States government, by the states of Massachusetts and Wisconsin, and is so used extensively in England and on the continent, it would seem that the precedent set in 1924 is destined to be followed in the future. Because of this fact, your committee desires to call attention to a number of questions which are raised by this new departure. Should there be a fixed relationship between property and income taxes? To what extent should changes in the state taxes be made to depend upon the changes in the federal taxes? When the personal income tax is used as an elastic source of revenue, what methods should be used in changing the rates? Are

* For a full list of tax rates see 1923 Report of Tax Commission, p. 129.

there other taxes which should be used as elastic sources in addition or in preference to the income and property taxes? These and other questions deserve careful consideration before the state launches upon the continued use of both the personal income and the property taxes as elastic sources.

Principles Controlling Selection of Elastic Sources

As it appears to the committee, the following five questions should be asked in testing the desirability of using any particular tax as an elastic source:

1. Does the tax have a *stable base* so that it is possible to determine in advance with but a negligible margin of error how much will be collected under a new tax rate?
2. Is a change in the tax rate *administratively simple*, both from the standpoint of the state and from that of the taxpayer?
3. Is the tax a *direct tax* which falls originally and ultimately upon the same taxpayer?
4. Does the tax have a *broad base* so that it will reach large numbers of citizens and voters in the commonwealth, thus serving to bind them closer to the affairs of the state?
5. Is the final result *equitable* whichever way the tax rate is changed, up or down, and is the result accepted generally as equitable?

There is no need of discussing at length each one of the principles which underlie these questions. All will agree that a stable base is essential. We must know what a tax will produce before it can be used as an elastic source to balance a budget. We must know also what the effect of a higher or lower rate will be on the tax base. Though it goes without saying that no tax should be used as a variable tax unless this can be accomplished without upsetting its administration, the committee has emphasized the necessity of administrative simplicity because it is a common American fault to overlook the importance of administration. In few spheres is this oversight more evident than in the field of taxation. Most people still seem to think that tax laws will administer themselves.

Indirect taxes which are paid by one man and passed along to another are inherently unsatisfactory as elastic taxes. It is impossible for the government to know what property, interests, classes of individuals will be burdened or relieved under a changed tax rate. The shifting of indirect taxes is gradual and proceeds very differently even for individuals paying the same amount of tax in the same kind of business. Indirect taxes tend also to be paid in the first instance by a few people, and these few people pass on the tax and are supposed to care little whether the taxes go up or down unless they expect to benefit or suffer themselves by some change in the rates.

The advantage of a broad tax base in a democracy is well recognized. It applies with special force to the selection of elastic

taxes. In a democracy, voters ultimately determine what services the government shall render. When the services and facilities of government are expanded, the voters of all classes should feel immediately an increase in their direct personal tax burdens. When an "economy program" has been put into operation, there should be a corresponding immediate, direct, individual tax relief. Where the majority controls the government and a few wealthy individuals or a single corporation is forced to foot the entire bill the result is wasteful extravagance, extreme carelessness, and a prostitution of democracy. The federal government, during certain years, some state governments and many local governments have not been beyond criticism in these directions. Here in the state of New York we have seen the ill effects of such maladjustments of the tax system, particularly in school districts.

Most taxes to be successful must be equitable, and in any case must be generally regarded as equitable. In an American state it is impossible in the long run to enforce a tax through state and local officials if that tax is regarded as unfair either in the tax distribution which it brings about or in the rate which it levies. The collapse of the general property tax in this and other states is an evidence of this fact. No tax can become a joke without passing into the discard, whether laws are repealed or not. The necessity of fairness in taxation extends with even more force to the selection of the taxes which shall be used as elastic sources of revenue. Changes in the rates of the taxes which are used to balance the budget must be accepted generally as fair and honest distributions of the increasing or decreasing tax burdens. In selecting elastic sources the idea of equality in taxation requires the careful consideration, not only of all other sources of state taxation, but also of the federal and local taxes as well. The problem must be viewed from the standpoint of the taxpayer no less than from that of the state itself.

What New York Taxes Should Be Elastic?

An examination of our various state taxes shows that certain of the sources cannot be used as elastic revenues. Judged by the principles stated above, they are by nature permanent rather than variable taxes.

First of all there is a number of so-called taxes which are not true taxes. Among these are the taxes on motor vehicles and on the organization of corporations. Though the motor vehicle tax falls on a large stable base, extending to 1,500,000 vehicles, the payment is primarily a license, a payment for a privilege, and the proceeds of the tax are devoted to highways and not to financing the general services of state government. The moderate fee for corporate organization is not a tax from any point of view. In addition it falls upon a narrow base which varies in its individual makeup from year to year. This is also true of the license tax on foreign corporations.

Franchise Taxes

The corporation taxes, with the exception of those on net income, are in almost all cases indirect taxes. The corporation pays the tax and passes it on as a cost of doing business. Moreover, corporations do not furnish a broad tax base. From existing tax returns, it may be estimated that the number subject to taxes under any system in the state would not exceed 60,000.* From the standpoint of the taxpayer, a variable tax rate on corporations is undesirable because it introduces another variable into the business world and serves to unsettle conditions out of all proportion to the size of the tax itself.

Mortgages and Stock Transfers

The mortgage tax and the stamp tax on stock transfers were adopted in 1904 and 1905 as property taxes in the hope of bolstering up the disintegrating general property tax. The practical operation of these taxes is such, however, as to make them indirect taxes. The mortgage tax is of course passed on to the mortgagor. The broker buys the stock transfer stamps, but passes on the cost, though in most cases the burden probably falls not upon the purchaser of the stock but upon the original seller. Neither of these taxes furnish a large tax base. The number of mortgages taxed each year is less than 200,000, and as there are not over 7,000 stockbrokers in the state,* the number buying transfer stamps must be small indeed.

Bank Stock and Moneyed Capital

The state taxes on bank stock and on moneyed capital are both theoretically property taxes. As was pointed out in our 1922 report, the bank stock tax is in effect a business tax.† The same is also true of the moneyed capital tax. Neither of these taxes are direct taxes, nor does either possess a wide base.

Inheritance Tax

Though the inheritance tax has proved to be a fairly stable tax, it cannot claim a broad base. In 1922 there were 15,019 resident estates returned. This is 10.4 per cent of all deaths in the state for the year, or 18 per cent of the deaths of individuals forty years of age and over.‡ Though the inheritance tax is a direct tax, in the sense that it is not shifted, it is of a fortuitous character, falling upon different individuals in different years and seldom in a lifetime upon the same individual more than once or twice. This differentiates it from other direct taxes. Certainly in the case of the inheritance tax the variation of the rates from year to

* In 1921, the number of corporations making United States income tax returns was 57,000, of which 27,000 reported net income. In 1922, 54,500 New York corporations paid a federal capital stock tax.

† 1923 State Tax Commission Report, p. 131. The number of stockbrokers listed in the 1920 United States census is 6,537.

‡ Legislative Docs. 1922, No. 72, p. 78.

‡ 1923 Tax Commission Report, p. 496.

year in balancing the budget will have no influence on the mass of the voters because only a small changing group are affected by the tax each year.

Corporation Income

The corporation income tax differs from the other corporation taxes in that it falls upon *net income*. It is recognized that moderate taxes on net income cannot be shifted except in rare instances.* The New York State corporation income tax is, therefore, to be classed as a direct tax, though the remaining taxes upon corporations are indirect. This fact makes the income tax the most desirable source of elastic revenue among the corporation taxes. Another advantage which it possesses is that the variation of the rate is a simple administrative matter as far as the state is concerned and not a matter of so great importance to the taxpayers as a change in rates of taxes which enter into the costs of doing business. Income taxes accrue only when there are profits; other taxes must be paid even if they force bankruptcy. Though our New York State tax on corporate income may be criticized because of the disproportionate burden which is laid upon incorporated as distinguished from unincorporated business, the remedy is not to be found in changing the tax but in imposing an income tax at a slightly lower rate on unincorporated business as we have urged heretofore.†

The use of the corporation income tax as an elastic revenue could not be criticized on grounds of equity provided an income on other business was similarly varied. The chief point at which the corporation income tax fails to meet the conditions we have laid down is that its base is neither broad nor particularly stable. If the corporation tax is linked up with an unincorporated business tax, the combined base would be as broad as business itself. But even under such conditions, there would continue to be large fluctuations in the tax yield because of the inherent instability of business income as a tax base. With the combined bases, it should be possible, however, to estimate probable yields with considerable accuracy by means of the various indices of business activity.

It is, therefore, the conclusion of the committee that the net income tax on corporations as it now stands cannot be used satisfactorily as an elastic source of revenue. If in the future a counterbalancing tax is laid upon unincorporated business, the situation will be somewhat changed so that the two taxes together may be considered reasonably as elastic revenues.

Personal Income

An analysis of the personal income tax shows it to be an ideal elastic tax. It rests upon a comparatively stable base. Moderate increases or decreases in the rates do not serve to expand or con-

* For a brief and authoritative discussion of the incidence of income taxes see Seligman, "Income Taxes and the Price Level," Proceedings, Academy of Political Science, Vol. XI, No. 1, p. 3.

† 1922 Leg. Doc. No. 72, p. 126-129.

tract taxable income. From an administrative standpoint comparatively slight difficulties are involved in changing the rates either for the state or for the taxpayer. The personal income tax is a direct tax. It is probably the least shifted tax in the state. It is more "direct" than the tax on real estate as is demonstrated below. Moreover, the personal income tax has a broad base. It reaches over 850,000 taxpayers yearly. This is the largest number of taxpayers reached directly by any New York State tax. In the cities, the situation is accentuated. In New York City, for example, the state income tax was paid by 584,000 individuals in 1922, while the direct state tax on property fell probably on less than 400,000 taxpayers. At any rate, there were only 170,000 home owners.* For these reasons, and because of the essential fairness of the personal income tax, it has always been regarded in this state as an equitable tax. The reduction of the federal income tax rates, which are to be expected with the settlement of our foreign debts and the gradual extinguishment of the war debt and war expenditures, will make it possible to rely on the state income tax as an elastic source without fear of running into conflict with the federal taxes.

Real Property

The direct state tax on property has long been established as an elastic tax. This is true for state and local revenues throughout the United States with few exceptions. The experience in New York State has been fairly satisfactory because we have succeeded beyond most other jurisdictions in securing full value assessments, in establishing equitable equalization and in developing other sources of revenue to relieve the burden on property and as substitutes for the taxes on tangible and intangible personal property. In New York State the property tax is now a real estate tax. Ninety-eight and a half per cent of the taxable valuation is made up of land and improvements. The real estate tax is universally recognized as a good elastic source of revenue. From the standpoint of the stability of the base, it cannot be compared with any other tax. Moderate increases and decreases in the rates have no effect upon the tax base, and the tax product at various rates can be computed without error. There are no added administrative difficulties as a result of increasing or decreasing the rates.

The real estate tax is generally considered a direct tax. It must be conceded, however, that a considerable portion of the tax is shifted by the original payer to the shoulders of others. To the extent that this takes place, even the real estate tax is indirect.

* Number of income tax payers is derived from the 1922 Report of the State Tax Commission, p. 405. The real property tax payers is an estimate based on the following facts: Report of the Commissioners of Taxes and Assessments, 1923, pp. 16, 17, 19, shows that there are 624,943 parcels of real estate in the city, including over two and a half billions of dollars of exempt property. Of these, the taxable vacant parcels number 191,299. The number of dwellings in the city is 407,000 and the total number of buildings, 484,922. The number of home owners is based on the United States Census, 1920, Abstract Tables 158, 159.

Approximately half of the direct state tax falls upon land.* This part is paid by the land owner and cannot be shifted, except temporarily when there is a marked shortage of buildings. The remaining half falls upon improvements and is shifted to the occupier, except temporarily when there is a marked surplus of buildings. Since 1915 conditions have favored a shifting of most of that part of the tax which falls on improvements and a part of the tax falling on the land located in the larger cities. If the owner is the occupier there is no shifting of the burden.* The extent of shifting is determined, therefore, by the proportion of owner-occupiers as compared with tenants. In the state of New York the number of tenants far exceeds the number of owner-occupiers. In 1920 there were 2,441,000 homes of which only 739,000, or 30 per cent, were owned by the occupiers.† Certainly, no greater percentage of non-residence buildings is owned by the occupiers than in the case of dwellings. On the basis of these estimates, 70 per cent of the number of parcels of improved real estate in the state is in the hands of tenants. Because of the fact that these will include a preponderance of the more valuable properties,‡ it is probable that 80 per cent of the assessed values are not occupied by the owners. Under these conditions, not less than 80 per cent of one-half of the real estate tax, or in other words 40 per cent of the tax, can be shifted by the taxpayer to his tenants in New York State at the present time. In other words, the real estate tax in New York is 60 per cent a direct tax and 40 per cent indirect.

Within and Without New York City

In New York City the percentage of owner-occupiers is very much lower than in the rest of the state. In 1920 the percentage of home owners was but 12.5 per cent. Here again the valuable properties are chiefly rented, at least in part, so that the percentage of the valuation occupied by owners is hardly more than 9 per cent of the total. If this is true of all improved property, the property tax in New York City is but 55 per cent a direct tax and is 45 per cent indirect. Outside of New York City similar computations indicate that there the property tax is 75 per cent direct and 25 per cent indirect. Though these figures cannot be put forward with any finality since they are based on estimates and assumptions, the basic fact which they reflect must be accepted as true.

Varying Income Tax Rates

The use of the personal income tax as an elastic source of revenue raises the question as to what method should be followed

* In New York City improvements are 48.5 per cent of real estate values. For the farms of the state, the United States census shows a percentage of 44.3.

† This is true of all homes and of some business houses.

‡ United States Statistical Abstract, 1922, p. 56.

‡ Business offices, apartments, tenements, etc.

in changing the rates. Our income tax is progressive. One per cent is levied on the first ten thousand dollars of taxable income, 2 per cent on the next forty thousand dollars and 3 per cent on all income above fifty thousand dollars. When the rates are to be decreased or increased what shall we do? Shall we deduct or add a fixed percentage of the total tax as computed under the present law? Shall we reduce or increase the 1, 2 and 3 per cent tax rates by a fixed amount? Shall we add or deduct a flat surtax for all income groups, or shall we make these surtaxes and "subtaxes" apply only to given brackets? Shall we alter the steepness of progression, or endeavor to hold it as at present under all conditions?

Your committee is not prepared to answer all of these questions at the present time. We have, however, reached certain conclusions. It is clear that in normal years a single uniform method of reduction or increase should be applied to all of the rates. It is not desirable to raise the issue from year to year with regard to the proper rates for each separate bracket. We are not maintaining that the rates of progression of the New York law should never be revised, because we are making such a suggestion this year, but we are insisting that they should not be thrown open to revision each year merely because the income tax is to be utilized as an elastic source. Elasticity must be introduced through a uniform and systematic rule and not through tinkering with the entire scheme.

Addition or Multiplication?

There are two uniform and systematic methods of increasing or decreasing the income tax rates. One is based on addition, the other on multiplication. In the case of the system based on addition, a uniform amount is added, or subtracted, from each rate to produce the new rates. For example, the present tax rates may be uniformly reduced by 1/2 point as follows:

BRACKETS	Reduction		
	Old rate	by	New rate
1st.....	1	1/2	1/2
2nd.....	2	1/2	1 1/2
3rd.....	3	1/2	2 1/2

In the case of the system based on multiplication, each rate is multiplied by a uniform amount. For example, the present tax rates may be uniformly multiplied by 1/2 as follows:

BRACKETS	Multiplied		
	Old rate	by	New rate
1st.....	1	1/2	1/2
2nd.....	2	1/2	1
3rd.....	3	1/2	1 1/2

It is clear that both of these methods are thoroughly systematic and uniform. At the same time they produce quite different results. In the system based on addition there will always remain

a difference of 1 per cent in the tax rates for successive brackets.* The rates may be made to vary to produce such combinations as these: 1, 2, 3; 2, 3, 4; 13, 14, 15; 0, 1, 2; etc. Under this system there is a basic tax which is varied uniformly, plus a fixed surtax of 1 and 2 per cent respectively for the two upper brackets.

In the system based on multiplication, the rate of the second bracket will always be twice that of the first and the third three times the first. The rates may be made to produce such combinations as these: 1, 2, 3; 2, 4, 6; 13, 26, 39; $2/3$, $1\frac{1}{3}$, 2; etc.

Application to 1924 Tax Reduction Program

It is interesting to compare the fiscal effects of these two systems of changing income tax rates when applied to the 1924 program of tax reduction. Table LI shows the estimated amount of tax produced in 1924 by brackets and the result of reducing the rates under the multiplication and addition systems in varying amounts. This table serves to emphasize what the lists of rates above indicate, that when tax rates are being reduced, the multiplication system gives a greater reduction to the upper brackets than does the addition system. Conversely, it is clear that when tax rates are being increased, the opposite is true.

Table LII analyzes the effect of tax reduction under the multiplication system which was adopted in 1924 and shows the average benefit to taxpayers of different groups.

Distribution of Property Tax Reduction

In the analysis presented above the benefit of income tax reduction to people of different income classes is presented. It is interesting to compare with this the benefit to individuals of different wealth from an equivalent reduction of the direct state tax. This is done in Table LIII.

The computations are for an average family of five. The figures of column 2 are estimated on the basis of family budgets gathered in various statistical studies by the U. S. bureau of labor statistics and others. These statistical studies show that rents paid are from over one-quarter of the total income in the lowest groups to less than a tenth of the income in the highest groups. The appropriate rentals have been capitalized to form the figures of column 2. In the lowest values 10 per cent has been used as the capitalization rate and in the highest 25 per cent in recognition of the differing amount of service and depreciation which is charged in rentals.

The figures given in column 3 represent one-fourth of the income tax payable by an individual of the income class indicated. The figures of column 4 represent $\frac{1}{2}$ mill of the value of the home (column 2).

* Starting with present rates and brackets.

TABLE LI
FOUR PLANS OF INCOME TAX REDUCTION — COMPARISON OF FISCAL EFFECTS

INCOME BRACKETS	PRESENT LAW		25 PER CENT TAX CUT†		25 PER CENT CUT BASIC TAX RATE‡		50 PER CENT CUT BASIC TAX RATE‡		33 PER CENT CUT BASIC TAX RATE‡	
	Tax Rate	Tax for 1924 estimated*	New rates	Tax for 1924 at new rate	New rates	Tax for 1924 at new rate	New rates	Tax for 1924 at new rate	New rates	Tax for 1924 at new rate
0-\$10,000.....	1%	\$16,062,400	1%	\$12,046,800	1%	\$12,046,800	1%	\$8,031,200	1%	\$10,707,200
\$10,000- 50,000.....	2%	9,809,800	1½%	7,402,350	1½%	8,636,075	1½%	7,402,350	1½%	8,224,500
50,000 and up.....	8%	7,007,800	2½%	5,800,850	2½%	6,478,825	2½%	5,889,850	2½%	6,282,500
Total tax.....		\$33,000,000		\$24,750,000		\$27,179,700		\$21,323,400		\$25,214,200
Tax reduction.....		.....		8,250,000		5,820,300		11,676,600		7,785,800

* Estimated on following basis: The total tax \$33,000,000 was the amount anticipated in the budget; the distribution as between the brackets is in accordance with the actual percentages for 1922 returns.

† Multiplication system.

‡ Addition system at different rates.

TABLE LII
EFFECT OF A GENERAL 25 PER CENT REDUCTION IN THE INCOME TAX RATE IN NEW YORK STATE ON THE BASIS OF THE 1922 RETURNS

INCOME GROUP	ALL RETURNS*				RETURNS OF NEW YORK CITY RESIDENTS				RETURNS OF NEW YORK STATE RESIDENTS OUTSIDE NEW YORK CITY			
	Number	Tax paid	25 per cent reduction	Average reduction per return	Number	Tax paid	25 per cent reduction	Average reduction per return	Number	Tax paid	25 per cent reduction	Average reduction per return
0- \$5,000....	845,628	\$5,540,289	\$1,385,072	\$1 64	511,238	\$3,385,115	\$846,279	\$1 65	275,786	\$1,670,911	\$417,728	\$1 51
\$5,000- 10,000....	72,206	3,452,875	863,219	11 95	43,517	2,092,707	523,177	12 02	21,361	1,029,200	257,300	12 04
10,000- 15,000....	18,264	1,985,190	495,299	27 17	11,162	1,221,125	305,281	27 35	5,155	580,840	140,210	27 20
15,000- 50,000....	20,180	7,198,783	1,799,696	89 18	12,917	4,663,618	1,165,905	90 26	5,386	1,908,912	477,228	88 61
50,000-100,000....	2,675	3,648,132	912,033	340 95	1,818	2,482,513	620,628	341 38	627	854,247	213,562	340 61
100,000 and over....	887	5,274,989	1,318,742	1,486 74	629	4,018,492	1,004,623	1,597 17	197	1,003,711	250,928	1,273 74
Total.....	959,840	\$27,100,241	\$6,775,060	\$7 06	584,281	\$17,863,570	\$4,465,893	\$7 64	308,512	\$7,027,821	\$1,756,955	\$5 69

* Includes non-residents

TABLE LIII

COMPARISON OF TAX REDUCTIONS TO INDIVIDUALS OF DIFFERENT INCOME GROUPS UNDER THE PROPOSED 25 PER CENT INCOME TAX REDUCTION AND AN EQUIVALENT REDUCTION OF THE DIRECT STATE REAL ESTATE TAX

TAXABLE INCOME	Value of home	\$8,250,000 TAX REDUCTION DISTRIBUTED	
		As a 25 per cent cut of income tax rate	As a one-half mill reduction of direct State tax rate
(1)	(2)	(3)	(4)
\$1,000.....	\$2,000	.....	\$1 00
2,000.....	3,000	.....	1 50
3,000.....	4,500	.....	2 25
4,000.....	6,000	\$0 75	3 00
5,000.....	6,800	3 25	3 40
6,000.....	9,900	7 00	4 95
7,000.....	10,400	9 50	5 20
8,000.....	11,500	12 00	5 75
9,000.....	12,500	14 50	6 25
10,000.....	13,300	17 00	6 65
15,000.....	20,000	34 00	10 00
20,000.....	25,000	59 00	12 50
25,000.....	26,500	84 00	13 25
50,000.....	39,000	209 00	19 50
75,000.....	61 000	388 50	30 50
100,000.....	79,000	576 00	39 50
150,000.....	100,000	951 00	50 00
200,000.....	114,000	1,326 00	57 00
500,000.....	152,000	3,576 00	76 00
1,000,000.....	300,000	7,326 00	150 00
	1,000,000		500 00
	14,652,000		7,326 00

While the comparison presented in Table LIII is based on extensive assumptions so that the particular amounts presented under the various brackets may be subject to error, the important fact which the comparison brings out cannot be doubted. Tax reduction through the income tax throws a greater part of the reduction to the upper brackets than does tax reduction through the property tax. This is inevitable because the income tax is a progressive tax, while the property tax is not. Even a property tax reduction gives a greater reduction to the wealthy because they pay a greater part of the taxes which are being reduced.

The matter, however, is not quite so simple as may appear from this analysis of the unequal results of equal income tax and property tax reductions. Not all income tax payers own property and not all property owners pay income taxes. The ownership of property and the receipt of income is distributed differently among different individuals and classes and in different sections of the state. This is shown clearly by the fact that only 22 per cent of

the home owners of the state live in New York City whereas 65 per cent of the income tax payers live there and pay 72 per cent of the income taxes.*

Program of Tax Revision

In the light of the above analysis of our tax system it is possible to present a practical program of tax revision which will produce sufficient revenues to finance the state's school aid program and which will at the same time serve to iron out the inequalities in our present tax system and provide a large increase of state taxes for distribution to localities.

Property Taxes

We recommend that the tangible personal property tax be repealed. This will result in a loss to the local units of government of \$6,500,000 which must be made up through the distribution to the localities of additional state taxes.

As a practical step toward the abolition of the state tax on real estate, we recommend the reduction of the state tax to one mill. The loss to the state of a one mill levy as compared with the 1.5 mill levy is \$8,500,000.

Considering the existing taxes in order of yield, we have first the corporation taxes. No increase in the tax on public utilities is contemplated. In fact if the gross-net tax recommended by the committee in 1922 (Report, pp. 116 ff.) were to be adopted, there would probably be a slight reduction in revenues.

Corporation Income Taxes

Manufacturing and mercantile corporations paying the franchise tax on income (New York State Tax Law, Art. 9A) are contributing less proportionately than the public utility corporations, and the rate of tax on these companies might with justice be raised from 4½ to 6 per cent with a resulting increase in revenue of about \$9,000,000.† If one-third of this were turned over to the local divisions as at present, the amount added to state revenues would be a little over six million dollars.

Unincorporated Business Taxes

No state tax is imposed at present on the unincorporated business as such, and in justice to the incorporated business, especially if an increase in the rate of the tax on the incorporated business is contemplated, such a tax should be imposed.‡

The rate recommended in our 1922 report was 5 per cent, in case the rate of the franchise tax on the income of manufacturing and mercantile corporations were raised to 6 per cent. It is esti-

	State	New York City
* Home owners (1920)	738,738	160,707
Income tax payers (1921)	892,793	584,281
Income tax paid (1921)	\$24,891,391	\$17,863,570

† See recommendation of Joint Committee. Report 1922, pp. 121 ff.

‡ For discussion of the tax on unincorporated business see Joint Committee Report, 1922, pp. 126 ff.

mated that such a tax would have produced between three and three and one-half million dollars per 1 per cent of tax. Allowing for the fact that a tax of 5 per cent would probably be only about four times as productive as a 1 per cent tax, owing to greater evasion, \$13,000,000 would seem to be a conservative estimate of revenue from this source.*

* Estimate of M. S. Howard, Deputy Commissioner and Statistician, New York State State Tax Department. The following memorandum from Mr. Howard gives the method of estimating in detail:

During the calendar year 1923 and the first six months of 1924 the income tax bureau received 38,113 partnership returns of income of the calendar year 1922. There might have been an insignificant number besides but 38,113 is the number we were able to tabulate. These were distributed among the following classes of business net income as follows. To save space on the tabulation cards the data were punched to the nearest \$100.

NET BUSINESS INCOME CLASS		Number of returns	Net business income
0	1,000	9,037	\$9,898,900
2,000	5,000	9,613	32,200,600
5,000	10,000	5,873	41,067,700
10,000	50,000	4,421	92,505,400
50,000	100,000	643	41,781,200
100,000	250,000	397	60,354,200
250,000	500,000	104	34,795,600
500,000	1,000,000	35	23,920,600
1,000,000	5,000,000	15	24,644,500
Total of above.....		30,138	\$361,168,700
Reporting no income.....		615	.....
Reporting net loss.....		7,360	Loss 54,841,400
Grand total.....		38,113	\$306,327,300

The net business income shown is after the deduction of the partners' salaries but it is reasonable to suppose that with something like a 5 per cent tax there would be a considerable increase in the salaries partnerships would allow to partners.

Allowing a \$5,000 exemption the taxable business income of partnerships is \$261,629,200.

The basis for estimating the yield of this tax on individuals is contained in our 1921 annual report. Page 388 shows \$429,664,800 income from business or profession of reporting individuals. Pages 425 and 427 show how much of this income was of New York State residents distributed by occupation. Of the total \$408,897,200 there distributed, we can probably exclude all the \$140,954,800 included in groups 1 to 20 and 73 to 78. Reducing the \$429,664,800 by 34.5 per cent leaves \$281,430,444. May we assume that this figure should be reduced on account of the \$5,000 exemptions in the same degree as the partnership business income? If so, we have \$203,755,641. Probably it should be reduced much more. Now how much should be allowed as salaries to the proprietors?

Another question is: How many individuals carried on business which would be taxed but who because of other losses were not required to file a return? It would seem that their number is probably very small.

From the above it would appear the yield per 1 per cent would be some \$3,000,000 and perhaps as high as \$3,500,000. But it would appear that a 5 per cent tax would be not 5 but only, say 4 times as productive as a 1 per cent tax. You see making an estimate of the yield of such a tax still involves elements of rashness. The partnership returns received during the calendar years, nearly all applicable to the prior year's income have increased as follows: 1920, 21,937; 1921, 30,319; 1922, 33,897; 1923, 37,334.

If one-third of the revenue of such a tax were to be distributed to the local divisions, as in the case of the present franchise tax on manufacturing and mercantile corporations, to compensate for the loss from the local tax on personalty, approximately \$8,700,000 would go to the state treasury.

Personal Income Tax

The personal income tax usually stands second to the corporation taxes in the size of yield. This tax, as we have seen above, is well fitted to become an elastic source of state revenue, and should the real estate tax be given up or reduced, would be called upon in all probability to fill the gap between revenues and expenditures from year to year. Moreover, with the reduction of the federal tax on incomes, the state of New York can advance its rates slightly without upsetting the balance between property and income taxes in this state. For these reasons an increase in the state rates on personal incomes is suggested here if substantial additional funds are needed by the state.

Inheritance Tax

A possible source of increase of state revenues, and one that should not be overlooked, is an increase in the yield of the inheritance tax through a revision of the state inheritance tax law to take advantage of the credit permitted by the 1924 federal revenue act. The federal estate tax law was amended to read as follows:

“The tax imposed by this section shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory or the District of Columbia, in respect of any property included in the gross estate. The credit allowed by this subdivision shall not exceed 25 per centum of the tax imposed by this section.”
1924 Revenue Act, sec. 301, b.

In consequence of this credit, through a revision of the state inheritance tax a considerable increase in revenues can now be obtained without any increase in the burden on inheritances. A change in the law would simply mean that certain taxes now being paid to the federal government would be diverted to the state treasury. The federal tax is a tax on estates and the state tax is on inheritance, but the state law can easily be amended to take full advantage of the credit allowed by the federal law without changing in any way the amounts paid at present by inheritances and estates to the state and federal governments.*

Assuming such an amendment, it is estimated that an increase of between three and four million dollars might be obtained. The distribution of this increase is shown in Table LIV prepared for the committee by M. S. Howard, statistician of the state tax department. The additional yield resulting from the amendment would inevitably be irregular since the number of net estates in excess of four million dollars will fluctuate greatly from year to year. But, however uncertain, it would be a valuable addition to state revenues.

* See 1925 Senate Print No. 607, Int. No. 579.

TABLE LIV
ACTUAL YIELD OF NEW YORK STATE INHERITANCE TAX UNDER PRESENT RATES, FOR THE RETURNS TABULATED, AS COMPARED TO THE YIELD UNDER ONE-FOURTH OF THE NEW FEDERAL RATES *

SIZE OF NET ESTATE	Number of returns	Net estate after deduction of debts, expenses of administration, etc.	Specifically exempted bequests	The federal exemptions of \$50,000 per estate	Balance subject to tax†	One fourth of federal tax rate on amount of estate falling within the given limits	Tax at one-fourth of the federal rates	Actual tax	Excess of the one-fourth federal rates over actual tax
\$1,000,000- \$1,500,000	31	\$36,273,200	\$244,200	\$1,550,000	\$34,479,000	3.75	\$719,462	\$1,346,315	.....
1,500,000- 2,000,000	9	14,923,500	44,500	450,000	14,429,000	4.5	381,555	485,332	.....
2,000,000- 3,000,000	9	21,420,800	36,000	450,000	20,934,600	5.25	696,318	789,881	.....
3,000,000- 4,000,000	10	34,752,700	1,107,500	500,000	33,145,200	6.0	1,316,212	1,443,892	.....
4,000,000- 5,000,000	3	12,642,400	100,000	150,000	12,392,400	6.75	544,737	509,644	\$35,093
5,000,000- 8,000,000	2	11,246,600	100,000	100,000	11,046,600	7.5	558,995	460,193	88,802
8,000,000- 10,000,000	1	8,867,100	193,800	50,000	8,623,300	8.75	519,789	381,873	137,917
10,000,000 and over.....	4	99,139,600	1,305,000	200,000	97,634,600	10.0	8,324,480	3,833,417	4,491,063
Total.....	69	\$239,265,900	\$3,131,000	\$3,450,000	\$232,684,900				\$4,762,875
Deduct one-third‡.....									1,537,625
Balance.....									\$3,175,250

Range of reasonably expected yield, \$3,000,000 to \$4,000,000.

* We have made a tabulation of the estates reported to the New York Transfer Tax Bureau of decedents who died during the calendar year 1920, the returns for whose estates were on file here by July 1, 1924. The total tax applicable to these estates was \$16,459,420. The number of returns tabulated was 16,443. Therefore, it is apparent that there were enough returns and enough tax tabulated so that the showing may be taken as representative of an average recent year.

There are two matters relative to the table to be considered. The excess yield is shown to be restricted to those estates in excess of \$4,000,000 and there are only ten such estates included. May not this number be accidental and unusual? During the years 1920 to 1923 the federal government raised 31.6 per cent, 44.4 per cent, 33.7 per cent, and 44.1 per cent, respectively, of its estate tax from New York. Their Statistics of Income for 1921 shows 37 estates of \$4,000,000. Their Statistics of Income for 1920 shows 95 returns, filed from September 9, 1916, to January 15, 1922, of estates of \$4,000,000 and over. This is about twenty-one a year. Apparently half of them are for New Yorkers. Also their income tax data indicate that one-half of the large incomes (and therefore estates) are of New Yorkers.

Our detailed tabulation accounts for but \$16,459,420 tax but it would appear that in the future we can expect \$19,000,000, or some 15 per cent more. Therefore the \$3,175,250 figure in the table is probably understated by 15 per cent on that account.

† Outside of the \$50,000 federal exemption per estate the principal difference between the net estate of the federal law and of our law seems to be the exclusion from the former of any part of an estate of a decedent that had already been taxed by the federal government within five years prior to decedence. The federal data indicate this is not very important as affecting yield. The language of the two statutes differs greatly but the net estate is apparently approximately the same.

‡ A factor that cannot be very satisfactorily calculated is the degree to which the additional revenue will be restricted by the fact that in some cases other states are collecting inheritance taxes from estates also taxed by New York. Of the \$16,459,420 above mentioned 11.5 per cent comes from non-residents, and it would appear that three-fourths from residents of foreign countries. But assuming it all came from residents of other states and that their tax plus ours together amounts to the 25 per cent abatement there would be no additional revenue. Now to what extent are the estates of residents of this state taxed by other states? Will it not be a liberal allowance to assume that this is true in the case of approximately twice as much property as in the case of property of non-residents taxed by New York. This assumption is the basis for the deduction of the one-third additional yield shown in the table.

TAXATION AND RETIREMENT

Motor Vehicle Taxes

The motor vehicle tax stands next in importance. A satisfactory solution of the problem of motor vehicle taxation has not yet been achieved in New York State in spite of frequent changes in the form of the tax.

The large increase in expenditures for highways* in recent years throughout the United States is the direct result of the rapidly growing motor traffic. In consequence it is quite generally accepted, in practice as well as in theory, that special taxes on motor vehicles should be devoted to highway financing; and further, that a substantial part of the cost of highways should be met from the proceeds of motor vehicle taxes.† But there is some divergence of opinion and no standard in practice as to what part of the costs should be paid by automobile owners and users.

What Should Motor Vehicles Pay?

It is conceded by the motor vehicle conference committee, representing a large and important group of automobile interests, that "motor vehicle owners and users, as a separate and distinct class, should be called upon to pay special taxes to maintain improved highways" in so far as such taxes do not exceed the sum of money necessary for the administration of the state motor vehicle department and the maintenance of improved highways of the state.‡ This motor vehicle committee further urges that there should be only one special motor vehicle tax administered preferably by the state. There is some demand from other interests that the cost of local traffic regulation be met from special automobile taxes also.§

Considering only the relation of motor vehicle taxes to highway costs, if it is accepted that the cost of maintenance and administration of state highways should be met from special motor vehicle taxes, it is important to determine what part of the highway system should be maintained by the state, and the amount of expenditure for such maintenance. Although in practice the extent to which state governments construct and maintain highways, or, through state aid, contribute to local highways, varies widely, all highways regardless of the governmental division constructing and

* In the decade 1910 to 1920 state and local highway expenditures in the United States increased from \$311,522,462 to \$815,034,063. The increase in state highway expenditure alone was from \$14,584,188 to \$199,170,490, or 1,266 per cent. (Educational Finance Inquiry, Vol. VI. Financial Statistics of Public Education in the United States, 1910-1920). There is every evidence that the rate of increase since 1920 has been even greater. The figure reported by the National Automobile Chamber of Commerce (Facts and Figures of the Automobile Industry, 1924, p. 44) for highway expenditure under state highway departments in 1922 (which does not include all state highway expenditures) is \$429,896,572, or more than double the 1920 figure quoted above.

† The principles underlying the taxation of motor vehicles were discussed at some length in the Report of the Special Joint Committee on Taxation and Retrenchment, N. Y., 1922, pp. 129 ff.

‡ Motor Vehicle Conference Committee, Special Taxation for Motor Vehicles, January, 1924, pp. 4-5.

§ See pages 49, 67.

maintaining them contribute to one unified system which is used primarily for motor transport. Owing to the absence of any clear division of state and local highways and the essential unity of any highway system, it seems reasonable to expect the motor vehicle to pay the cost of maintenance of the entire system outside of incorporated cities and villages,* and a part of the cost of maintenance and traffic control within incorporated municipalities.

State Costs

In 1923, the New York State government paid out approximately thirty million dollars for highways (\$30,137,506). This includes the cost of maintaining the state highway department, construction and maintenance of state highways, state aid to counties and towns, and interest on the state highway debt. The amount of state funds paid out for highway maintenance and administration only was approximately eleven million dollars (\$10,964,709).† The amount received by the state from motor vehicle taxes in this year was \$13,278,674. Thus the present tax on motor vehicles does contribute enough to cover the cost to the state of highway maintenance and administration in this one year.

Local Costs

If, however, the cost of maintenance of highways incurred by the local governments is to be included the situation is somewhat different. The total cost of maintenance of state, county, and town highways was nearly twenty-four million dollars in 1923 (\$23,946,657). If the cost of state administration is added, the amount exceeds twenty-four million dollars (\$24,275,040). The amount of motor vehicle revenues available for state, county and town highways in 1923 was eighteen million dollars (\$17,919,203). It thus fell six million dollars short of the cost of maintaining these highways.

If, further, it is conceded that a part of the maintenance of streets in incorporated places be met by taxes on motor vehicles very considerable increases would have to be made in these taxes. At present the part of the motor vehicle tax paid to cities is only the two million dollars (\$1,937,784 in 1923) paid to New York City. The exact cost of maintaining city and village highways cannot be determined since street cleaning, lighting, and other costs which are not strictly maintenance costs are sometimes included with the maintenance in city reports. Twenty-five million dollars is, however, a conservative estimate of the cost of city and village highway maintenance in 1923. Against this the motor vehicle tax contributed less than two million dollars. It is held by many that there is no reason why the motor vehicle should be called upon to contribute to the total cost of maintenance of city highways, since there are obvious benefits to many other users, but the expense of maintenance has increased materially with the

* The cost of maintenance of roads not suitable for motor vehicle traffic is negligible.

† Only a little over \$300,000 of this was for administration.

increased use of motor vehicles, and the cities are demanding, with some justice, a share in motor vehicle taxes.*

Revision of Rates

The many changes which have been made in the methods of taxing motor vehicles in New York since a special tax was first imposed have all led to increased revenues from this source.† In spite of increases, however, the yield of the tax is far from sufficient to meet the present cost of maintenance of highways within the state, and with the extension of improved highways the cost of maintenance is sure to increase faster than construction costs.

In view of the fact that the present motor vehicle taxes meet only three-fourths of the cost of state, county and town highway maintenance today, in New York State, and probably not much

TABLE LV

AUTOMOBILE REGISTRATION FEES, LICENSES AND PERMITS, AVERAGE GROSS REVENUE RETURN PER MOTOR CAR REGISTRATION IN NEW YORK AND NEIGHBORING STATES, 1923 †

STATE	Average gross return per motor car registration	Average gross return per passenger car registration	Average gross return per motor truck registration
New Hampshire.....	\$26 36	.....	.....
Connecticut.....	23 82	\$15 47	\$32 82
Maryland.....	20 89	14 51	39 76
Vermont.....	17 79	13 65	24 85
New Jersey.....	17 76	9 27	27 02
Delaware.....	17 22	11 65	20 57
Rhode Island.....	16 86	12 00	20 00
West Virginia.....	16 52	13 71	24 23
New York.....	16 49	12 14	26 45
Maine.....	15 29	.....	.....
Pennsylvania.....	15 22	.....	.....
Virginia.....	14 62	12 89	15 61
Massachusetts.....	14 52	10 58	15 27

* Based on National Automobile Chamber of Commerce: Facts and figures of the Automobile Industry, 1924.

† See page 163.

‡ At present, weight is the basis for the determination of most of the rates: Passenger cars 3,500 lbs. or less, 50 cents per 100 lbs. All others 75 cents per 100 lbs. Minimum fee \$8. Commercial cars, \$8 per ton gross weight. Minimum fee \$16. Trailers \$5 for two tons or less to \$30 for 10 to 14 tons, and \$5 for each additional ton over 14. Motor cycles, \$5 flat rate. Passenger carriers, \$15 for 5 persons or less to \$67.50 for 27 to 30 persons; and two dollars per passenger for each passenger over 30. Operators not for hire, \$2 for first year; \$1 for renewals. Operators for hire, \$5 for first year; \$2 for renewals. Dealers, \$15 for first registration; \$5 for extra pairs of plates not to exceed four sets. Each set over 4, \$10.

over 5 per cent of city and village highway maintenance, it is important to consider whether or not a larger share of these costs should be shifted to owners of motor vehicles. To this end a comparison of the motor vehicle taxes in New York and in neighboring states is pertinent. This is made in Tables LV and LVI.

TABLE LVI

ESTIMATED GROSS REVENUE RETURN PER MOTOR CAR REGISTRATION FROM REGISTRATION FEES, LICENSES, PERMITS, PERSONAL PROPERTY TAXES, AND GASOLINE TAXES *

STATE	REVENUE PER CAR		
	From all sources	From personal property tax	From gasoline tax
New Hampshire.....	\$35 36	.....	\$9 00
Maryland.....	32 01	\$3	8 12
Connecticut.....	31 66	3	4 84
Virginia.....	31 12	3	13 50
West Virginia.....	28 52	3	9 00
Delaware.....	26 22	.....	9 00
Pennsylvania.....	24 22	.....	9 00
Maine.....	22 79	3	4 50
Vermont.....	22 29	.....	4 50
New Jersey.....	20 76	3	.....
Rhode Island.....	19 86	3	.....
Massachusetts.....	17 52	3	.....
New York.....	16 49	.....	.....

If the burden of automobile taxes is not unduly severe in neighboring states, it is apparent that a further increase in motor vehicle taxes in New York state is quite possible. Differentiation in the rates on motor trucks according to the type of tire used as well as weight has been frequently recommended.† Higher rates for solid rubber and steel tires are justified on the basis of wear on the roads. This would not, however, bring any large increases in

* The personal property tax has been estimated at \$3 per car taking into account tax rates, rates of assessment, average value of new cars (passenger and truck), proportion of new cars in total registrations, and depreciation for old cars. This is believed to be a conservative average. Such a tax necessarily varies widely in different localities. The estimates for gasoline taxes have been obtained from statistics of the U. S. Bureau of Public Roads (Trumbower, H. R., Motor Vehicle Fees and Gasoline Taxes. Public Roads, Sept. 1924, p. 8). Figures are given for the average tax per vehicle per 1 per cent of tax for eight states. These included Maryland and Connecticut. For the other states the average rate for the eight states given (\$4.50) was taken. Again the average rate will vary widely in different states, particularly as the proportion of trucks to passenger cars varies.

† New York Joint Legislative Committee on Taxation and Retrenchment Report, 1922, pp. 150-151; New York State Tax Commission Report, 1921, p. 39.

revenue. An increase of one-third in fees on motor trucks with solid tires should add about one million dollars to present motor vehicle revenues.

Gasoline Tax

Another and more lucrative method of increase would be a gasoline tax. Such a tax was recommended by the Joint Committee on Taxation and Retrenchment in 1922 and 1924.* It has the advantage of being proportioned to the use of the roads and of reaching cars from other states which are using New York roads. Furthermore, the administration of such a tax is very simple and cheap.†

Half of the states at present have taxes of two cents or more per gallon of gasoline, and eleven more have a one cent tax. A tax of two cents per gallon would have produced between twelve and thirteen million dollars in New York State in 1924.‡ The yield of such a tax would increase rapidly in view of the rapid expansion of motor vehicle traffic.

A tax of two cents per gallon of gasoline in New York State added to existing motor vehicle taxes would make the average tax per motor car in New York State about equal to the average for neighboring states. In fact, estimating the increased tax at nine dollars per car, there would have been just six of the neighboring states with higher taxes and six with lower taxes.

Distribution to Localities

The imposition of a state gasoline tax would of course bring up the question of distribution of part of the proceeds to local districts, including cities, which have not shared in the motor vehicle license revenues. Distribution of a part of such revenue would be desirable. On the one hand the cost of maintenance of state highways is now being met from the state's share of motor vehicle revenues. On the other hand, outside of New York City none of the cost of maintenance of city and village highways is met by motor vehicle taxes, and some of the cities, e. g. Rochester, are considering imposing local gasoline taxes. This of course would be out of the question with a state tax on gasoline. Assuming that one-half of the revenue was distributed to the local districts, including cities, the additional state revenue would be \$6,250,000.

* Report, 1922, p. 151-2; 1924, p. 130.

† Most states (26 out of the 37) collecting such a tax place it on the importer or manufacturer. Collection through the wholesaler or retailer seems to be equally successful however. In Indiana where a two cent tax is now in force, collected through wholesalers, a sum of \$4,700,000 was collected in the fiscal year 1924 at a cost of \$6,000. (Letter from director of the Indiana state highway commission.)

‡ 1924 Leg. Doc. 91, p. 134.

Other State Taxes

The three remaining state taxes* are the taxes on stock transfers, mortgages, and insurance premiums. As long as the federal government continues its tax of two cents on stock transfers any increase in the two cent state tax is probably inadvisable. It has been suggested that this tax be extended, however, to bond transfers, and by so doing increase state revenues by approximately half a million dollars. This is worthy of consideration though the committee is not prepared to recommend it at the present time.

There is no reason for increasing the taxes on either mortgages or insurance premiums.

NET RESULT

If this program is followed the local districts will be reimbursed for the loss of the tax on personalty, and the owner of real estate will receive a very real relief directly as a result of the reduction of the state tax on real estate and indirectly because of increased state aid to schools and highways, and because of a greater apportionment from state taxes. The cities with the 2 per cent tax limit would obtain some relief from the increased aid to schools and highways, but would lose from the abolition of the personal property tax. The gain would in all cases exceed the loss as appears from the estimates presented in Table LVII.

Cost to State

To put this program into effect requires at least \$38,500,000 more of state revenues, on the basis of 1923 taxes. On the basis of the various suggestions reviewed here fifty-seven millions are available. Thus the estimated increases in state revenues produce \$18,500,000 more than the estimated losses, together with estimated increases in state expenditures. The bulk of this is turned over to the localities in the plan proposed because they are in serious need of additional resources. In Table LVIII is presented a summary of the financial program.

In the accompanying tabulation the gasoline tax has been included as a new revenue and as an offset against the needs of the state and the localities. This has been done under the assumption that the gasoline tax will set free for general uses present revenues which go to highways. It is not the thought of the committee that the gasoline tax is to be used for anything except highways. If the gasoline tax is to be used to meet highway expenditures in addition to present highway moneys, it must be omitted as an available offset in our final tabulation. This would reduce the surplus of the localities to some \$10,000,000 and would produce a \$4,000,000 deficit for the state.

* The state received a revenue of about \$300,000 from taxes on boxing, motion pictures and liquor, but these are obviously of minor importance.

TABLE LVII
EFFECT OF TAX REVISION AND INCREASED STATE AID IN CERTAIN CITIES — 1923 BASIS
(Thousands)

CITY	Additional State aid *	Additional corporation and business tax	Gasoline tax	Additional income tax	Loss in local revenue	Net gain	Per cent of budget	State tax reduction	Total gain to property taxpayer	Per cent decrease local property tax
New York	\$243	\$4,281	\$1,560	\$6,430	\$5,661	\$6,853	2.04	\$3,666	\$10,519	5.36
Buffalo	None	427	469	395	234	1,057	3.37	313	1,370	11.95
Rochester	146	777	280	208	15	1,396	9.00	191	1,587	26.24
Syracuse	282	127	188	118	10	705	7.74	130	835	23.43
Albany	None	57	145	73	38	237	5.15	54	291	13.34
Yonkers	117	157	164	115	10	543	6.24	113	656	22.67
Utica	313	60	117	62	9	543	16.45	42	585	45.70
Schenectady	388	135	108	42	13	660	13.20	38	698	30.13
Troy	196	54	75	39	None	364	11.03	24	388	28.50
Binghamton	217	49	80	38	19	365	12.16	29	394	31.12

* Based on \$70 per pupil plan (\$1,922 per teacher). For \$1,200 per Teacher plan see Appendix III.

TABLE LVIII
 COST OF PROGRAM OF TAX REVISION AND STATE AID FOR SCHOOLS WITH A SUMMARY
 OF AVAILABLE NEW STATE TAXES

REQUIREMENTS	Total	State	Local
Reduction of state real estate tax from 1.5 to 1 mill.....	\$8,500,000	\$8,500,000	.....
To replace local personal property tax.....	6,500,000	.....	\$6,500,000
To meet increased state aid for schools (\$1,922 per teacher basis).	23,500,000	23,500,000	.....
Total.....	\$38,500,000	\$32,000,000	\$6,500,000
POSSIBLE NEW TAXES			
Increase of business corporation income tax from 4½ to 6 per cent...	\$9,000,000	\$6,000,000	\$3,000,000
New unincorporated business tax rate 5 per cent.....	13,000,000	8,700,000	4,300,000
Inheritance tax revision (to take advantage of maximum credit allowed the State under federal law)	3,500,000	3,500,000	.....
Present sources released by gasoline tax at 2 cents per gallon.....	12,500,000	6,250,000	6,250,000
Increase of personal income tax to following rates: 1 per cent to \$5,000; 2 per cent to \$10,000; 3 per cent to \$50,000; and 4 per cent above.....	19,000,000	9,500,000	9,500,000
Total.....	\$57,000,000	\$33,950,000	\$23,050,000
Net surplus.....	\$18,500,000	\$1,950,000	\$16,550,000
State school aid received by localities.....	.....	.....	23,500,000
Total new distribution to localities for schools, highways and general expenses of government.....	.....	.....	\$40,050,000

Purpose of the Committee

These facts and detailed estimates are laid before the legislature in the hope that they will serve to show the possibilities of the situation. We have shown what the new state aid program will cost on the basis of a minimum standard of \$1,922 per one-room rural school in this state, and how it may be financed. We wish to make it perfectly clear here, as in Chapters I and II, that this committee is not recommending the \$1,922 standard or the \$1,200 or to any other standard. The legislature may select any standard which will meet the state's obligation. The cost of the program will be varied accordingly.

APPENDICES

- I. State Aid for Public Schools in the State of New York —
a Basis Inquiry Made for the Special Joint Committee
on Taxation and Retrenchment by Paul R. Mort.
- II. Master Tables.
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of State Aid for Education by Cities and School Dis-
tricts under Present Laws, Together with Increases
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- IV. Derivation of the Formula for Determining Percentage of
the Total Cost of a Minimum Program to Be Provided
by the State.
- V. Classification of State Expenditures by Object.
- VI. Draft of an Act to Amend the Tax Law to Provide for
an Optional Personal Income Tax for Cities.
- VII. Draft of an Amendment to the Education Law to Provide
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- VIII. Estimated True Average Tax Rate for State and Local
Real Estate Taxes.

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APPENDIX I

**STATE AID FOR THE PUBLIC SCHOOLS IN THE STATE
OF NEW YORK—A BASIC INQUIRY MADE FOR THE
SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

By PAUL R. MORT

**With the Cooperation and Advice of George D. Strayer, J. R. McGaughy,
and Robert Murray Haig.**

PRINCIPLES OF STATE FISCAL SUPPORT OF EDUCATION

It may be accepted as a principle of democracy that the education of its youth is the duty and responsibility of the State; that the State should make available for every child a satisfactory educational opportunity; and that the cost of this satisfactory minimum should fall equitably upon the taxpayers of the State. It is understood that the application of this principle should in no case bar any community from providing an educational program more extensive than the accepted state-wide minimum program.

It is contended that the above aim is the primary aim of State aid given to localities in the support of public schools. Giving special financial assistance to those communities that make greater local effort as indicated either by a superior offering or by a higher tax rate may be effective as a means of bringing about progress. Fundamentally, however, such special aid is not indispensable to such progress. It is simply one means for encouraging communities. In the case of equalization of educational opportunity, however, State aid is a fundamental concomitant. Equalization of educational opportunity cannot exist without State aid.

Whatever a State does in the way of State aid should therefore be scrutinized for the purpose of discovering how it attains its primary aim—the equalization of educational opportunity. This study analyzes the effectiveness of the present system of State aid in New York State in attaining such equalization. It then suggests alterations that will make possible the attainment of more nearly complete equalization of educational opportunity in the State.

It would seem highly desirable in the development of any system of State aid first to determine what the equalization of educational opportunity demands and then to examine each proposal that seeks to attain some other aim, for the purpose of determining to what degree, if any, it introduces inequality of burden. The advantages to be gained should be weighed over against the degree of violation of equalization of the burden of the minimum satisfactory program. This is the method of attack followed in this investigation. The demands of the principle of equalization of opportunity are analyzed and built into provisions of a general nature. The procedure to be followed in measuring the unbalancing effect of proposals having other ends to meet—such as payment for effort—is then illustrated. The actual analysis of such proposals may be then made as they present themselves in the further interpretation of these general provisions in building up a detailed plan for a system of State aid.

METHOD OF MEASURING THE EDUCATIONAL TASK FACED BY COMMUNITIES

The determination of the relative size of the educational tasks faced by the school districts of the State is one of the necessary steps before State aid may be analyzed from the standpoint of equalization of educational opportunity. Such determinations are necessary also in the setting up of adequate State aid programs.

The educational task faced by a community is roughly proportional to the number of pupils to be educated. It is not exactly proportional to the number of pupils, since it costs more to provide secondary education than elementary education, and it costs more to educate a child in a sparsely-settled community than in a city or village.

In this report, the unit used in measuring each community's educational task takes into consideration these differences in cost. It translates the number of pupils for whom educational facilities have to be provided—whether these pupils be high school or elementary, rural, village or city pupils—into a common denominator, *viz.*, the equivalent number of elementary pupils in a village or city elementary school having more than 142 pupils in average daily attendance. The "weighted pupil" used as a unit throughout this report may be so defined—a pupil receiving his schooling

in an elementary school of more than 142 pupils in a village or city of the State of New York.

The basis for making this computation is derived directly from and based solely upon the actual average cost in the different areas of the State of New York, of providing equivalent elementary and high school education in the various types of communities and sizes of schools. A study recently completed by the writer,* gives complete details as to the basis for translating all kinds of pupils, wherever found, into the equivalent number of "weighted pupils."

A detailed illustration should make clear exactly what is meant by a weighted pupil, and the computation necessary to translate the numbers of pupils in various kinds and sizes of schools into the equivalent number of weighted pupils. Table I, adapted from the above mentioned study, shows the basis for the computations.

TABLE I

THE METHOD OF MEASURING THE EDUCATIONAL TASK FACED BY COMMUNITIES
— STANDARDS FOR MEASURING COMMUNITY NEEDS IN TERMS OF WEIGHTED PUPILS**

DESCRIPTION OF SCHOOL		Pupil allowance	District or school† allowance
		Number of pupils in average daily attendance in district (or school)† should be multiplied by the standard for districts (or schools)† with the given average daily attendance	Amount to be added for each district (or school)† to the product obtained by use of the preceding column †
Elementary schools	One-teacher districts	0.00	27.46
	Two or more teachers	Below 142 A. D. A.‡	.85
		142 and above A. D. A.	1.	0
High schools	0 — 27 A. D. A...	2.97	28.94
	28 — 244 A. D. A....	1.96	56.59
	245 — 517 A. D. A.....	1.83	87.26
	518 and above A. D. A.	2.	0

This table reads: To find the weighted pupils in a one-teacher district, multiply the number of pupils by 0 and add 27.46 (for each school). To find the weighted pupils in an elementary school with two or more teachers, if the school has an average daily attendance of less than 142, multiply the average daily attendance by .85 and add 21.14. If it is a consolidated school (in a supervisory district) add to the above amount .0114 times the cost of transportation.

* Mort, Paul R. "The Measurement of Educational Need," Bureau of Publications, Teachers College, Columbia University, 1924.

** Adapted from Table XXIV of Mort, Paul R.— "The Measurement of Educational Need."

† Each school as a unit if in open country; each district as a unit if in a city or village.

‡ For supervisory districts add .01428 times the expenditure for transportation.

§ A. D. A. stands for average daily attendance.

Suppose District A has to carry the educational load outlined below:

KIND OF SCHOOL	Number of schools	Number of pupils in average daily attendance	Weighted pupils
One-teacher — rural.....	3	8, 12 and 20	82
Elementary.....	1	125	127
High.....	1	50	155
Total.....	5	215	364

It has been found that one-teacher rural schools, regardless of the number of pupils attending them, cost as much on the average as it costs to provide equivalent educational facilities for 27.46 pupils (Table I, top line) in village or city elementary schools of more than 142 pupils. The 40 pupils in these three rural schools are therefore equivalent, in cost, to three times 27.46 or 82 weighted pupils.

Elementary schools having two or more teachers require a lower expenditure per pupil the greater the number of pupils until that number exceeds 142. From that point the cost is directly proportional to the number of pupils attending. The elementary school of 125 pupils in District A will cost the community as much as to provide elementary education for 127 pupils in an elementary school of more than 142 pupils. (Table I. $125 \times .85$ plus $21.14 = 106.25$ plus $21.14 = 127.39$ weighted pupils).

In small high schools, as in small elementary schools, the cost per pupil is greater than in large schools. Table I shows that it was found necessary to divide high schools into four size groups in order to express this varying cost with sufficient accuracy to translate the numbers of high school pupils into the equivalent numbers of weighted pupils. The 50-pupil high school of District A will cost as much as it would cost to provide elementary schooling for 155 pupils in an elementary school of more than 142 pupils. (Table I. 50×1.96 plus $56.50 = 98.00$ plus $56.59 = 154.59$ weighted pupils.)

Therefore, District A, with a total of 215 pupils attending one high school and four elementary schools, faces as heavy an educational load, so far as cost is concerned, as it would face if it were a village and had a total of 364 pupils in elementary schools.

A city of 75,000 population may be taken as another illustration of the method used in this report for translating into weighted pupil units the educational load carried by any community.

This city will be called District B. Suppose there are 17 elementary schools and two high schools having in attendance the number of pupils shown below:

KIND OF SCHOOL	Number of schools	Number of pupils in average daily attendance
Elementary.....	7	500
Elementary.....	10	7,500
High.....	1	300
High.....	1	900
Total.....	19	9,200

In the case of a city or village district, unless there are schools actually in the open country, the district is considered as a single unit. In this case its elementary attendance would be 7,500 plus 500, or 8,000. Its high school attendance would be counted as 900 plus 300, or 1,200. The elementary pupils would count as 8,000 x 1 plus 0, or 8,000 weighted pupils (elementary schools above 142 in average daily attendance, Table I). The high school pupils would count as 1,200 x 2 plus 0, or 2,400 weighted pupils. (High schools above 517 in average daily attendance, Table I.) The total task of the city would be counted as 8,000 plus 2,400, or 10,400 weighted pupils.

When one considers the wide variation in the kinds of schools which are provided in the different educational communities of a State like New York, the necessity for some "common denominator" such as the weighted pupil needs no defense. Without such a unit, valid comparisons among communities as to their financial ability to support education, or as to the amount of aid which they should receive from the State, are impossible. For these reasons the weighted pupil basis for measuring the educational task faced by communities is used throughout the entire report.

Tables comparing this method of measuring the educational task faced by counties of New York State with other methods are given in the study to which reference is made above.*

Attention should be called here to the task that remains to be done on this particular aspect of the problem. The standards used in this investigation recognize as a part of the minimum program the offerings in elementary schools, high schools and transportation in the supervisory districts. Those concerned in the administration of the schools of the State should consider fully the desirability of adding other features, such as the added cost of junior high schools, the added cost of special classes, etc. The development of weighted pupil standards for such additional offerings is a simple matter. For instance, a special class for mentally deficient children, recognized by the State department, might very well be counted 27.46 weighted pupils, regardless of its size—just as in the case of the rural one-teacher schools.

The following guiding principles for considering additional elements are proposed in the study previously cited:

1. An educational activity found in most or all communities throughout the State is acceptable as an element of an equalization program.

2. Unusual expenditures for meeting the general requirements due to (local) causes over which a local community has little or no control may be recognized as required by the equalization program. If they arise from causes reasonably within the control of the community they cannot be considered as demanded by the equalization program.

3. Some communities offer more years of schooling or a more costly type of education than is common. If it can be established that unusual conditions require any such additional offerings in order to bring about an educational result equivalent to the minimum demands, these unusual offerings may be recognized as a part of the equalization program.

It may well be pointed out that when there is doubt as to whether a type of education may rightfully be included as a part of the minimum program, and there is still a desire to aid that type of education to stimulate progress, it should not be included. It will result in less inequality if a separate fund is established with separate conditions for participation. This will be clear from an examination of the methods of measuring inequality that are set up in a later section of this report (see page 222).

THE PROPOSED MINIMUM PERMISSIBLE EDUCATIONAL OPPORTUNITY

There is another task that must be performed before the desired analysis of the present system of state aid can be made. An acceptable minimum educational opportunity for the state to guarantee to each child must be determined. This opportunity may be expressed in terms of cost per weighted pupil.

Considering both the educational task faced and the financial ability of the state, a measure can be obtained of the type of educational offering the

* See page 198 footnote.

people of the state of New York are willing to support. This measure can be obtained by discovering the kind of opportunity made available in those communities that have practically the same ability to support schools as has the state as a whole. Table II gives the cities, villages, and supervisory districts which have approximately the same full valuation of real estate per weighted pupil as has the state as a whole.* All communities having not more than 15 per cent greater or less valuation per weighted pupil than the state as a whole are given. The actual current expenditure† per weighted pupil, the local current expenditure, and the amount coming from the State in the year 1922-23 are given in this table.

TABLE II ‡
CURRENT EXPENSE PER WEIGHTED PUPIL IN CITIES, VILLAGES AND SUPERVISORY DISTRICTS THAT HAVE APPROXIMATELY THE SAME FULL VALUATION BACK OF EACH WEIGHTED PUPIL AS THE AVERAGE FOR THE STATE AS A WHOLE

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valuation per weighted pupil	CURRENT EXPENSE PER WEIGHTED PUPIL		
				Raised locally	State aid	Total
				1922-1923		
White Plains.....	Westchester..	4,792	\$11,804	\$95 02	\$28 50	\$123 52
Lackawanna.....	Erie.....	2,488	11,594	61 58	22 45	84 03
District No. 2.....	Niagara.....	2,010	11,438	42 21	13 89	56 10
Yonkers.....	Westchester..	20,080	11,250	83 86	23 24	107 10
Lynbrook.....	Nassau.....	1,526	11,069	50 46	16 84	67 30
Hastings-on-H.....	Westchester..	1,133	10,988	60 98	15 65	76 63
District No. 2.....	Suffolk.....	4,757	10,937	59 98	19 68	79 66
Port Washington.....	Nassau.....	1,559	10,890	91 37	16 95	108 32
Rochester.....	Monroe.....	44,507	10,605	81 34	28 12	109 46
District No. 1.....	Suffolk.....	8,433	10,556	50 99	17 98	69 97
Green Island.....	Albany.....	471	10,503	47 68	16 40	64 08
Syracuse.....	Onondaga.....	26,718	10,485	49 99	20 64	70 63
STATE OF NEW YORK.....			10,419	.....	.....	.....
Glen Cove.....	Nassau.....	1,655	10,311	55 78	15 83	71 61
District No. 2.....	Erie.....	5,415	10,154	43 79	17 67	61 46
District No. 3.....	Ontario.....	1,388	10,089	38 30	12 96	51 26
District No. 4.....	Monroe.....	2,411	9,689	37 40	17 52	54 92
Mamaroneck.....	Westchester..	1,957	9,628	73 65	17 65	91 30
Putnam.....	Putnam.....	2,820	9,568	43 03	18 07	61 10
District No. 3.....	Niagara.....	2,818	9,173	34 55	15 95	50 50
Mount Vernon.....	Westchester..	9,659	9,133	80 91	21 97	102 88
Utica.....	Oneida.....	14,735	9,075	60 78	20 73	81 51
District No. 3.....	Albany.....	2,358	8,958	41 40	15 13	56 53
Geneva.....	Ontario.....	2,308	8,868	49 13	20 21	69 34

* The financial ability of a locality at any given time must be measured in terms of the paying ability under the tax system that the state has placed upon it. Since the bulk of local taxes in New York state are raised from real estate, this is the best measure of the ability of communities as they now exist. The comparable figure for the state would be the valuation of the real estate back of each unit of education to be offered. Equalized valuation of real estate is therefore the measure used throughout in studying ability to pay. The significance of this is discussed more in detail in the sections of the report bearing on taxation.

† Throughout this report, the equalization of opportunity is considered solely in terms of the current expenditures necessary to provide certain educational opportunities. Necessary outlays for school buildings and the physical plant are not taken into account. One reason for this omission is that there is some doubt as to whether there should be equalization of expenditures for capital outlay. Another reason is that those facts concerning the immediate needs of the communities—facts necessary to the setting up of a plan of equalization—could be made available only after an extensive survey of the individual school plants of the state.

‡ Table B, Appendix II.

The following analysis of these figures leads to the conclusion that \$70 per weighted pupil is a program acceptable to the people of New York State.

Syracuse has a slightly greater valuation per weighted pupil than the State as a whole. The current expense per weighted pupil in Syracuse was \$70.63 in 1922-1923. If communities above and below are added so that all communities having not more than 5 per cent greater or less valuation per weighted pupil are considered, all the communities between Haastings-on-Hudson and Supervisory District No. 4 in Monroe county are included. The current expense figures (expressed to nearest dollar) for these communities, arranged according to size, are as follows: 109, 108, 80, 72, 71, 70, 64, 61 and 51. The median current expense per weighted pupil is \$71. If all communities are considered which fall within the range of 10 per cent above and below the State average, all communities between Lackawanna and Supervisory District No. 3 of Niagara county will be included. The current expense figures for these sixteen communities, arranged according to size are: 109, 108, 107, 91, 80, 77, 72, 71, 70, 67, 64, 61, 56, 55, 51. The median current expense per weighted pupil is \$70 or \$71. If all communities falling within the 15 per cent range are considered, all those given in Table II will be included. The current expense figures for these twenty-three communities, arranged according to size are: 124, 109, 108, 107, 103, 91, 84, 82, 80, 77, 72, 71, 70, 69, 67, 64, 61, 61, 56, 56, 55, 51, and 50. The median current expense per weighted pupil is \$71.

In the above analysis the total current expense is used. If current expense raised locally is used and to this is added the average State aid, the same result is obtained. The median of the 5 per cent range is \$51; of the 10 per cent range, \$50 or \$51; of the 15 per cent range, \$51. If to these is added the average aid per weighted pupil in the State—\$20—the result is \$70 or \$71.

Implications of \$70 per weighted pupil as a minimum program, may be studied by use of Table B in Appendix II (page 234). Table II (page 201) is taken bodily from Table B, the only difference being in the placement of the columns used and in the omission of certain columns. From an inspection of Table B, which gives data similar to that found in Table II for all cities, villages, and supervisory districts in the state, it may be seen that there are 38 cities, villages, and supervisory districts which, although they have less ability per pupil than has the State as a whole, expend more than \$70 per weighted pupil.

Another view of the significance of \$70 per weighted pupil may be obtained from Table III. This table gives the distribution of supervisory districts, villages, and cities according to current expense per weighted pupil. It is interesting to note that the acceptance of such a minimum would mean the improvement of the educational offering in nearly 200 of the 207 supervisory districts and in nearly half of the cities and villages. The median village in 1922-1923 expended \$68 per weighted pupil. The median city expended \$72.50 per weighted pupil.* The acceptance, as a minimum program, of the median expenditure of those communities with approximately the same financial ability back of each unit of the educational task as the State as a whole, is equal, therefore, to the practice of the median city and village.

* It is interesting to compare these figures with the average expenditure in the state as a whole of \$83 per weighted pupil.

TABLE III
CURRENT EXPENSES PER WEIGHTED PUPIL IN CITIES, VILLAGES AND
SUPERVISORY DISTRICTS OF NEW YORK*
1922-1923

CURRENT EXPENSE PER WEIGHTED PUPIL	Number of supervisory districts	Number of cities	Number of villages
\$31-\$35.....	4	.....	.....
36-40.....	28	.....	.....
41-45.....	51	.....	.....
46-50.....	69	1	2
51-55.....	26	1	6
56-60.....	10	7	8
61-65.....	6	9	16
66-70.....	4	9	7
71-75.....	2	10	10
76-80.....	1	4	3
81-85.....	.....	9	2
86-90.....	2	2	2
91-95.....	1	.....	4
96-100.....	.....	2	.....
101-106.....	2	1	1
106-110.....	.....	3	3
111-115.....	.....	1	.....
116-120.....	.....	.....	.....
121-125.....	.....	1	.....
126-130.....	.....	.....	1
131-135.....	.....	.....	.....
136-140.....	.....	.....	.....
141-145.....	.....	.....	1
146-150.....	.....	.....	.....
151-155.....	.....	.....	.....
156-160.....	.....	.....	.....
161-165.....	.....	.....	.....
166-170.....	1	.....	.....
171-175.....	.....	.....	.....
176-180.....	.....	.....	.....
181-185.....	.....	.....	.....
186-190.....	.....	.....	.....
191-195.....	.....	.....	.....
196-200.....	.....	.....	1
201-205.....	.....	.....	.....
Total.....	207	60	67

* Data derived from Table B of Appendix II.

The experience of these communities indicates, therefore, that the State may well be expected to guarantee to every child, no matter where located in the State, an educational offering at least equivalent to that now given to the children in the median cities and villages.

Yet another approach to the significance of \$70 per weighted pupil may be made by considering the meaning of the term "weighted pupil." A weighted pupil unit is equivalent to one elementary pupil in a city or large village. Seventy dollars per weighted pupil means the kind of opportunity that \$70 will buy for an elementary pupil in a city or village, or an education which, from the experience of New York State, may be taken as reasonably equivalent to such an offering no matter what actual expenditure per pupil may be required. In a city high school, for instance, it would cost \$140 per pupil to give \$70 per weighted pupil, since in such a case one pupil equals two weighted pupils (See Table I, page 22).

This investigation does not go into the problem of defining in terms of requirements the nature of a \$70 education. It will be sufficient for the purpose of this report to point out that these provisions are in general of two types:

(1) Determining what branches of education shall be considered as necessary in measuring the need of communities, such as elementary schools, high schools, kindergartens, etc., and

(2) Determining what standards of training shall be required of teachers, the type of equipment, the extent of supervision, the type of organization, etc.

Principles for determining the type of organization to be considered are suggested in the preceding section. Determining these types and the standards to be set up for offerings in each is left to those intimately concerned with the administration of the system.

In a later section a method is given by which the requirements of the proposed plan of State aid may be adjusted to any other level, should the \$70 level prove upon further consideration to be too high or too low.

EFFECTIVENESS OF PRESENT STATE AID

Failure of present plan to equalize.—With a measure of the need of communities determined, and a cost measure of a satisfactory minimum program arrived at, the analysis of the present system of State aid from the standpoint of equalization of educational opportunity is not a difficult task. In Table III, signs are evident of the great inadequacy of the present state aid system. Half of the 207 supervisory districts are expending less than two-thirds of \$70 per weighted pupil, while 95 per cent fail to reach \$70. Only half of the cities and villages are reaching this level of \$70 set by New York communities facing the same conditions as those faced by the state as a unit.

This is an indication only that the state has failed to meet its responsibility as to requiring the proposed minimum program. Equalization of educational opportunity demands also an equitable distribution of the burden of the minimum program that is required. The state fails in this also. It fails to equalize the burden of even the meagre program it permits to be offered. Take a \$40 education, for instance. If a \$40 education were completely financed by the state by means of a real estate tax, it would require a tax of about 40 cents on the hundred dollars to support it.* With the present system of state aid, four communities (three villages and one supervisory district), in addition to what they pay in support of the state fund, would have to levy a local tax of more than \$1 per \$100 to supplement the present state aid so that \$40 would be available. One of these communities would have to levy a tax of \$1.33. In order to have available \$40 per weighted pupil, 56 cities, villages and supervisory districts would have to levy at least 50 per cent more than would be required if the burden of a \$40 education were equalized. (Table B, Appendix II, page 234 ff, next to

* There are 1,922,232 weighted pupils in the state. Forty dollars for each would amount to approximately \$77,000,000. The total valuation of real estate in the state is approximately \$20,000,000,000. To raise \$77,000,000 would require a 39 cent tax rate.

the last column.) In school districts as now organized in the state, at least one district would have to levy a tax of \$3.47 to reach the \$40 level. This is almost nine times as much burden as this community would have to carry if the burden of a \$40 education were completely equalized. (Table C, Appendix II, page 243, last line.)

In view of these extremes in local tax rates which would be necessary in supporting the locality's part of a meagre \$40 education, the hopelessness of expecting such communities to offer an adequate program under the present system is apparent. If the proposed \$70 education were provided, the amount raised locally in each of the cases mentioned above would have to be in the neighborhood of two and a half times as great. The most extreme of the above cases would be in the neighborhood of \$9 per \$100. This should be contrasted with the 67 cents per \$100 that would be necessary if the burden of a \$70 education were to be equalized.

Why the present plan fails to equalize.—The reasons for the lack of effectiveness of the \$39,000,000 (approximately) of state aid now distributed to local communities may be readily demonstrated. They may be summarized briefly as (1) the distribution of a small aid fund by the large fund method of distributing aid, and (2) an inadequate measure of the educational task faced by communities. An analysis of these causes follows.

An equitable distribution of burden may be obtained in either of two ways: first, by complete State support of the minimum program, or second, by a uniform local tax supplemented by the amount of State aid necessary to give the minimum offering in each community. The former method obviously requires the greater State fund. This former method, or large fund method, requires a fund large enough to support completely the minimum program. This method of support demands that the funds be distributed according to the educational task faced by communities without regard to ability to pay. Equality of burden is obtained by the method of collecting the tax. The latter or small fund method requires that funds be distributed so that poor communities receive more than wealthy communities.

Now, if a State has a fund that is small compared to the total cost of the minimum program and attempts to distribute funds by the large fund method, i. e., without regard to the wealth of communities, it will fail to equalize the burden of a minimum program. This is one of the shortcomings of the New York system.

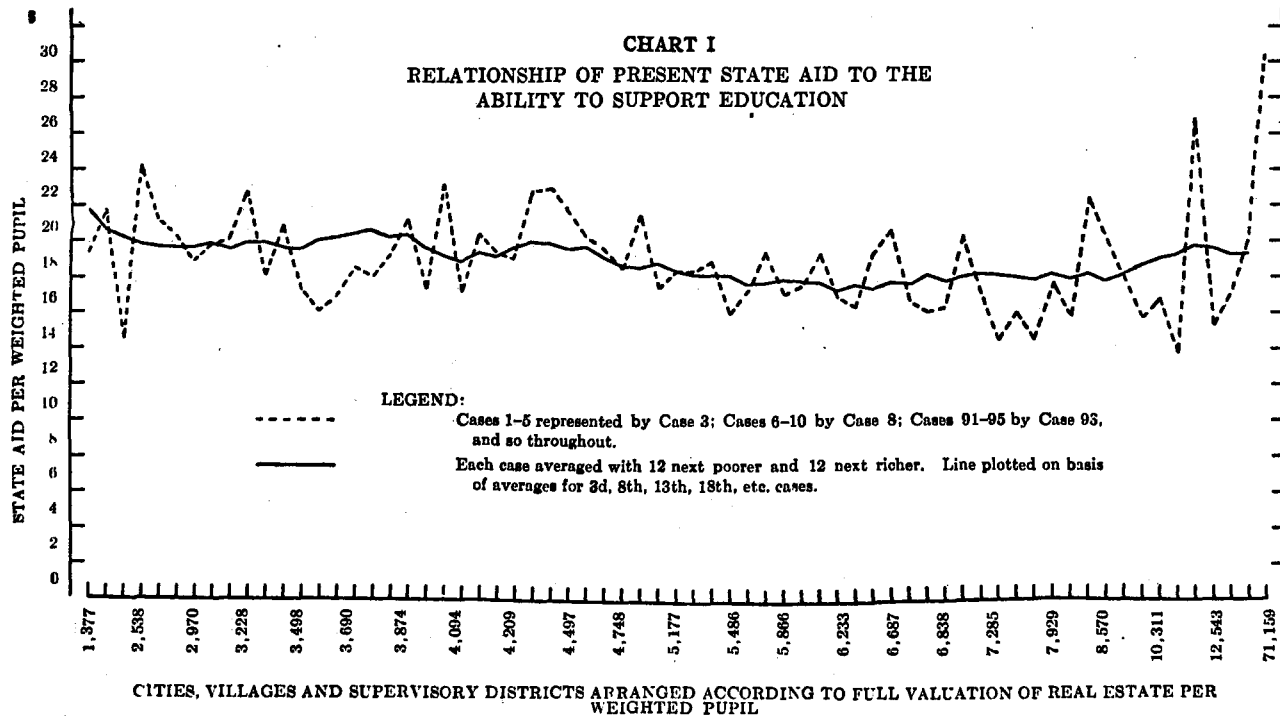
Chart I shows that the large fund method is used. It will be noted that both lines of this chart are practically parallel to the base line in their trend. If present State aid helped most those communities least able to support their educational load, the two lines would slant rapidly downward across the page from left to right, since the 335 supervisory districts, villages and cities of the State are arranged from left to right on the base line in the order of increasing valuations of taxable property per weighted pupil.

Thirty-nine million dollars is too small an amount to give results when distributed on the large fund basis. To equalize a \$70 education on this basis when most effectively administered would require a State fund of approximately \$135,000,000 (\$70 for each of 1,922,232 weighted pupil units in the State).

Using the present method of distributing funds, however, would require, as is explained in the second paragraph following, in the neighborhood of \$240,000,000. If the whole present system were discarded, and the \$39,000,000 now distributed were distributed on the small fund basis, it would be more than adequate to equalize a \$70 education. It would, in fact, be sufficient to equalize almost a \$100 education as will be clear from later discussion.

The second reason why the present system fails to equalize a satisfactory education is that the combined funds for all of the various purposes* paid to communities are not proportional to the needs of the communities.

* The present system of state aid is really a combination of the various aids that have accumulated over the last century. It is not, in reality, a system but rather many systems. For an extended description of the various aids, see Strayer and Haig, "The Financing of Education in the State of New York," Educational Finance Inquiry, volume I, page 93 *et seq.*



If the \$39,000,000 were distributed strictly according to the large fund method, the same amount per weighted pupil would go to each community in the State. Since there are 1,922,232 weighted pupils in the State, there would be approximately \$20 for each. In other words, the present State funds, if distributed accurately according to need, would guarantee a minimum program of \$20. Every pupil in the State would be guaranteed a minimum opportunity equivalent to what \$20 would buy for a city or village elementary child. As a matter of fact, however, some communities receive considerably more than this and some considerably less. Table IV gives a distribution of the cities, villages and supervisory districts according to the amount per weighted pupil they receive.

TABLE IV
DISTRIBUTION OF CITIES, VILLAGES AND SUPERVISORY DISTRICTS ACCORDING
TO THE TOTAL STATE AID PER WEIGHTED PUPIL RECEIVED
ON THE BASIS OF THE YEAR 1922-1923

TOTAL STATE AID PER WEIGHTED PUPIL	Number of cities, villages and supervisory districts	Total number of weighted pupils in these communities
\$11 50.....	1	5,007
12 00.....	1	392
12 50.....	1	903
13 00.....		
13 50.....	1	1,388
14 00.....	1	2,010
14 50.....	5	13,619
15 00.....	8	19,430
15 50.....	17	38,426
16 00.....	15	35,677
16 50.....	14	38,563
17 00.....	30	80,382
17 50.....	32	76,524
18 00.....	26	75,633
18 50.....	18	39,979
19 00.....	30	70,460
19 50.....	23	53,415
20 00.....	19	33,899
20 50.....	21	1,016,478
21 00.....	11	28,648
21 50.....	12	37,724
22 00.....	16	36,215
22 50.....	8	13,100
23 00.....	7	31,660
23 50.....	5	35,563
24 00.....	3	4,045
24 50.....	2	2,575
25 00.....	1	2,353
25 50.....		
26 00.....	1	68,626
26 50.....		
27 00.....		
27 50.....		
28 00.....	1	44,507
28 50.....	2	5,588
29 00.....		
29 50.....		
30 00.....		
30 50.....	1	881
31 00.....		

It may be seen from this table that there is one community that received as little as \$11.50 per weighted pupil.* This indicates that the present system of State aid guarantees a minimum of only approximately \$11.50 per weighted pupil, taking the experience of the year 1922-23 as a measure.

To equalize a \$70 education in the State by the present method of distributing funds would require that six times as much money be distributed as is distributed at present, or in the neighborhood of \$240,000,000. In the second paragraph preceding it is shown that a distribution of funds according to need would require approximately \$135,000,000 to do the same thing. The difference indicates the inadequacy of the present basis of distributing funds as a measure of the needs of communities.

THE PROPOSED PLAN OF STATE AID—PLAN I

Results desired from a proposed plan.—From this analysis it becomes obvious that improvement of the present system must come through a change in the method of measuring the need of communities for aid, and, since the size of the State fund is important, from a consideration of the wealth of communities in the distributing of funds.

In developing the proposed plan of State aid for New York State, the following ends were sought:

1. A \$70 education—an annual current expenditure of \$70 per weighted pupil—should be provided throughout the State.
2. The burden of this \$70 education should be distributed so as to bear upon the people in all localities at the same rate in relation to their tax-paying ability.
3. No community should receive less State aid than it now receives.
4. Of the total amount paid as State aid the maximum amount possible should go toward the equalization of educational opportunity.
5. The plan should demand as small an amount of State aid as is feasible.
6. The part played by local support should be as large as is feasible.

The bases for accepting the first, second and fourth conditions have already been adequately treated. The second and fourth conditions arise from the discussion of principles on pages 29-32, 197. The basis for accepting the first condition is developed on pages 200-204.

Although the third condition is not required in order to bring about the equalization of a satisfactory educational opportunity, the present situation in financing education in the State, especially in the large cities, makes this provision imperative. Cities limited in their taxing power by the State Constitution would be sorely handicapped by a decrease in State aid.

The fifth and sixth conditions are likewise not essential to the equalization of educational opportunity; the large fund method of equalization could be used and all of the other conditions met perfectly. But neither do they jeopardize the equalization of educational opportunity. They are considered, therefore, because they are much more in keeping with both the thinking of educators and the attitude of the general public.

Summary of the Proposed Plan

The above conditions are met most advantageously by the following three provisions:

- (a) A local tax rate of 36.4 cents per \$100 full valuation of real estate.
- (b) The increase of the State education fund (1922-23 basis) from approximately \$39,000,000 to approximately \$62,500,000.
- (c) To those communities having less than \$70 per weighted pupil available from the present State aid combined with the returns from the uniform local tax of 36.4 cents per \$100, the payment of additional State aid so that \$70 per weighted pupil will be available.

Had this plan been in operation on the 1922-1923 basis, approximately \$23,500,000 State aid would have been required in addition to the \$39,000,000 required by the system now in force.

*Actually \$11.32. The amount each community receives per weighted pupil may be obtained from either Table A or B, Appendix II.

The above provisions arise from the most advantageous combination of the large and small fund methods or equalizing so as to meet the six conditions listed above. The development of this combination is discussed at length in the following pages.

The small fund part of the plan—results when present state aid is unmodified.—Since no community now receives less than \$11.50* State aid per weighted pupil, the present plan may be considered as supporting an \$11.50 education. All aid beyond \$11.50 goes for purposes other than guaranteeing an equal offering, since beyond \$11.50 some communities receive nothing. Since \$11.50 per weighted pupil is already paid by the State, and therefore equalized by the large fund method, to bring about the equalization of a \$70 education would require the equalization of \$70—\$11.50 or \$58.50 per weighted pupil.

The most advantageous use of the small fund method in equalizing this \$58.50 education would, as will be clear from later discussion, give the wealthiest community nothing more than it now receives from the State. It would require that community to support the additional \$58.50 education entirely by local effort. The required tax rate in this wealthiest community would then be made the local uniform tax rate for supporting the additional \$58.50 education. No poorer community would raise sufficient funds from this uniform tax to pay for the additional \$58.50 per weighted pupil. The poorer the community, the farther short it would fall of the \$58.50 per weighted pupil. The State would then pay the deficit.

The amount of State aid a community would receive in addition to present aid would be the difference between what the additional \$58.50 required and what the uniform tax levy on equalized valuation raised. It may be stated in formula as follows:

$$\text{State Aid} = \left\{ \begin{array}{l} \text{Number of} \\ \text{Weighted Pupils} \\ \text{In the Community} \end{array} \right\} \times \$58.50 - \left\{ \begin{array}{l} \text{Community} \\ \text{Equalized} \\ \text{Valuation} \end{array} \right\} \times \left\{ \begin{array}{l} \text{Uniform} \\ \text{Local} \\ \text{Rate} \end{array} \right\}$$

The number of weighted pupils in a community multiplied by \$58.50 is the cost of meeting the \$58.50 part of the \$70 education in that community. The full valuation of real estate in the community multiplied by the local uniform tax rate is what would be raised locally toward meeting the \$58.50 part of the program. The difference is the deficit to be paid by the State in addition to the State aid paid under the present plan.

It should be noted from this formula that as the uniform rate assessed on all localities increases, the amount raised locally increases and the State aid correspondingly decreases. If it is desirable to hold the State fund down as low as possible it can be done by raising the uniform local rate. If, however, the rate is raised above the point necessary to support a \$58.50 education in the wealthiest district, that district is at once relieved of the necessity of levying a tax as high as the other localities to support the minimum program. Such a community is not paying its share. It gets off easily and the burden of paying the amount it saves is thrown on the State as a whole.

There are thus two factors opposing each other in determining the uniform tax rate: (a) the desirability for having it high so as to require less State aid and (b) the necessity of having it no higher than that required to support the minimum program (\$58.50 in this case) in the wealthiest district, if the principle of equality of burden is not to be violated.

In attacking the problem of deciding between these issues, it will simplify matters if the exact relationship between the uniform local rate and the percentage of the cost of a given program that must be carried by the State can be determined. The proportion carried locally will be the uniform local rate divided by the rate that would be necessary as a state-wide rate if there were no local support and if the state support were derived from the real

* Table IV, line one, page 207.

estate tax. This quotient subtracted from 1 gives the proportion carried by the state. This procedure may be simplified into the following:

$$\left. \begin{array}{l} \text{Per cent of Total Cost of} \\ \text{Program to be Provided} \\ \text{from State Funds} \end{array} \right\} = 100 - \left\{ \begin{array}{l} \text{Per Weighted Pupil * Valuation in} \\ \text{the State as a whole.} \\ \text{Per Weighted Pupil Valuation in the} \\ \text{Community the Tax Rate of which is} \\ \text{to be Used as the Uniform Local Rate.} \end{array} \right.$$

Knowing the per weighted pupil valuation of real estate of the state to be \$10,419, it is easy by means of Table B (pages 234 ff) to discover what state funds would be necessary to finance a \$58.50 education, using various local tax rates. The wealthiest city, village, or supervisory district† is Long Beach with a valuation per weighted pupil of \$71,159. If complete equalization of burden is to be secured, the rate necessary in Long Beach to raise \$58.50 per weighted pupil must be chosen. If this is done, the state fund will be required to provided:

$$100 - \frac{10,419}{71,159}, \text{ or } 85 \text{ per cent of the total cost.}$$

Since this cost of a \$58.50 program is $1,922,232 \times \$58.50$, or \$112,450,572, the State fund necessary to finance a \$58.50 education with the Long Beach local rate is 85 per cent of \$112,450,272 or \$95,583,000.

Now note the difference if the New York City rate—the highest county rate—is used. New York City has a valuation per weighted pupil of \$13,461. Substituting this in the formula, it appears that with the New York City rate as the uniform local rate the state fund would provide only

$$100 - \frac{10,419}{13,461}, \text{ or } 22.6 \text{ per cent of the total cost.‡}$$

Twenty-two and six-tenths per cent of the total cost, \$112,450,272, is \$25,413,761.§

The State aid fund necessary with the Long Beach rate is almost four times as great as that necessary with the New York City rate. Certainly, if a small State fund is desirable, the New York City standard is much the better. But how much violence does this do the principle of equalization of burden? The answers to three question give an index of this:

- (a) How many communities are undertaxed, if the New York City rate is used?
- (b) How much is lost in taxes?
- (c) How much does this increase the burden of education on the State in general?

Sixteen small villages, cities, or supervisory districts would gain if the New York City rate were used. These are the first sixteen listed in Table B (pages 234 ff).

Long Beach, the most favored community, would be able to meet the \$58.50 education requirements, State and local taxes, with but 37 per cent of the effort of the State in general. (Compare the rates in the last column of Table B.) Five others would be required to put forth less than 75 per cent as great effort. However, these communities represent only 4.2 per cent of the property of the State. Although in the neighborhood of \$744,000 is

* The development of this formula is given as Appendix IV. The maximum local rate usable applies strictly to the rate necessary in the wealthiest community. It gives a close estimate as long as very little of the property in the state lies in richer districts.

† The richest individual school district that was located has \$56,000 per weighted pupil.

‡ Actually, slightly more than this, due to some rich communities getting off at less than the local uniform rate.

§ The amount the wealthiest community would avoid paying would be added to this. In this case, as explained later, this additional amount would be \$744,000.

lost in taxes,* this loss increases the burden of the State in general about one-half of one per cent.†

The disadvantage in having those few communities undertaxed is not supported by a significant increase in the State burden. It would seem, therefore, that the advantage in the smaller fund coming from the use of the New York City rate would be so great as to offset these slight variations from the principle of equalization of burden.

To raise the local uniform rate any higher would bring about the under-taxing of the vast amount of property in New York City and thus materially affect the burden. To choose a rate between the Long Beach and York City rates would increase the State fund rapidly over that required by the New York City rate with very little difference in the inequality of burden. Two such intermediate points are chosen to illustrate this, and the data comparable to those given above for New York City are given in Table V.

TABLE V

DATA FOR USE IN COMPARING THE EFFECTS OF ADOPTING UNIFORM TAX RATES BASED ON HARRISON VILLAGE AND WESTCHESTER SUPERVISORY DISTRICT No. 4 WITH THAT BASED ON NEW YORK CITY

	WHEN THE BASIS FOR THE STATE LOCAL UNIFORM TAX RATE IS THE FULL VALUATION PER WEIGHTED PUPIL IN —		
	New York city, \$13,461 per weighted pupil	Harrison village \$19,455 per weighted pupil	Westchester supervisory district No. 4, \$15,608 per weighted pupil
Percentage the state fund must be of the total cost of a program equalized on the small fund basis.....	22.6%	46.5%	33.3%
State fund required to equalize a \$58.50 program by the small fund method, in millions of dollars.....	26	53	38
Number of communities that would be required to raise less locally than the uniform local rate, to support the desired minimum program.....	16	6	10
Percentage the burden in the most able community (Long Beach) would be of that on all but the few richest communities.....	37%	61%	48%
Percentage of property in the state that would be undertaxed.....	4.2%	1.1%	2.1%
Amount these communities would avoid paying because the local rate would not be based on richest community in the state, in thousands of dollars.....	744	172	414
Increased burden on state as a whole due to this undertaxing of a few most able communities.....	.55%	.13%	.30%

* If the local rate were as low as Long Beach, these sixteen communities would pay \$744,000 locally and into the state fund which would go toward the total cost of the program. Since with the higher rate, it is not necessary for them to pay this amount, the result is an increase of the burden on the state as a whole by this amount.

† \$744,000 divided by the total cost of the program, \$134,500,000, is .55 of one per cent.

Harrison is seventh among the sixteen communities with more wealth behind each weighted pupil than New York City has. There is approximately one per cent of the property in the State in communities that are wealthier. The fourth supervisory district of Westchester county is eleventh among the sixteen. Approximately one per cent of the educational task lies in communities wealthier than it is. The use of the Harrison rate would double the State aid fund necessary to equalize the \$58.50 part of the program over what is required if the New York City standard is used. Yet, the increase of burden of one-half of one per cent under the New York City rate is decreased only to one-eighth of one per cent. The use of the Supervisory District No. 4, Westchester County rate would increase the fund necessary to equalize a \$58.50 education 50 per cent over that required if the New York City rate was used, yet the increase in burden caused by the lack of complete equalization of burden would be lowered only to one-third of one per cent. Up to this point the proposed plan may be summarized as follows:

- (a) A local uniform tax rate of 43.5 cents on \$100.
- (b) The increase of the State fund from \$39,000,000 to \$65,350,000.
- (c) The payment of the present amount of State aid \$39,000,000, under the present plan.
- (d) To those communities receiving less than \$58.50 per weighted pupil from the local uniform tax rate payment of additional State funds to bring them up to the \$58.50 level.

The large fund part of the plan—Present system of State Aid modified to pay the best minimum per weighted pupil.—The above does not allow for any changes in the present system of State aid. It analyzes the present system so as to determine the amount of equalization it brings about. This is approximately \$11.50 per weighted pupil. Under the present system, the State is supporting completely an \$11.50 education in every community. Since there are 1,922,232 weighted pupils in the State, $1,922,232 \times \$11.50$, or \$22,000,000 of the \$39,000,000 now distributed by the State goes toward the equalization of educational opportunity on the large fund basis. The remaining \$17,000,000 goes toward the support of a richer education in certain communities in the State.

The State supports at least a \$15 education in nearly all communities in the State, but not in all. Since this is true, the amount over \$11.50 cannot be considered as going toward an equal opportunity. If the state were to pay those few communities that receive less than \$15 enough to make \$15, it would be possible to think of the present system as equalizing a \$15 education. There are so few communities receiving less than \$15 per weighted pupil (note in Chart I how few communities fall below the \$15 line) that it would require only about \$30,000 additional to bring the minimum amount received in the State up to \$15. That is, if the State would make up enough to amount to \$15 in all communities receiving less than that under the present system, only about \$30,000 extra would be needed. With the expenditure of this small additional amount the effect upon the equalizing power of the present state fund is very great. Instead of $1,922,232 \times \$11.50$, or \$22,000,000, being used for equalization of educational opportunity, $1,922,232 \times \$15$, or \$29,000,000, becomes available for this purpose. That is, the expenditure of \$30,000 causes almost \$7,000,000 more of the \$39,000,000 now being spent to be available for the equalization of educational opportunity. Similarly, if all communities now receiving less than \$20 per weighted pupil were paid enough extra to bring them up to \$20, $1,922,232 \times \$20$, or \$38,400,000 would go toward equalization, but an addition to the State fund of \$1,500,000 would be required to make the extra payments. In other words, in the neighborhood of 37 (\$38,400,000 less \$1,500,000) of the present 39 millions of State aid would go to the equalization of educational opportunity. This is an increase of \$15,000,000 over the amount now available, and is made possible by the expenditure of only an additional million and a half dollars. Looked at from the other side, it permits only two millions, instead of seventeen millions, to go to aid some communities more than others which are equally needy.

If the plan as set forth on page 59 were revised to include this additional million and a half of State aid, and to raise the minimum under the present aid system from \$11.50 to \$20.00, certain other changes would be possible. Since with this change \$20 rather than \$11.50 would be already equalized only an additional \$50 would be required to make a \$70 offering in every community. Both the State fund required and the local tax rate would be decreased approximately one-sixth (\$58.50 less \$50 divided by \$58.50). This is a decrease in the State fund of approximately \$4,000,000 (the plan as stated on page 212 required \$26,350,000). This amount of State fund offsets the million and a half necessary to raise all communities to \$20, and so results in a net decrease of two and a half millions in the State fund. There is nothing to offset the decrease of one-sixth in local tax rate. This whole advantage over the earlier form of the plan may be expressed as an advantage of more than 10 per cent in the burden that would be required to support a \$70 education, when State and local taxes are both considered. The cause of this advantage is the fact that making the net minimum received \$20, makes available for the support of the minimum program an additional \$15,000,000 of the present State fund that now goes to aid some communities more than others.

The above discussion brings out all of the principles involved in modifying the present system of State aid so that more of the present State aid will become available to support the minimum program. A more detailed analysis shows that there is a certain most advantageous point (\$21 per weighted pupil) to which the minimum should be raised.

From the standpoint of the total burden of the \$70 program, State and local combined, it would be desirable to raise the minimum to the point that all of the present State aid (approximately \$39,000,000) would go toward the support of the minimum program. From the standpoint, however, of the size of the State fund, it is desirable to stop short of this. In this case it is desirable to increase the minimum, dollar by dollar, until the last step is taken that can be made at less cost from the standpoint of additional State fund than it takes to equalize a dollar education on the small fund basis. It would be recalled from the discussion on page 210 that when the New York City valuation is used as a basis for determining the local uniform tax rate, approximately 22.6 per cent of the cost of a program supported on the small fund basis would come from the State fund (Table V, page 36). Since the cost to the whole State of a dollar education would be $1,922,232 \times \$1$, or \$1,922,232, each dollar would demand of the State fund 22.6 per cent of \$1,922,232, or \$434,000.*

Under the conditions stated on page 209 the minimum is \$11.50, and therefore \$58.50 more must be cared for on the small fund basis to make up the \$70 education. Each dollar of these fifty-eight and one-half dollars requires a State fund of \$434,000. If the minimum under the present plan were raised from \$11.50 used in Section A to \$12.50, the amount to be supported on the small fund basis would drop from \$58.50 to \$57.50 and the State fund to support this part of the program would drop \$434,000. This would not be a net decrease since it would cost something to make up the deficiencies of those communities not receiving \$12.50 per weighted pupil under the present plan. That is, it costs a certain amount to raise the minimum of the present State aid plan, but for each dollar that this minimum is raised \$434,000 is lopped off of the State aid fund necessary to support the small fund part of the program. So long, then, as it does not cost more than \$434,000 to raise the minimum one dollar, it is to the net advantage of the State fund, so far as keeping it small is concerned, to raise the minimum that dollar.

Table VI shows the amount of additional aid that is necessary to raise the minimum, dollar by dollar.

* If another community were used to establish the local uniform tax rate, this would not be \$434,000. For Long Beach, for instance, it would be 35 per cent of \$1,922,232, or \$1,334,000. The same line of reasoning which follows would lead to placing the minimum at \$25 in this case. Except for this one figure, the data would be the same as used in the following discussion.

TABLE VI

ADDITIONAL STATE AID NECESSARY TO RAISE THE MINIMUM AMOUNT PER
WEIGHTED PUPIL DOLLAR BY DOLLAR

To RAISE MINIMUM RECEIVED UNDER PRESENT STATE AID	Requires additional state aid amounting to *
From \$12 00 to \$13 00.....	\$5,851
From 13 00 to 14 00.....	6,996
From 14 00 to 15 00.....	16,509
From 15 00 to 16 00.....	61,963
From 16 00 to 17 00.....	136,134
From 17 00 to 18 00.....	274,159
From 18 00 to 19 00.....	407,944
From 19 00 to 20 00.....	525,101
From 20 00 to 21 00.....	†878,452
From 21 00 to 22 00.....	1,649,496
From 22 00 to 23 00.....	1,711,322
From 23 00 to 24 00.....	1,717,314
From 24 00 to 25 00.....	1,740,428
From 25 00 to 26 00.....	1,794,068

Since, so far as the State fund is concerned, each of the amounts must be compared with the \$434,000 necessary to equalize a dollar on the small fund basis, it is obvious that the last step that can be made at a saving to the State fund is the \$18 to \$19 step. From this standpoint the best minimum is \$19. To go from \$19 to \$20 would require an addition to the State fund of \$525,000, whereas it would lop off only \$434,000.

But the decrease in the State fund by \$434,000 is not the only advantage that accrues from the increase of the minimum. For every 59 cent increase in that minimum the burden carried locally by all of the communities in the State is decreased 1 per cent over the burden required in the plan as set forth on page 212.† Raising the minimum from \$19 to \$20 for instance, makes \$1,397,000 (\$1,922,232, less \$525,101) more of the present fund available toward the support of the \$70 program. The net effect of raising the minimum from \$19 to \$20 is a \$90,000 increase in the State fund, but \$1,397,000 less burden, State and local, required to support the minimum program. Twenty dollars is obviously a better minimum than \$19.

Similarly, to go from \$20 to \$21, although it involves a net increase in the State fund of half a million dollars, (\$878,452 less \$434,000) results in a net decrease, State and local, of a million dollars, so far as supporting

* Derived from Table IV. If no community received less than \$12.00, there would be 5,007 plus 392 weighted pupils receiving \$12.00. Since there would be a deficit of a dollar each for these, it would amount to \$5,399. To this would be added the \$452 to make up the 59 cent deficit for the 903 weighted pupils now receiving \$12.50. This result is \$5,851.

† Since the figuring of New York City on the nearest fifty cent step would introduce a large error, it is considered as it actually occurred—\$20.74 per weighted pupil.

‡ In the plan as set forth on page 212, local communities are supporting 77.4 per cent of \$58.50. A 58.5 or 59 cent increase in the minimum of the present plan lops off 59 cents from this, and thus decreases it one per cent.

§ If it takes but \$525,101 to raise deficient communities from \$19 to \$20, this is an indication that all weighted pupils in the state, excepting 525,101 have already received \$1 each. Since there are 1,922,232 in the state, it means that the present system has allotted, on the \$19 to \$20 level, \$1,922,232 less \$525,101, or \$1,397,131 already. If \$19 is taken as the minimum, this amount (\$1,397,131) is not available for equalization. Payment of the extra \$525,101 makes no community receive less than \$20, so the \$1,397,131 already paid becomes effective for payment toward the \$70 minimum. The amount made available by adding each additional dollar is obtained by subtracting the amount in Table VI from \$1,922,232.

a \$70 program is concerned (\$1,922,232 less \$878,452). Twenty-one dollars is thus a more satisfactory minimum than \$20.

To go from \$21 to \$22, however, results in a net increase in the State fund of \$1,200,000 (\$1,649,646 less \$434,000) while it decreases the burden of the \$70 program, State and local, less than \$300,000 (\$1,922,232 less \$1,649,646). The advantage gained in burden does not offset the large increase in the State fund. Twenty-one dollars is therefore the best minimum.

From Table VII it may be seen that the total additional State fund necessary to bring all communities up to \$21 per weighted pupil is \$2,300,000.*

TABLE VII

ADDITIONAL STATE AID REQUIRED TO MAKE UP DEFICIENCIES TO ALL COMMUNITIES RECEIVING LESS THAN THE GIVEN AMOUNT PER WEIGHTED PUPIL

ADDITIONAL STATE AID NECESSARY TO PAY DEFICIENCIES UP TO GIVEN AMOUNT PER WEIGHTED PUPIL	Addition to present state fund necessary,
\$12.....	\$2,504
13.....	8,354
14.....	15,350
15.....	31,860
16.....	93,822
17.....	229,955
18.....	504,014
19.....	911,958
20.....	1,437,058
21.....	2,317,507
22.....	3,965,000
23.....	5,676,000
24.....	6,944,000
25.....	8,734,000
26.....	10,528,000

The \$49 additional necessary to make a \$70 offering would cost the State fund $1,922,232 \times \$49 \times 22.6$ per cent or approximately \$21,300,000 since, when the small fund method is used with the New York City rate, 22.6 per cent of the total cost must be paid by the State. To this would be added in the neighborhood of \$600,000 which communities richer than New York city fail to pay locally, and hence must come from the State fund.† The total addition to the State fund would be \$24,200,000.

Up to this point the proposed plan may be summarized as follows:

- (a) A local tax rate of 36.4 cents per \$100.
- (b) The increase of the State education fund from \$39,084,000 to \$63,300,000 (based on 1922-1923 figures).

* This is based on the supervisory district as the unit of administration in rural communities. If the present small school districts within supervisory districts are retained as the rural administrative units, a slightly greater amount will be required. To illustrate: It is assumed that a supervisory district receiving an average of \$21 per weighted pupil will require nothing additional to make up \$21 per weighted pupil. As a matter of fact, if the average for the supervisory district is \$21, some of the small districts within this unit are receiving more than \$21 and some less than \$21. With districts as now organized, it would be necessary to pay out some state money to those receiving less than \$21.

† Derived from Table IV. Fifty cents for each of the 5,007 weighted pupils receiving \$11.50 makes \$2,504 necessary to reach the \$12 minimum. If instead of \$12, the minimum were chosen as \$20, an addition of \$1,437,058 would be necessary to the state fund to reach the minimum.

‡ Table V (page 36) gives this amount as \$744,000 for a \$58.50 program. For a \$49 program it would be 49/58.50 of this, or \$623,000.

(c) The payment of the present amount of state aid, \$39,000,000, under the present plan, unless the amount per weighted pupil is less than \$21. Those communities receiving less than \$21 would receive additional State aid to bring them up to this level.

(d) To those communities receiving less than \$49 per weighted pupil from the local uniform rate, payment of additional State funds to bring them up to the \$49 level.

Use of large fund excesses to pay small fund deficits.—Of the \$63,300,000 State aid required in the above summary, but \$1,030,000 does not go to the equalization of opportunity* compared with \$17,000,000 out of the present \$39,000,000. This \$1,030,000 is made up of the excesses over \$21 per weighted pupil paid under (c). By a combination of (c) and (d) \$800,000 of this \$1,030,000 may be used for equalization, leaving but \$230,000 ineffective toward equalization of educational opportunity. The source of this difference may be seen from an illustration. Suppose a district raises but \$44 per weighted pupil from the uniform local tax. Under (d) it is entitled to \$5 per weighted pupil to make up \$49. But suppose it is one of those districts that receives \$26 per weighted pupil under the present plan. It would then have available \$75 per weighted pupil, or \$5 more than the minimum required. This \$5 excess is due to the fact that \$26 is \$5 more than the \$21 part of the equalization program necessitates. Now if this excess of \$5 were applied to making up the \$5 deficit in the \$49 part of the plan, the community would have \$70 available and the State fund would be saved \$5. Yet the community would not receive less State aid than at present. In other words, if any excess over \$21 required in (c) is applied to the deficits in (d) that much less state aid is required. In some districts, all of the excess may be applied, as for instance, in the seventh line from the top, page 241 of Table B, where there is an excess of \$1.75 over \$21, but a deficit in the \$49 part of the program of \$36.92 (\$49 minus valuation per weighted pupil X36.4 cents per \$100). In some cases none can be applied, as in Scarsdale (line 3, page 234 of Table B), where there is an excess of \$9.33 over \$21, but no deficit in the \$49 part of the program. The actual decrease in State fund (\$800,000) was computed from Table B, by considering the amount thus applicable in each district receiving more than \$21 under the present plan.

The administration may be simplified and at the same time a further decrease in State fund of approximately \$80,000 brought about by further limiting the amount received by communities which do not require a local tax rate as high as 36.4 cents, to finance their part of the \$70 program. These communities may be limited to the amount of State aid now received unless more is demanded to equalize a \$70 education. Under the provisions in the summary on page 215, such communities receive a minimum of \$21 per weighted pupil.

As a result of these two adjustments the State fund required is lowered approximately \$900,000.

With these final changes, the proposed plan assumes the form summarized on page 208, viz.:

(a) A local tax rate of 36.4 cents per \$100 full valuation of real estate.

(b) The increase of the State education fund (1922-1923 basis) from approximately \$39,000,000 to approximately \$62,500,000.

(c) To those communities having less than \$70 per weighted pupil available from the present State aid combined with the returns from the uniform local tax of 36.4 cents per \$100, the payment of additional State aid so that \$70 per weighted pupil will be available.

Adjustment to be made to tax rate and state fund for each dollar change from \$70 per weighted pupil.—These standards are for a \$70 education. They may be adjusted to any other level by changing the tax rate and State fund. For each \$1 increase in educational level above \$70, add .743 to the

* This is computed from Table B. The number of weighted pupils in communities receiving more than \$21 per weighted pupil is multiplied by the excess over \$21.

tax rate and \$445,000 to the State fund. To decrease the level from \$70, the same corrections are subtracted. For instance, to support a \$71 education would require a tax rate of 36.4 plus .743 or 37.1 and a State fund of \$62,500,000 plus \$445,000, or \$62,945,000.

The correction for the tax rate was obtained by taking 1/49 of the tax rate necessary to support \$49 on the small fund basis. This is 1/49 of 36.4 cents per \$100. The correction for the State aid is made up of (a) the \$434,000 required to equalize one dollar on the small fund basis, and (b) 1/49 of the \$543,000* necessary to make up the deficiency caused by undertaxing the most able communities. The correction would be made to the \$49 part of the program since so long as the New York City rate is used it will be most advantageous to hold the minimum obtained under the present plan at \$21.

PLAN IF OLD GRANTS ARE NOT GUARANTEED—PLAN II

The elimination of the condition requiring the proposed plan to pay no community less than it is entitled to receive under the present system would make possible other arrangements that would meet all the other conditions. It would render available the entire present State-aid fund for use under the small-fund method. For purposes of comparison such a plan is designated as Plan II.

To support a \$70 education costs $1,922,232 \times \$70$, or approximately \$134,500,000. This plan provides that the present aids be discontinued and the \$39,000,000 thus released applied as the State's share in the equalization program. The remaining part of the \$134,500,000 or \$95,500,000 would be raised by a uniform local tax and kept in the communities. The rate each community would be required to levy would be the rate necessary to raise \$95,500,000 from the total valuation of real estate in the State, \$20,000,000,000. The necessary rate is \$95,500,000, divided by \$20,000,000,000, or 48 cents per \$100.

Under this plan each community would levy a 48 cent tax. It would then receive the amount necessary, if any, to increase the funds available to \$70 per weighted pupil. A community having 1,000 weighted pupils would require \$70,000 for current expenses in order to offer a \$70 program. If this community had but \$10,000,000 taxable wealth the 48 cent rate would raise but \$48,000. The community would therefore receive \$22,000 from the state.

The above plan gives as perfect equalization of opportunity, so far as the offering is concerned, as complete State support. Every child would have the \$70 educational opportunity. Like Plan I, however, it would be faulty to a slight degree as to the distribution of burden of support. On the face of it, all would be taxed at the same rate. Each community would pay its share of the \$39,000,000 in the State fund and each, it would seem, would be taxed at the same local rate, 48 cents. The fact of the matter is, however, that a few communities would not require a 48 cent rate to raise \$70 per pupil. Such communities as Long Beach, Bronxville, and Scarsdale would not require so high a rate. Long Beach would require only 9 cents, Bronxville only 22 cents. There are 13 such cities, villages or supervisory districts that would be thus undertaxed—the first 13 listed in Table B, Appendix I. The result of this undertaxing would be a slight increase in the total burden, approximately one-third of one per cent.†

It may be of interest to compare the State funds required in the Proposed Plan and Plan II with that which would be necessary if the State were to assume the entire support of a \$70 program. This would be \$70 times the number of weighted pupils, or $1,922,232 \times \$70$, or \$134,556,240. It would require \$95,000,000 increase over the present State aid, using 1922-23 as a basis.

* \$623,000 less \$80,000.

† For method of computing see footnote page 211.

CALCULATION OF STATE AID ILLUSTRATED

The practical procedure for determining the amount of the State aid under the two plans may be summarized as follows:

1. Under the Proposed Plan:

- (1) Determine the cost of a \$70 education by using Table VIII.
- (2) From this subtract:
 - (a) The amount of State aid receivable under the present plan of State aid.
 - (b) The amount a local tax of 36.4 cents per 100 dollars will raise when levied on the full valuation of real estate.*
- (3) Add amount of present State aid.†

2. Under Plan II:

- (1) Determine the cost of a \$70 education by using Table VIII.
- (2) From this subtract the amount a local tax of 48 cents on \$100 will raise when levied on the full valuation of real estate.

The ease with which the cost of a \$70 education may be calculated from Table VIII (page 44), is shown in the following illustrations:

Illustration 1. The cost of a \$70 program in a rural consolidated school with 50 pupils in the grades, 30 in the high school, and an expenditure of \$1,200 for transportation, is as follows:

Elementary School 50 x \$59.50 plus \$1,480	= \$4,455
High School 30 x 137.20 plus \$3,961	= \$8,077
Transportation	= 1,200
<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px;"/> Total	<hr style="width: 100%; border: 0.5px solid black; margin-top: 5px;"/> \$13,732

* When the result is a negative number it should be taken as "0".
 † in all but eight supervisory districts, cities and villages, (2) (a) and (3) could be dispensed with, leaving only (1) and (2) (b).

TABLE VIII

TO COMPUTE THE COST OF OFFERING A \$70 EDUCATION IN A SCHOOL DISTRICT.*

DESCRIPTION OF SCHOOL.		Pupil allowance	District or school† allowance	
		Number of pupils in average daily attendance in district (or school)‡ should be multiplied by the standard for districts (or schools)‡ with the given average daily attendance	Amount to be added for each district (or school)‡ to the product obtained by use of the preceding column ‡	
Elementary schools	One-teacher districts	\$0.00	\$1,922	
	Two or more teachers	Below 142 A. D. A. §	59.50	1,480
		142 and above A. D. A.	70.00	0
High schools.	0-27 A. D. A.	207.90	2,026	
	28-244 A. D. A.	137.20	3,961	
	245-517 A. D. A.	128.10	6,108	
	518 and above A. D. A.	140.00	0	

Explanation. To find the cost of a \$70 education in a one-teacher school, multiply the number of pupils by 0 and add \$1,922. The cost of a \$70 program in a high school with from 0 to 27 pupils in A.D.A. is obtained by multiplying the number of pupils by \$207.90 and adding \$2,026. If the school is in a supervisory district, the current cost of transportation should be added.

* Table I (page 198) gives the standards for determining the number of weighted pupils. This table is derived from Table I by multiplying each standard by \$70.

† Each school as a unit if in open country; each district as a unit if in a city or village.

‡ In the case of supervisory districts, add the current cost of transportation. This recognizes cost of transportation at its face value.

§ A.D.A. stands for average daily attendance.

Illustration 2. In a city school with 5,000 children in elementary schools and 800 in the high schools, the cost would be:

Elementary school	5000 x \$70 =	\$350,000
High school	800 x 140 =	\$112,000
Total		\$462,000

Since the number of weighted pupils (1922-1923) for each city, village and supervisory district is given in Tables A and B, Appendix II (page 225 ff), the amount of State aid each such community would receive under either plan may be readily determined. Take the first supervisory district of Albany county, for instance. Since this district has only \$6,609 back of each weighted pupil, it is possible for it to raise but \$24.06 per weighted pupil with the uniform rate required by the proposed plan. It receives \$16.89 under the present plan. From these two sources it receives but \$40.95 per weighted pupil. The State would therefore pay, in addition, \$70 less \$40.95, or \$29.05 per weighted pupil. In all, the State would pay \$29.05 plus \$16.89, or \$45.94 per weighted pupil.

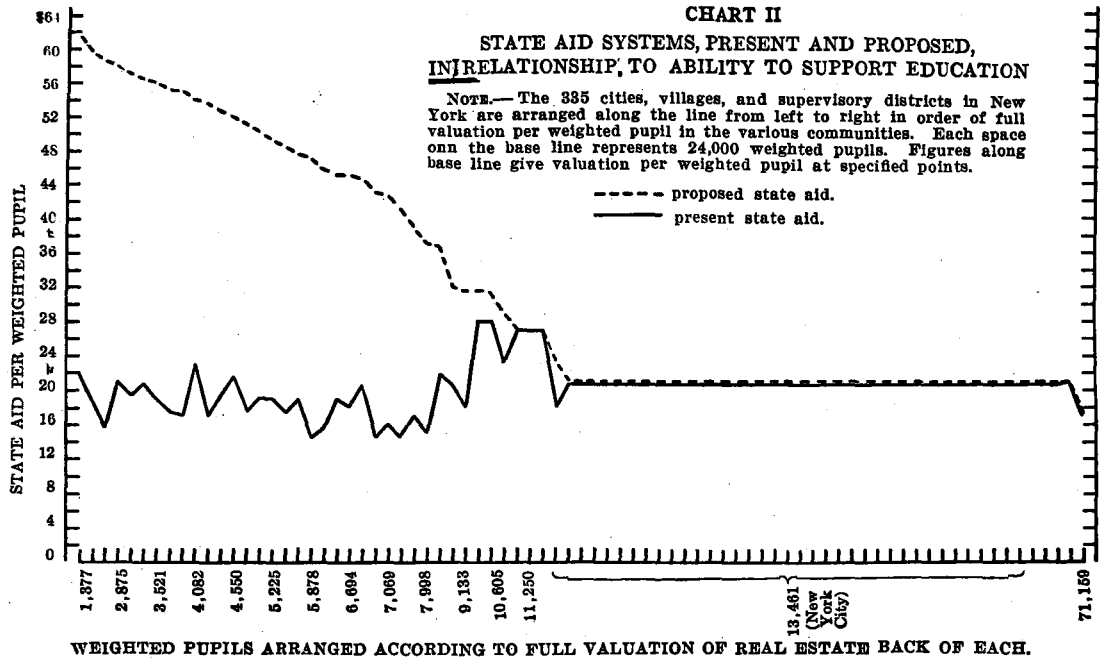
Chart II is introduced to facilitate comparison between the proposed State aid plan and the present plan. Communities were arranged on the base line of the chart in order of the amount of full valuation of real estate per weighted pupil; the poorer communities are at the left, the richer communities at the right. Each one-eighth inch of this base-line represents 24,000 weighted pupils. Nearly half of the line is taken up by New York City with \$13,461 of full valuation per weighted pupil. It will be noted that the lines representing the present and proposed plans almost coincide for New York City; under the proposed plan it would receive only twenty-four cents more per pupil than at present.

DEVELOPING ALTERNATIVE METHODS OF DETERMINING STATE AID

The method of determining State aid proposed above does not in any way use the technical terminology needed in showing its fundamental nature. The method of figuring the cost of a \$70 education is similar to that of determining state aid for training classes under the present law. There is a district allowance and a pupil allowance. The idea of subtracting the returns from a local minimum tax, however, is new to New York State practice although used in other states. It has been proposed by the Committee of Twenty-One also. But the above plan is fundamental only to obtaining a high degree of accuracy in equalization. It is possible to set up a measure using more of the elements in the present State aid system. With these standards to guide, any plan may be made to yield its maximum toward equalization and then the degree of variation may be measured so that there need be no illusion as to the results to be expected. For instance, the system now used of paying so much per teacher could be developed giving communities within a given range of valuation per teacher a given amount per teacher. Wealthy communities would receive less, poor communities would receive more. These amounts could be scientifically determined from the data given in these reports so that the nearest possible approach could be made to equalization. This idea is embraced in the present teachers apportionments in this State, and is also recognized in the systems developed in Massachusetts, Pennsylvania and other states.

SIZE OF DISTRICTS

The discussion up to date has dealt only with the problem of equalizing educational opportunity among the various school communities of the State. In that part of the discussion, the size of the unit is immaterial. The same plan of equalization of opportunity can be used under the district system of organization now in force, or under a plan or organization in which cities, villages, and present supervisory districts are the units, or under the still simpler plan of considering each county of the State the unit of organization. Theoretically the rest would be the same. When it comes, however, to define in educational terms what the \$70 per weighted pupil is going to buy, every argument is for the larger unit of administration and support. It is to the advantage of the State therefore to insist that the locality be reasonably efficient in its organization from the standpoint of providing adequate opportunities for supervision, and the like. It is interested, too, in putting the locality in the best possible position to make progress above the minimum set by the State. This would require that the taxing power and the administrative power be taken away from these small districts in which they were vested by the State under conditions extremely different from those now obtaining. They should be vested in units large enough to produce conditions at least as efficient as in the villages which are allowed separate school organization, and there is much sound argument in support of the adoption of units as large as the county. A great step forward would be made, however, if the present supervisory districts were granted rights and powers similar to those of the villages and cities. Instead of the tax-paying abilities of communities bearing relationships in the neighborhood of 1 to 200, (Tables B and C, Appendix II,



pages 234 ff) they would be in the neighborhood of 1 to 34. (Table A, Appendix II, page 225.) If the county unit was adopted, however, they would bear the relationship of 1 to 4. This would represent an improved opportunity for extending local programs beyond the State minimum—a desirable thing from the standpoint of progress. The advantages from the standpoint of meeting the minimum comes through the larger possibilities that attend the organization that is not so limited that efficient supervision and leadership are difficult to obtain.

To summarize, the immediate financial aspect of any of the plans suggested is not affected by the unit of local organization. The only difference is in the number of communities to be dealt with and therefore in the size of the clerical task. But the whole purpose of the State in setting up a system of State aid—the offering of a minimum satisfactory program—and the further interest of the State in local progress which has been attested by the system of paying for effort as a means to progress, demand the abandonment of the antiquated system of local organization that now obtains in New York State. A State that seriously sets out to improve educational conditions cannot stop short of setting up a local organization that will make possible those administrative advantages that have grown up in city school administration.

STATE AID FOR PURPOSES OTHER THAN EQUALIZATION OF EDUCATIONAL OPPORTUNITY

It is the belief of the group that carried on this investigation that the rewarding of effort as a method of encouraging progress will be less and less used by States. The recognition of the fundamental opposition between this method and the principle of equalization will doubtless bring about the development of other tools for effectively leading communities to exceed the minimum. In the transition period toward a more satisfactory minimum opportunity supplemented by less doubtful and perhaps even more effective means for assisting progressive leadership, it is possible at least to balance the good to be gained from any proposal against the degree of inequality of burden introduced.

With the total cost of the minimum permissible program determined, it is possible to determine the amount of inequality of burden that will be introduced by granting State aid for purposes other than equalization. There are two conditions to be recognized: (1) When the activity in question is included in the measure of need of communities having it and thus in effect made a part of the equalization program, and (2) when a separate fund is set aside to be used independently of the equalization fund.

The first condition exists if a type of education is considered in measuring the need of communities although the principle of equalization of opportunity does not demand that it be recognized. A clear case would be that of counting the minimum task greater for cities having Junior High Schools, in order to encourage their establishment. In this case the per cent of increase in burden may be determined by dividing the total cost of the added type of education (in this case the total excess of cost of Junior High Schools over traditional education for the same children) by \$134,500,000.

The total added burden will not necessarily represent the increase in State aid, but may be the increase in State aid plus the increase in minimum local tax rate throughout the State. That is, the resulting increase in the cost of the minimum program will be met by additional State aid alone or by additional State aid plus an increase in the local uniform tax rate.

When the second condition obtains, that is, when the specially-recognized activity is aided from a separate fund, the State as a whole is held responsible only for the amount of aid granted by the State, since the locality presumably raises more than the minimum local rate in order to meet the special conditions set for receiving special aid. The inequality of burden introduced in this case is determined by dividing the amount of State aid set aside for this special purpose by \$134,500,000, the cost of the minimum program.

A special State aid fund of \$1,350,000 could therefore be established with the introduction of inequality of burden to the extent that would be measured by a one per cent increase over the burden of supporting the minimum program.

It is obvious from the above that the activities set up in the minimum program should be set up strictly with the idea of obtaining an equal minimum opportunity. Reward for effort, if it is desired, may be obtained with less inequality of burden by creating a separate fund.

RECOMMENDATIONS

The following recommendations for changes in the system of State aid have been developed in this report:

(a) The setting up of such requirements as will guarantee to every child in the State an educational opportunity reasonably equivalent to what can be obtained by the expenditure of \$70 annually on an elementary school child in a city school.

(b) The equalization of the burden of supporting the above offering.

(c) The retention of present State aid with the modifications and additional aid outlined in this report as the proposed plan. The proposed plan would require (a) a local uniform tax of 36.4 cents on each \$100 of real estate (full valuation) and (b) State aid to the amount of \$62,500,000.

(d) Elimination of the present district system and the transfer of the powers of the present district organizations either to the supervisory districts, or to entire counties.

APPENDIX II

MASTER TABLES

TABLE A
DATA BEARING ON THE FISCAL SUPPORT OF PUBLIC EDUCATION IN
THE SUPERVISORY DISTRICTS, CITIES AND VILLAGES OF NEW
YORK STATE, BY COUNTIES, 1922-1923

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate, Cents per \$100
Albany	1	2,205	\$6,609	\$45 63	\$16 89	\$28 74	43 5
Albany	2	1,523	2,124	37 93	22 54	15 39	72 5
Albany	3	2,358	5,958	56 53	15 13	41 40	46 2
	Albany	12,784	13,286	98 26	23 43	72 83	54 8
	Cohoes	2,509	7,998	60 54	14 53	46 01	57 5
	Green Island	471	10,502	84 08	16 40	47 68	45 4
	Watervliet	2,262	4,735	59 34	16 56	42 78	90 3
Entire county		24,112	10,140	76 25	20 25	56 00	55 2
Allegany	1	2,220	3,563	38 00	19 12	18 88	53 0
Allegany	2	2,568	3,696	51 87	21 65	30 22	81 8
Allegany	3	2,086	6,833	47 70	18 09	29 61	43 3
Allegany	4	1,962	2,695	43 34	21 13	22 21	76 7
Allegany	5	2,038	3,690	59 63	16 92	22 71	61 5
	Willaville	1,234	5,302	73 97	19 21	54 78	103 3
Entire county		12,138	4,242	47 41	19 45	27 96	65 9
Broome	1	1,776	3,879	50 93	21 59	29 34	75 6
Broome	2	1,770	6,065	48 58	19 47	29 11	48 0
Broome	3	1,644	6,919	48 46	18 18	30 28	43 8
Broome	4	1,912	2,895	43 13	20 50	22 63	78 2
	Binghamton	11,340	7,525	53 20	23 49	59 71	79 3
	Johnson city	2,005	6,687	81 40	19 30	62 10	92 9
	Union Endicott	3,611	5,026	59 08	16 49	42 59	81 8
Entire county		24,058	6,321	68 94	21 05	47 89	75 8
Cattaraugus	1	2,813	3,140	46 52	19 77	26 75	85 2
Cattaraugus	2	2,244	6,145	48 92	19 05	29 87	48 6
Cattaraugus	3	2,583	4,264	45 67	19 48	26 19	61 4
Cattaraugus	4	3,499	3,113	52 24	18 99	33 25	106 8
Cattaraugus	5	2,022	3,355	46 48	18 70	27 78	82 8
	Olean	4,809	5,683	65 37	14 84	50 53	88 9
	Salamanca	1,696	5,090	98 36	17 70	50 66	99 5
Entire county		19,666	4,438	54 19	18 02	36 17	81 5
Cayuga	1	1,659	3,566	40 93	19 52	21 41	60 0
Cayuga	2	1,873	5,996	51 06	19 19	31 87	53 2
Cayuga	3	1,551	6,792	49 57	17 55	32 02	47 1
Cayuga	4	1,304	3,874	38 98	19 18	19 80	51 1
Cayuga	5	1,706	3,035	46 18	21 17	25 01	82 4
	Auburn	5,820	6,233	75 14	19 34	55 80	89 5
Entire county		14,013	5,337	57 98	19 35	38 63	72 4
Chatauga	1	2,618	5,700	50 07	18 81	31 26	54 8
Chatauga	2	1,839	3,694	48 70	20 75	27 95	75 7
Chatauga	3	2,077	4,931	46 42	19 82	26 60	53 9
Chatauga	4	2,221	4,093	58 83	23 00	35 83	87 5
Chatauga	5	2,192	6,833	53 72	18 76	34 96	51 2
Chatauga	6	3,380	4,164	51 99	18 22	33 74	81 0
	Dunkirk	3,423	6,760	81 82	20 64	61 18	90 5
	Fredonia	1,078	5,423	71 05	18 23	52 82	87 4
	Jamestown	7,767	5,718	78 64	17 28	61 36	107 3
Entire county		27,680	5,429	63 65	18 98	44 67	82 3
Chemung	1	3,348	4,429	47 62	20 69	26 94	60 8
Chemung	2	1,932	5,792	50 52	18 16	32 36	55 9
	Elmira	7,014	7,895	77 90	19 03	58 87	76 5
Entire county		12,294	6,605	65 35	19 42	45 93	70 6
Chenango	1	1,710	2,178	39 34	21 68	17 66	81 1
Chenango	2	2,010	3,263	47 29	21 25	26 04	79 1
Chenango	3	1,610	2,898	48 23	22 11	26 12	90 1
Chenango	4	1,897	3,684	46 62	21 92	24 70	67 0

* Full valuation of real estate.

TABLE A — (Continued)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate. Cents per \$100
Chenango—							
Continued	5.....	1,608	\$3,744	\$46 83	\$20 00	\$26 83	71 7
	Norwich.....	1,916	4,511	61 44	17 54	43 90	97 3
Entire county		10,751	3,410	43 50	20 72	27 78	81 5
Clinton.....	1.....	1,895	3,606	39 68	21 62	18 06	50 1
Clinton.....	2.....	1,646	3,702	37 56	21 83	15 73	42 5
Clinton.....	3.....	2,353	4,116	102 35	25 65	76 70	186 3
Clinton.....	4.....	2,267	3,940	41 52	19 27	22 25	56 5
Clinton.....	Plattsburg.....	1,430	6,206	81 97	18 77	63 20	101 8
Entire county		9,591	4,214	61 43	21 67	39 76	94 5
Columbia.....	1.....	2,180	5,434	54 39	20 26	34 13	62 6
Columbia.....	2.....	2,753	7,825	47 36	16 17	31 19	39 9
Columbia.....	3.....	1,510	4,427	40 35	17 85	22 50	50 8
Columbia.....	Hudson.....	2,112	5,857	58 27	15 15	43 12	73 6
Entire county		8,555	6,130	50 61	17 26	33 35	54 4
Cortland.....	1.....	2,227	4,209	45 80	19 35	26 45	62 8
Cortland.....	2.....	1,424	2,730	39 55	22 20	17 35	63 6
Cortland.....	3.....	1,608	2,875	39 40	18 51	20 89	72 7
Cortland.....	Cortlandt.....	2,428	6,370	64 76	17 54	47 22	74 1
Entire county		7,687	4,359	49 29	19 13	30 16	69 5
Delaware.....	1.....	2,111	4,163	46 08	19 26	26 82	64 4
Delaware.....	2.....	2,173	3,706	49 14	20 81	28 33	76 4
Delaware.....	3.....	7,177	3,245	50 57	20 66	29 91	92 2
Delaware.....	4.....	2,599	5,887	44 30	20 59	23 71	43 3
Delaware.....	5.....	1,690	2,772	42 20	20 25	21 95	79 2
Delaware.....	6.....	1,785	4,389	50 21	20 37	29 84	68 0
Entire county		13,535	4,062	47 35	20 36	26 99	66 4
Dutchess.....	1.....	2,213	8,778	49 57	15 93	33 64	38 3
Dutchess.....	2.....	2,722	8,476	58 66	17 16	41 50	49 0
Dutchess.....	3.....	1,525	8,643	53 63	18 14	35 49	41 1
Dutchess.....	4.....	2,679	6,604	47 45	17 56	29 89	45 3
Dutchess.....	Beacon.....	1,691	5,993	66 23	17 46	48 77	81 4
Dutchess.....	Poughkeepsie.....	6,058	8,544	58 84	17 13	41 71	48 8
Entire county		16,888	8,009	59 64	17 17	42 47	53 0
Erie.....	1.....	3,109	16,521	61 37	17 49	43 88	26 6
Erie.....	2.....	4,415	10,154	61 46	17 67	43 79	43 1
Erie.....	3.....	3,057	8,892	57 34	18 45	38 89	56 4
Erie.....	4.....	3,097	6,889	50 92	16 96	33 96	49 3
Erie.....	5.....	2,451	4,629	46 04	17 62	28 42	61 4
Erie.....	Buffalo.....	68,626	12,543	113 64	26 82	86 82	69 2
Erie.....	Depew.....	796	8,008	106 73	28 44	78 29	97 8
Erie.....	Kenmore.....	1,125	26,667	73 49	15 37	58 12	21 8
Erie.....	Lackawanna.....	2,488	11,594	84 03	22 45	61 58	53 1
Erie.....	Lancaster.....	901	6,352	73 19	19 20	53 99	85 0
Erie.....	Tonawanda.....	1,919	7,929	64 62	14 52	50 10	63 2
Entire county		92,984	11,906	100 39	24 56	75 83	63 7
Essex.....	1.....	1,657	4,544	47 17	21 19	25 98	57 2
Essex.....	2.....	3,633	4,784	51 48	19 45	32 03	67 0
Essex.....	3.....	2,939	6,713	64 75	20 48	44 27	65 9
Essex.....	Ticonderoga.....	1,103	4,179	64 62	15 23	49 39	118 2
Entire county		9,032	5,230	56 17	19 56	36 61	70 0
Franklin.....	1.....	2,090	3,498	37 84	20 96	16 88	48 3
Franklin.....	2.....	1,266	8,003	55 24	21 23	34 01	42 5
Franklin.....	3.....	1,741	2,970	35 54	20 27	15 27	51 4
Franklin.....	4.....	2,167	3,616	43 19	19 92	23 27	64 4
Franklin.....	Malone.....	1,943	4,082	58 89	17 46	36 29	88 9
Franklin.....	Saranac Lake.....	1,137	6,369	95 13	20 47	74 66	117 2
Franklin.....	Tupper Lake.....	991	4,084	62 97	16 89	36 08	88 3
Entire county		11,335	4,382	52 00	19 68	32 32	73 8

* Full valuation of real estate.

TABLE A — (Continued)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate. Cents per \$100
Fulton	1	1,497	\$4,230	\$39 02	\$18 68	\$20 34	48 1
Fulton	2	1,944	2,718	37 74	18 77	18 97	69 8
	Gloversville	4,139	5,615	69 33	15 84	53 49	95 3
	Johnstown	2,169	4,094	69 21	16 72	52 49	128 2
Entire county		9,749	4,486	58 35	17 06	41 29	92 0
Genesee	1	2,659	7,601	48 10	16 11	31 99	42 1
Genesee	2	2,416	7,521	50 56	17 10	33 46	44 5
	Batavia	2,806	5,426	72 32	18 07	54 25	100 0
	LeRoy	1,035	4,647	71 95	20 16	51 79	111 4
Entire county		8,916	6,552	59 16	17 46	41 70	63 6
Greene	1	2,334	7,037	43 99	17 22	26 77	38 0
Greene	2	1,527	3,515	42 59	21 81	20 78	59 1
Greene	3	1,794	4,949	48 31	21 48	26 83	54 2
	Catskill	909	6,287	71 84	20 14	51 70	82 2
Entire county		6,564	5,543	48 70	19 86	28 84	52 0
Hamilton (Entire county)		1,444	8,312	69 36	23 12	46 24	55 6
Herkimer	1	2,456	5,177	49 70	17 29	32 41	62 6
Herkimer	2	1,868	5,669	48 32	15 89	32 43	57 2
Herkimer	3	1,440	6,272	46 85	16 56	30 29	48 3
Herkimer	4	1,643	7,371	63 16	22 20	40 96	55 6
	Frankfort	1,167	2,538	47 35	14 50	32 85	129 4
	Herkimer	1,992	6,197	64 44	18 12	46 32	74 7
	Ilion	2,090	6,085	65 92	17 47	48 45	79 8
	Little Falls	2,006	6,509	70 95	16 28	54 67	84 0
Entire county		14,662	5,833	57 79	17 37	40 42	69 3
Jefferson	1	1,950	3,325	46 36	20 23	26 13	78 6
Jefferson	2	2,350	3,903	48 64	19 55	29 09	74 5
Jefferson	3	2,405	4,376	41 42	16 95	24 47	55 9
Jefferson	4	2,693	4,749	46 78	18 61	28 13	59 2
Jefferson	5	2,688	4,432	48 56	19 03	27 53	62 1
Jefferson	6	2,608	6,286	45 81	16 30	29 01	46 2
	Carthage	857	7,189	62 04	21 76	40 28	56 2
	Watertown	6,270	7,440	63 08	14 52	48 41	65 1
Entire county		21,821	5,502	51 49	17 46	34 03	61 8
Lewis	1	1,922	5,675	42 66	18 92	23 74	41 8
Lewis	2	2,414	4,119	49 01	22 37	26 64	64 7
Lewis	3	1,323	3,948	41 83	21 25	20 58	52 1
Lewis	4	1,854	3,634	42 72	21 04	21 68	59 7
Entire county		7,513	4,367	44 57	20 96	23 61	54 1
Livingston	1	3,391	7,311	53 98	17 50	36 48	49 9
Livingston	2	2,312	5,506	47 33	18 56	28 77	52 3
Livingston	3	2,344	5,288	47 97	18 24	29 73	56 2
	Dansville	874	4,208	65 61	19 85	45 76	108 7
Entire county		8,921	6,008	51 82	18 20	33 62	56 0
Madison	1	2,565	3,041	49 52	22 02	27 60	90 8
Madison	2	2,143	3,731	52 47	21 77	30 56	81 9
Madison	3	2,203	2,981	42 62	19 25	23 37	78 9
Madison	4	2,476	4,986	54 54	18 24	36 30	72 8
	Oneida	1,851	5,866	72 77	19 39	53 38	91 0
Entire county		11,238	4,051	53 69	20 16	33 53	82 8
Monroe	1	3,210	14,492	16 64	17 10	49 54	34 2
Monroe	2	2,156	8,144	52 52	17 09	35 43	43 5
Monroe	3	2,217	13,374	56 44	15 37	41 07	30 7
Monroe	4	2,411	9,689	54 92	17 52	37 40	35 6
	East Rochester	1,286	3,609	53 74	16 01	37 65	104 3
	Fairport	1,013	3,743	60 71	18 37	42 34	113 0
	Rochester	44,507	10,605	109 46	28 12	81 34	76 7
Entire county		56,8	10,519	98 36	25 69	72 67	69 1

* Full valuation of real estate.

TABLE A — (Continued)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate. Cents per \$100	
Montgomery	1	3,372	\$5,225	\$52 69	\$17 44	\$35 25	67 5	
	2	2,238	6,191	48 86	15 76	33 10	53 5	
	Amsterdam	5,366	7,800	77 48	19 19	58 29	74 7	
Entire county		10,976	6,681	64 03	17 95	46 08	69 0	
Nassau	1	8,700	12,829	88 46	17 97	70 49	54 9	
Nassau	2	5,790	13,824	92 45	17 99	74 46	53 9	
	Baldwin	1,140	5,430	71 03	16 18	54 85	101 0	
	Freeport	2,402	6,237	83 16	16 92	66 24	106 2	
	Glen Cove	1,655	10,311	71 61	15 83	55 78	54 1	
	Hempstead	2,825	4,131	66 38	16 83	49 55	119 9	
	Lawrence	2,455	5,181	94 74	15 99	78 48	151 5	
	Long Beach	392	71,159	85 33	11 80	73 53	10 3	
	Lynbrook	1,526	11,069	67 30	16 84	50 46	45 6	
	Port Washington	1,559	10,890	108 32	16 95	91 37	83 9	
	Rockville Center	1,471	12,446	89 28	17 71	71 57	57 5	
	Rooslyn	1,129	6,810	101 15	20 55	80 60	118 4	
	Entire county		31,044	11,018	86 14	17 35	68 79	62 4
	New York (entire county)		935,398	13,461	98 08	20 74	77 34	57 5
Niagara	1	2,409	7,448	50 65	16 79	33 86	45 5	
	2	2,010	11,438	56 10	13 89	42 21	36 9	
Niagara	3	2,818	9,173	50 50	15 95	34 55	37 7	
	Lockport	3,903	8,106	81 84	17 82	64 02	79 0	
	Niagara Falls	9,571	13,531	90 75	21 12	69 63	51 5	
Entire county	N. Tonawanda	2,471	8,172	82 79	17 44	65 35	80 0	
		23,182	10,703	76 34	18 47	57 87	54 1	
Oneida	1	3,709	6,913	56 83	16 47	40 66	58 8	
	2	2,443	3,946	49 08	20 66	28 40	73 8	
Oneida	3	3,197	4,193	56 99	19 03	37 96	90 5	
	4	1,868	3,086	41 78	16 54	25 24	81 8	
Oneida	5	1,852	3,437	43 63	20 20	23 43	65 3	
	6	2,013	1,377	40 57	21 74	18 83	136 7	
Oneida	7	1,831	3,394	42 25	18 57	23 68	69 8	
	Rome	4,496	6,238	65 70	15 62	50 08	80 3	
	Utica	14,735	9,075	81 51	20 73	60 78	67 0	
Entire county		36,249	6,391	64 27	19 21	45 06	70 5	
Onondaga	1	2,863	3,857	46 48	18 79	27 69	71 8	
	2	2,486	5,310	50 34	16 81	33 53	63 1	
Onondaga	3	3,114	4,550	60 46	17 14	33 32	73 2	
	4	3,667	4,722	52 06	17 10	34 96	74 0	
Onondaga	5	3,121	4,830	51 63	17 88	33 75	72 9	
	East Syracuse	1,193	3,104	54 77	15 73	39 04	125 8	
Entire county	Solvay	1,789	4,309	92 70	23 44	69 26	160 7	
	Syracuse	26,718	10,485	70 63	20 64	49 99	47 7	
		44,931	8,047	64 20	19 51	44 63	55 5	
Ontario	1	1,785	7,315	53 31	19 18	34 13	46 7	
	2	2,857	5,999	49 73	17 02	32 70	54 5	
Ontario	3	1,388	10,089	51 26	12 96	38 30	38 0	
	4	1,998	2,962	39 77	19 38	20 39	68 8	
Entire county	Canandaigua	1,693	5,310	67 18	19 54	47 64	89 7	
	Geneva	2,308	8,868	69 34	20 21	49 13	55 4	
		12,029	6,615	55 00	18 23	36 77	55 6	
Orange	1	4,721	6,860	55 22	15 74	39 48	57 6	
	2	5,048	7,927	61 11	17 18	43 93	55 4	
Orange	3	1,949	8,327	48 70	15 86	32 84	39 4	
	Middletown	2,846	8,503	65 03	15 30	49 75	58 5	
Entire county	Newburgh	5,337	6,694	65 90	15 63	50 27	75 1	
	Port Jarvis	1,987	5,602	72 94	17 44	55 50	99 1	
Entire county	Walden	1,003	3,358	60 65	17 37	46 80	138 1	
		22,971	7,132	61 46	16 20	45 26	63 5	

* Full valuation of real estate.

TABLE A — (Continued)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate, Cents per \$100
Orleans	1	1,576	\$6,825	\$49 23	\$15 30	\$21 24	31 1
Orleans	2	903	8,087	48 42	12 56	35 56	44 0
Orleans	3	2,235	5,671	47 36	15 28	32 08	56 6
	Albion	1,324	3,828	56 42	19 45	36 97	98 6
	Medina	1,112	6,750	90 49	24 03	66 46	98 5
Entire county		7,150	6,057	56 29	17 07	39 22	64 8
Oswego	1	1,382	3,972	45 51	21 89	23 62	59 5
Oswego	2	2,482	2,875	40 58	21 55	19 03	66 2
Oswego	3	2,424	3,623	41 42	20 89	20 53	56 7
Oswego	4	2,057	3,284	43 55	19 19	24 36	74 2
Oswego	5	2,123	4,793	41 53	18 57	22 96	47 9
	Fulton	2,555	6,812	59 22	16 11	43 11	63 3
	Oswego	3,272	6,170	72 56	17 49	55 07	89 3
Entire county		16,295	4,660	50 97	19 13	31 84	68 3
Otsego	1	1,417	3,452	45 32	22 26	23 06	66 8
Otsego	2	1,733	2,801	46 20	24 17	22 03	78 7
Otsego	3	2,428	4,386	54 00	22 83	31 17	71 1
Otsego	4	2,050	4,756	49 57	21 85	27 72	58 3
Otsego	5	1,702	2,452	37 45	20 05	17 40	71 0
Otsego	6	1,202	3,281	46 87	25 18	21 69	66 1
	Oneonta	2,195	6,792	58 85	14 89	43 96	64 7
Entire county		12,727	4,178	49 21	21 27	27 94	66 9
Putnam (entire county)		2,820	9,568	61 10	18 07	43 03	45 0
Rensselaer	1	1,950	6,825	47 53	16 64	30 89	45 3
Rensselaer	2	1,347	2,866	36 65	21 40	15 25	53 2
Rensselaer	3	1,920	7,285	49 54	17 17	32 37	44 4
	Hoosick Falls	927	3,228	62 98	20 04	42 94	133 0
	Troy-Lansburg	9,026	8,570	37 48	22 54	64 96	75 8
	Rensselaer	1,742	7,069	77 26	20 49	56 77	80 3
Entire county		16,912	7,321	72 12	20 81	51 31	70 1
Rockland	1	5,539	8,323	70 02	16 62	53 40	64 2
	Haverstraw	1,251	3,192	55 46	15 52	39 94	125 1
	Nyack	1,443	4,165	73 17	17 14	56 03	134 5
	Spring Valley	1,384	2,466	55 82	15 70	40 12	162 7
Entire county		9,617	6,189	66 56	16 42	50 14	81 0
St. Lawrence	1	2,320	4,733	43 49	19 07	24 42	51 6
St. Lawrence	2	1,714	4,164	38 25	20 41	17 84	42 8
St. Lawrence	3	2,356	4,091	36 00	17 78	18 22	44 5
St. Lawrence	4	2,034	3,521	35 33	19 44	15 80	45 1
St. Lawrence	5	3,132	3,584	41 86	18 87	22 99	64 1
St. Lawrence	6	2,333	6,059	50 82	18 62	32 20	53 1
St. Lawrence	7	2,246	4,079	39 90	17 36	22 54	55 3
St. Lawrence	8	1,847	3,721	40 69	18 65	22 14	59 5
	Gouverneur	1,192	3,078	58 05	18 88	39 17	127 3
	Massena	1,665	2,840	53 37	15 63	37 74	132 9
	Ordensburg	2,051	4,826	64 42	18 44	45 98	95 3
Entire county		22,890	4,133	44 90	18 47	26 43	63 9
Saratoga	1	1,644	6,890	43 71	15 74	27 97	40 6
Saratoga	2	1,636	4,890	44 37	22 37	22 00	45 0
Saratoga	3	2,275	669	48 57	16 43	32 15	15 6
Saratoga	4	2,045	4,748	47 26	19 52	27 74	58 4
	Ballston Spa	884	1,694	66 01	20 67	45 34	287 7
	Mechanicville	2,257	3,169	73 20	18 06	55 14	174 0
	Saratoga Spgs.	2,361	7,305	69 75	17 57	52 18	71 4
	Waterford	898	1,889	63 94	19 31	44 63	236 3
Entire county		14,000	7,404	56 95	18 40	38 55	52 1
Schenectady		5,007	5,070	49 21	11 32	37 89	74 7
	Schenectady	16,936	7,024	82 10	21 54	60 56	86 2
	Scotia	1,371	4,010	67 29	28 11	48 45	120 8
Entire county		23,314	6,427	74 17	19 15	55 02	85 6

* Full valuation of real estate.

TABLE A — (Continued)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate. Cents per \$100
Schoharie.....	1.....	1,373	\$2,114	\$38 53	\$24 90	\$13 63	64 5
Schoharie.....	2.....	1,882	3,002	39 27	18 68	20 41	65 0
Schoharie.....	3.....	2,675	3,949	44 07	19 69	24 38	61 7
Entire county.....		5,930	3,224	41 27	20 63	20 64	64 0
Schuyler.....	1.....	1,870	4,564	51 27	21 72	29 55	64 7
Schuyler.....	2.....	1,995	4,122	45 69	18 88	26 81	65 0
Entire county.....		3,865	4,336	48 39	20 25	28 14	64 9
Seneca.....	1.....	1,919	6,010	49 33	17 88	31 46	52 3
Seneca.....	2.....	1,915	6,651	52 80	15 43	37 37	56 2
Seneca.....	Seneca Falls.....	1,187	4,733	66 16	18 98	47 18	99 7
Entire county.....		5,021	5,953	54 63	17 20	37 43	62 9
Steuben.....	1.....	2,192	4,383	48 78	20 18	28 60	65 3
Steuben.....	2.....	1,665	3,080	37 95	18 91	19 04	61 8
Steuben.....	3.....	1,991	2,365	41 85	21 82	20 03	84 7
Steuben.....	4.....	1,991	2,261	34 13	20 21	13 92	61 6
Steuben.....	5.....	2,031	4,265	42 38	18 94	23 44	55 0
Steuben.....	6.....	2,468	4,135	46 11	20 18	25 92	82 7
Steuben.....	7.....	2,076	3,318	44 68	21 03	23 65	71 3
Steuben.....	Bath.....	965	3,154	48 04	19 82	28 22	89 5
Steuben.....	Corning.....	2,919	5,324	54 92	15 72	39 20	73 6
Steuben.....	Hornell.....	2,766	4,577	75 30	18 40	56 90	124 3
Entire county.....		20,724	3,869	49 09	19 32	29 77	76 9
Suffolk.....	1.....	8,433	10,556	68 97	17 98	50 99	46 3
Suffolk.....	2.....	4,757	10,937	79 66	19 68	59 98	54 8
Suffolk.....	3.....	4,977	13,219	72 72	16 97	55 75	42 2
Suffolk.....	Bay Shore.....	1,119	12,684	79 13	17 43	61 70	48 6
Suffolk.....	Huntington.....	1,928	8,540	71 09	16 99	54 10	63 3
Suffolk.....	Patchogue.....	1,842	3,827	63 19	15 02	48 17	125 9
Entire county.....		23,056	10,607	72 19	17 77	54 42	51 3
Sullivan.....	1.....	2,708	7,246	51 82	20 21	31 61	43 6
Sullivan.....	2.....	2,964	4,369	47 00	22 95	24 05	55 0
Sullivan.....	3.....	4,272	4,916	45 63	16 63	29 00	59 0
Entire county.....		9,944	5,388	47 72	19 49	28 23	52 4
Tioga.....	1.....	1,861	2,763	42 60	23 40	19 20	69 5
Tioga.....	2.....	1,560	3,171	45 13	21 93	23 20	73 2
Tioga.....	3.....	1,380	3,510	43 87	20 29	23 58	67 2
Tioga.....	Owego.....	1,012	3,944	62 88	20 05	42 83	108 6
Tioga.....	Waverly.....	1,221	3,557	64 97	17 32	47 65	134 0
Entire county.....		7,034	3,308	50 21	20 93	29 28	88 5
Tompkins.....	1.....	1,486	3,301	45 15	22 75	22 40	67 9
Tompkins.....	2.....	1,987	5,752	59 53	18 47	41 06	71 4
Tompkins.....	3.....	2,433	2,489	41 26	17 95	23 31	93 7
Tompkins.....	Ithaca.....	3,535	7,227	72 29	18 58	53 71	74 3
Entire county.....		9,441	5,078	57 34	19 05	38 29	75 4
Ulster.....	1.....	1,754	6,275	44 42	14 36	30 06	47 9
Ulster.....	2.....	3,669	6,838	44 29	16 05	28 24	41 3
Ulster.....	3.....	2,786	5,121	42 99	19 29	23 74	46 4
Ulster.....	4.....	1,188	7,529	45 17	16 53	28 64	38 0
Ulster.....	Kingston.....	4,379	6,018	58 88	16 67	42 31	70 3
Ulster.....	Saugerties.....	750	4,588	61 34	19 29	42 05	91 7
Entire county.....		14,526	6,134	49 41	16 86	32 55	53 7
Warren.....	1.....	1,976	6,836	54 57	19 68	34 89	51 0
Warren.....	2.....	1,382	4,903	42 85	21 97	20 71	42 2
Warren.....	3.....	1,037	4,497	40 72	22 96	17 76	39 5
Warren.....	Glens Falls.....	2,280	8,677	73 30	15 75	57 55	66 3
Entire county.....		6,675	6,701	56 39	19 32	37 07	55 3
Washington.....	1.....	1,369	4,037	41 38	21 75	19 63	48 6
Washington.....	2.....	2,879	2,536	42 68	18 87	23 81	93 9
Washington.....	3.....	3,308	3,444	42 30	17 92	24 38	72 9

* Full valuation of real estate.

TABLE A — (Concluded)

COUNTY	Supervisory district, city or village	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate. Cents per \$100
Washington— <i>Continued</i>	4.....	1,998	\$3,357	\$39 97	\$18 03	\$21 94	85 4
	Hudson Falls.....	1,133	5,486	84 34	18 79	45 55	83 0
	Whitehall.....	1,277	2,985	59 68	17 15	42 54	142 5
	Entire county.....	11,964	3,395	45 84	18 60	27 24	80 2
Wayne.....	1.....	3,262	5,612	49 72	16 92	32 80	58 4
Wayne.....	2.....	3,157	4,225	44 62	17 87	26 75	63 3
Wayne.....	3.....	2,676	5,878	51 51	17 47	34 04	57 9
Wayne.....	4.....	2,555	6,991	57 07	18 30	38 77	55 5
Wayne.....	Newark.....	1,699	4,132	66 65	17 13	49 52	119 9
Entire county.....		12,349	5,509	53 15	17 52	35 63	64 7
Westchester.....	1.....	3,402	21,140	167 53	18 59	148 94	70 5
Westchester.....	2.....	4,699	17,324	105 24	20 41	84 83	49 0
Westchester.....	3.....	2,581	17,852	90 03	20 10	69 93	39 2
Westchester.....	4.....	2,307	15,608	74 83	15 42	59 41	38 1
Westchester.....	Bronxville.....	573	32,447	145 18	22 47	122 71	37 8
Westchester.....	Harrison.....	1,001	19,455	76 00	17 72	58 28	30 0
Westchester.....	Hastings-on-Hud.....	1,133	10,988	76 63	15 65	60 98	55 5
Westchester.....	Mamaroneck.....	1,957	9,628	91 30	17 65	73 65	76 5
Westchester.....	Mt. Vernon.....	9,659	9,133	102 88	21 97	80 91	88 6
Westchester.....	N. Rochelle.....	7,789	13,903	109 66	23 42	86 24	62 0
Westchester.....	N. Tarrytown.....	1,290	6,667	64 57	15 49	49 08	73 6
Westchester.....	Ossining.....	2,115	7,146	70 89	14 93	55 96	78 3
Westchester.....	Peekskill.....	2,896	5,451	62 62	15 02	47 60	87 3
Westchester.....	Pelham Manor.....	1,347	12,486	129 11	18 48	110 63	88 6
Westchester.....	Portchester.....	4,284	5,862	75 55	16 76	58 79	100 3
Westchester.....	Scarsdale.....	881	32,120	199 92	30 33	169 59	52 8
Westchester.....	Tarrytown.....	986	14,836	110 90	22 58	88 32	59 5
Westchester.....	White Plains.....	4,792	11,304	123 52	28 50	95 02	80 5
Westchester.....	Yonkers.....	20,080	11,250	107 10	23 24	83 86	74 5
Entire county.....		73,772	12,309	104 14	21 26	82 88	67 3
Wyoming.....	1.....	2,294	3,781	43 28	18 06	25 21	66 7
Wyoming.....	2.....	3,103	4,297	49 13	19 00	30 13	70 1
Wyoming.....	3.....	2,181	5,195	49 03	17 22	31 81	61 2
Wyoming.....	Perry.....	1,142	3,776	59 66	17 61	42 03	111 4
Entire county.....		8,720	4,318	48 94	18 13	30 81	71 4
Yates.....	1.....	1,737	4,140	44 52	17 72	26 80	64 7
Yates.....	2.....	1,792	3,529	35 91	17 42	18 49	52 4
Yates.....	Penn Yan.....	1,200	4,546	53 23	23 91	29 32	64 5
Entire county.....		4,729	4,012	43 47	19 18	24 29	60 5
Entire State.....		1,922,232	10,419	82 71	20 33	.....	59 8

* Full valuation of real estate.

TABLE B

DATA BEARING ON THE FISCAL SUPPORT OF PUBLIC EDUCATION IN THE SUPERVISORY DISTRICTS, CITIES AND VILLAGES OF NEW YORK STATE, ARRANGED ACCORDING TO VALUATION PER WEIGHTED PUPIL, 1922-1923

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equivalent of State aid	Additional local tax rate to raise \$40	Local tax rate to raise \$80—without State aid
Long Beach.....	Nassau.....	392	\$71,159	\$85 33	\$11 80	\$73 53	10.3	1.7	4.0	11
Bronxville.....	Westchester.....	573	32,447	145 18	22 47	122 71	37.8	6.9	5.4	25
Scarsdale.....	Westchester.....	881	32,120	199 92	30 33	169 59	52.8	9.4	3.0	25
Kenmore.....	Erie.....	1,125	26,667	73 49	15 37	58 12	21.8	5.8	9.2	30
1.....	Westchester.....	3,402	21,140	167 53	18 59	148 94	70.5	8.8	10.1	38
2.....	Baratoga.....	2,275	20,699	48 57	16 43	32 15	15.6	7.9	11.4	39
Harrison.....	Westchester.....	1,001	19,455	76 00	17 72	58 28	30.0	9.1	11.5	41
3.....	Westchester.....	2,581	17,852	90 03	20 10	69 93	39.2	11.3	11.1	45
2.....	Westchester.....	4,699	17,324	105 24	20 41	84 83	49.0	11.8	11.3	46
1.....	Erie.....	3,109	16,521	62 37	17 49	43 88	26.6	10.6	13.6	48
4.....	Westchester.....	2,307	15,608	74 83	15 42	59 41	38.1	9.9	15.7	51
Tarrytown.....	Westchester.....	986	14,836	110 90	22 58	88 32	59.5	15.2	11.7	54
1.....	Monroe.....	3,210	14,492	66 64	17 10	49 54	43.2	11.8	15.8	55
New Rochelle.....	Westchester.....	7,789	13,903	109 66	23 42	86 24	62.0	16.8	11.9	57
2.....	Nassau.....	5,790	13,824	92 45	17 99	74 46	53.9	13.0	15.9	58
Niagara Falls.....	Niagara.....	9,571	13,531	90 75	21 12	69 63	51.5	15.6	14.0	59
New York City.....	New York.....	935,398	13,461	98 08	20 74	77 34	57.5	15.4	14.2	59
3.....	Monroe.....	2,217	13,274	56 44	15 37	41 07	30.7	11.5	18.4	60
Albany.....	Albany.....	12,784	13,286	96 26	23 43	72 83	54.8	17.6	12.5	60
3.....	Ruffolo.....	4,977	13,219	72 72	16 97	55 75	42.2	12.8	17.4	60
1.....	Nassau.....	8,700	12,829	88 46	17 97	70 49	54.9	14.0	17.2	62
Bay Shore.....	Ruffolo.....	1,119	12,684	79 13	17 43	61 70	48.6	13.7	17.8	63
Buffalo.....	Erie.....	68,628	12,543	113 64	26 82	86 82	69.2	21.4	10.5	64
Palham Manor.....	Westchester.....	1,347	12,486	129 11	18 48	110 63	88.6	14.8	17.2	64
Rockville Center.....	Nassau.....	1,471	12,448	89 28	17 71	71 57	57.5	14.2	17.9	64
White Plains.....	Westchester.....	4,792	11,840	123 52	28 50	95 02	80.5	24.1	9.7	68
Lackawanna.....	Erie.....	2,488	11,594	84 03	22 46	61 58	53.1	19.4	15.1	69
2.....	Niagara.....	2,010	11,438	56 10	13 89	42 21	36.9	12.1	22.8	70
Yonkers.....	Westchester.....	20,090	11,250	107 10	23 24	83 86	74.5	20.7	14.9	71
Lynbrook.....	Nassau.....	1,526	11,069	67 30	16 84	50 46	45.6	15.2	20.9	72
Hastings-on-Hudson.....	Westchester.....	1,133	10,988	76 63	15 65	60 98	55.5	14.2	22.2	72
2.....	Ruffolo.....	4,757	10,937	79 66	19 68	59 98	54.8	18.0	18.6	73

Port Washington.....	Nassau.....	1,559	10,890	108 32	16 95	91 37	83.9	15.6	21.2	74
Rochester.....	Monroe.....	44,507	10,605	109 46	28 12	81 34	76.7	26.5	11.2	28
1.....	Suffolk.....	8,433	10,556	89 97	17 98	50 99	48.3	17.0	20.9	76
Green Island.....	Albany.....	471	10,503	84 08	16 40	47 68	45.4	15.6	22.5	76
Syracuse.....	Onondaga.....	26,718	10,485	70 63	20 64	49 99	47.7	19.7	18.5	76
Glen Cove.....	Nassau.....	1,655	10,311	71 61	15 83	55 78	54.1	15.4	23.4	78
2.....	Erie.....	5,415	10,154	61 46	17 67	43 79	43.1	17.4	22.0	79
3.....	Ontario.....	1,388	10,089	51 26	12 96	38 30	38.0	12.8	26.8	79
4.....	Monroe.....	2,411	9,889	54 92	17 52	37 40	38.6	18.1	23.2	83
Mamaroneck.....	Westchester.....	1,957	9,828	91 30	17 65	73 65	76.5	18.3	23.2	83
Putnam.....	Putnam.....	2,820	9,568	61 10	18 07	43 03	45.0	18.9	22.9	84
8.....	Niagara.....	2,818	9,173	50 50	15 95	34 55	37.7	17.4	26.2	87
Mount Vernon.....	Westchester.....	9,659	9,133	102 88	21 97	80 91	88.6	24.1	19.7	88
Utica.....	Oneida.....	14,735	9,075	81 51	20 73	60 78	67.0	22.8	21.2	88
3.....	Albany.....	2,358	8,958	56 53	15 13	41 40	46.2	10.9	27.8	89
Geneva.....	Ontario.....	2,308	8,868	69 34	20 21	49 13	55.4	22.8	22.3	90
1.....	Dutchess.....	2,213	8,778	49 57	15 93	33 64	38.3	18.1	27.4	91
Glens Falls.....	Warren.....	2,280	8,677	73 30	15 75	57 55	66.3	18.2	27.9	92
3.....	Dutchess.....	1,525	8,643	53 63	18 14	35 49	41.1	21.0	25.3	93
Troy.....	Rensselaer.....	2,063	8,570	87 48	22 54	64 96	75.8	26.3	20.4	93
Poughkeepsie.....	Dutchess.....	6,058	8,544	58 84	17 13	41 71	48.8	20.0	26.8	94
Huntington.....	Suffolk.....	1,928	8,540	71 09	16 99	54 10	63.3	19.9	26.9	94
Middletown.....	Orange.....	2,946	8,503	65 03	15 30	49 73	58.5	18.0	29.0	94
2.....	Dutchess.....	2,722	8,476	68 66	17 60	41 50	49.0	20.2	26.9	94
3.....	Orange.....	1,849	8,327	48 70	15 86	32 84	39.4	19.0	29.0	96
Rockland.....	Rockland.....	6,963	8,323	70 02	16 62	53 40	64.2	20.0	28.1	96
Hamilton.....	Hamilton.....	1,444	8,312	69 36	23 12	46 24	55.6	27.8	20.3	96
North Tonawanda.....	Niagara.....	2,471	8,172	82 79	17 44	65 35	80.0	21.3	27.6	98
2.....	Monroe.....	2,156	8,144	52 52	17 09	35 43	43.5	21.0	26.1	98
Lockport.....	Niagara.....	3,903	8,106	81 84	17 82	64 02	79.0	22.0	27.4	99
2.....	Orleans.....	903	8,087	48 42	12 56	35 56	44.0	15.5	33.9	99
Depew.....	Erie.....	798	8,008	106 73	28 44	78 29	97.8	35.5	14.4	100
2.....	Franklin.....	1,266	8,003	55 24	21 23	34 01	42.5	26.5	25.5	100
Cohoes.....	Albany.....	2,509	7,998	60 54	14 53	46 01	57.5	18.2	31.8	100
Tonawanda.....	Erie.....	1,919	7,929	64 62	14 52	50 10	63.2	18.3	32.1	101
2.....	Orange.....	5,048	7,927	81 11	17 18	43 93	55.4	21.7	26.8	101
2.....	Columbia.....	2,753	7,825	47 36	16 17	31 19	39.9	20.7	30.5	102
Amsterdam.....	Montgomery.....	5,366	7,800	77 48	19 19	68 29	74.7	24.6	26.8	103
Elmira.....	Chemung.....	7,014	7,693	77 90	19 03	58 87	76.5	24.7	27.3	104
1.....	Genesee.....	2,659	7,601	48 10	16 11	31 99	42.1	21.2	31.4	105
4.....	Ulster.....	1,188	7,529	45 17	16 53	28 64	38.0	22.0	31.2	106
Binghamton.....	Broome.....	11,340	7,525	83 20	23 49	59 71	79.3	31.2	21.9	106
2.....	Genesee.....	2,416	7,521	50 56	17 10	33 46	44.5	22.7	30.4	106
1.....	Niagara.....	2,409	7,448	50 65	16 79	33 86	45.5	22.5	31.2	107
Watertown.....	Jefferson.....	6,270	7,440	63 08	14 52	48 41	65.1	19.5	34.2	107
4.....	Herkimer.....	1,643	7,371	63 16	22 20	40 96	55.6	30.1	24.1	108

* Full valuation of real estate.

TABLE B — (Continued)

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equivalent of State aid	Additional local tax rate to raise \$40	Local tax rate to raise \$80—without State aid
1.....	Ontario.....	1,785	\$7,315	\$53 31	\$19 18	\$34 13	46.7	26.2	28.5	108
1.....	Livingston.....	3,391	7,311	53 98	17 50	36 48	49.9	23.9	30.8	109
Saratoga Springs.....	Saratoga.....	2,361	7,305	99 75	17 57	52 18	71.4	24.1	30.7	110
3.....	Rensselaer.....	1,920	7,285	49 54	17 17	32 37	44.4	23.6	31.3	110
1.....	Sullivan.....	2,708	7,246	51 82	20 21	31 61	43.6	27.9	27.3	110
Ithaca.....	Tompkins.....	3,535	7,227	72 29	18 58	53 71	74.3	25.7	29.6	111
Carthage.....	Jefferson.....	857	7,169	62 04	21 76	40 28	56.2	30.4	25.4	112
Oswego.....	Westchester.....	2,115	7,146	70 89	14 93	55 96	78.3	20.9	35.1	112
Rensselaer.....	Rensselaer.....	1,742	7,069	77 26	20 49	56 77	80.8	29.0	27.6	113
1.....	Greene.....	2,334	7,037	43 99	17 22	26 77	38.0	24.5	32.4	114
Schenectady.....	Schenectady.....	16,936	7,024	82 10	21 54	60 56	86.2	30.7	26.3	114
4.....	Wayne.....	2,555	6,991	57 07	18 90	38 77	55.5	26.2	31.0	114
3.....	Broome.....	1,644	6,919	48 46	18 18	30 28	43.8	26.3	31.5	116
1.....	Oneida.....	3,709	6,913	56 83	16 47	40 66	58.8	23.8	30.0	116
3.....	Erie.....	3,057	6,892	57 34	18 45	38 89	56.4	26.8	31.3	116
1.....	Saratoga.....	1,644	6,896	43 71	15 74	27 97	40.6	22.8	35.2	116
4.....	Erie.....	3,097	6,889	50 92	16 96	33 96	49.3	24.6	33.4	116
1.....	Orange.....	4,721	6,860	55 22	15 74	39 48	57.6	22.9	35.4	117
2.....	Ulster.....	3,669	6,838	44 29	16 05	28 24	41.3	23.5	35.0	117
1.....	Warren.....	1,976	6,836	54 57	19 68	34 89	51.0	28.8	29.7	117
5.....	Chautauqua.....	3,192	6,833	53 72	18 76	34 96	51.2	27.5	31.1	117
3.....	Allegany.....	2,086	6,833	47 70	18 09	29 61	43.3	26.6	32.1	117
1.....	Orleans.....	1,567	6,825	49 23	15 30	21 24	31.1	22.4	36.2	117
1.....	Rensselaer.....	1,950	6,825	47 53	16 64	30 89	45.3	24.4	34.2	117
Fulton.....	Oswego.....	2,555	6,812	59 22	16 11	43 11	63.3	23.6	35.1	117
Roslyn.....	Nassau.....	1,129	6,810	101 15	20 55	80 60	118.4	30.2	28.6	118
Oswego.....	Oswego.....	2,165	6,792	58 85	14 89	43 96	64.7	21.9	37.0	118
3.....	Cayuga.....	1,551	6,782	49 57	17 55	32 02	47.1	25.3	33.1	118
Dunkirk.....	Chautauqua.....	3,423	6,760	51 32	20 64	31 18	50.5	30.5	28.6	118
Medina.....	Orleans.....	1,112	6,750	90 49	24 03	66 46	98.5	35.6	23.7	119
3.....	Essex.....	2,639	6,713	64 75	20 48	44 27	65.9	30.5	29.1	119
Newburgh.....	Orange.....	5,337	6,694	65 90	15 63	50 27	75.1	23.3	36.4	119
Johnson City.....	Broome.....	2,005	6,687	81 40	19 30	62 10	92.9	28.9	31.0	120
North Tarrytown.....	Westchester.....	1,290	6,667	64 57	15 49	49 08	73.6	23.2	36.8	120
2.....	Seneca.....	1,915	6,651	52 80	15 43	37 37	56.2	23.2	36.9	120
1.....	A/bany.....	2,205	6,609	45 63	16 89	28 74	43.5	25.6	35.0	121

4	Dutchess	2,079	6,604	47 45	17 56	29 80	45.3	26.6	34.0	121
Little Falls	Herkimer	2,006	6,509	70 95	10 28	54 67	25.0	25.0	30.4	123
Cortland	Cortland	2,428	6,370	64 76	17 54	47 22	74.1	27.6	35.8	126
Saranac Lake	Franklin	1,137	6,369	95 13	20 47	74 05	117.2	32.1	30.7	128
1	Essex	601	6,352	73 19	19 30	53 99	85.0	30.2	32.7	126
Catskill	Greene	900	6,287	71 84	20 14	51 70	79.2	32.0	31.6	127
6	Jefferson	2,808	6,286	45 81	18 80	20 01	46.3	26.7	36.9	127
1	Ulster	1,754	6,275	44 42	14 30	30 00	47.9	22.9	40.9	128
3	Herkimer	1,440	6,272	49 85	16 06	30 20	48.3	26.4	37.4	128
Rome	Oneida	4,496	6,238	65 70	15 62	60 08	80.3	25.0	39.1	128
Freeport	Nassau	2,402	6,237	83 16	16 62	66 24	106.2	27.1	37.0	128
1	Cayuga	5,820	6,233	75 14	10 34	55 80	80.5	31.0	38.1	128
2	Clinton	1,430	6,206	81 97	18 77	63 20	101.8	30.2	34.2	120
2	Montgomery	2,359	6,191	48 86	15 76	33 10	53.5	25.5	30.2	129
1	Herkimer	1,902	6,187	64 44	18 12	46 32	74.7	29.2	35.3	129
Oswego	Oswego	3,272	6,170	72 58	17 49	36 07	39.3	28.3	36.5	130
2	Cattaraugus	2,244	6,145	48 92	19 05	29 87	48.6	31.0	34.1	130
Illion	Herkimer	2,090	6,085	65 92	17 47	48 45	70.6	28.7	37.0	132
2	Broome	1,770	6,065	48 58	10 47	30 11	48.0	32.1	33.8	132
6	St. Lawrence	2,333	6,050	50 82	18 62	32 20	53.1	30.7	33.3	132
Kingston	Ulster	4,379	6,018	58 88	16 67	42 31	70.3	27.7	39.8	133
1	Seneca	1,919	6,010	40 33	17 98	31 46	52.3	29.8	36.8	133
2	Ontario	2,867	5,999	49 72	17 02	32 70	54.5	28.4	38.8	133
2	Cayuga	1,673	5,968	51 06	19 19	31 87	53.2	32.0	34.7	133
1	Dutchess	1,691	5,963	66 23	17 46	48 77	81.4	29.1	37.0	133
4	Delaware	2,899	5,887	44 30	20 50	23 71	40.3	35.0	33.0	136
3	Wayne	2,676	5,875	51 51	17 47	34 04	57.6	29.7	38.3	136
1	Madison	1,851	5,866	72 77	10 39	53 98	91.0	33.1	35.1	136
Portchester	Westchester	4,284	5,862	75 55	10 76	58 79	100.3	28.6	36.6	136
Hudson	Columbia	2,112	5,857	58 27	15 15	43 12	73.6	25.9	42.4	137
1	Chemung	1,932	5,792	50 52	18 16	32 36	55.9	31.4	37.7	138
2	Tompkins	1,987	5,752	50 53	18 47	41 06	71.4	32.1	37.4	139
1	Chautauque	7,767	5,718	78 64	17 28	61 36	107.3	30.2	30.7	140
1	Chautauque	2,618	5,700	30 07	18 81	31 28	54.8	33.0	37.2	140
1	Cattaraugus	4,809	5,683	65 37	14 84	30 53	38.0	26.1	44.3	141
2	Lewis	1,922	5,675	49 66	18 62	23 74	41.6	33.3	37.1	141
3	Orleans	2,235	5,671	47 36	15 28	32 08	56.6	29.9	43.6	141
1	Herkimer	1,868	5,669	48 32	15 89	32 43	57.2	28.0	42.5	141
Gloversville	Fulton	4,130	5,615	69 33	15 84	53 40	95.3	28.2	43.0	142
1	Wayne	3,262	5,612	49 72	16 62	32 80	58.4	30.1	41.1	142
1	Orange	1,667	5,602	72 94	17 44	55 50	99.1	31.1	40.3	143
2	Livingston	2,312	5,506	47 33	18 56	28 77	52.3	38.9	38.9	145
Hudson Falls	Washington	1,133	5,480	64 34	18 79	45 55	83.0	34.3	38.7	146
1	Westchester	2,690	5,451	62 62	15 62	47 60	87.3	27.6	46.8	147
1	Columbia	2,130	5,434	54 39	20 20	34 13	62.6	37.3	36.3	147
Baldwin	Nassau	1,140	5,430	71 03	16 13	54 55	101.0	29.8	48.9	147

* Full valuation of real estate.

TABLE B — (Continued)

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equivalent of State aid	Additional local tax rate to raise \$40	Local tax rate to raise \$80
Batavia	Genesee	2,806	\$5,426	\$72 32	\$18 07	\$54 25	100.0	33.3	40.4	147
Fredonia	Chautauqua	1,078	5,423	71 05	18 23	52 82	97.4	33.6	40.1	147
Corning	Steuben	2,919	5,324	54 92	15 72	39 20	73.6	29.5	45.6	150
2	Onondaga	2,486	5,310	50 34	16 81	33 53	63.1	31.7	43.7	151
Canaugus	Ontario	1,693	5,310	67 18	19 54	47 64	89.7	36.8	38.5	151
Wellsville	Alleghany	1,234	5,302	73 97	19 21	54 76	103.3	36.2	39.2	151
3	Livingston	2,344	5,288	47 97	18 24	29 73	56.2	34.5	41.1	151
1	Montgomery	3,372	5,225	52 69	17 44	35 25	67.5	33.4	43.2	153
Union Endicott	Broome	3,611	5,206	56 08	16 49	42 59	81.8	31.7	45.2	154
3	Wyoming	2,181	5,195	49 03	17 22	31 81	61.2	33.1	43.8	154
Lawrence	Nassau	2,455	5,181	94 47	15 09	78 48	151.6	30.9	46.3	154
1	Herkimer	2,456	5,177	40 70	17 29	32 41	62.6	33.4	43.9	155
3	Ulster	2,786	5,121	42 99	19 29	23 74	46.4	37.7	40.4	157
Salamanca	Cattaraugus	1,696	5,090	68 36	17 70	50 66	99.5	34.8	43.8	158
Schenectady	Schenectady	5,007	5,070	49 21	11 32	37 89	74.7	22.3	56.6	160
4	Madison	2,476	4,986	54 54	18 24	36 30	72.8	36.6	43.6	160
3	Greene	1,794	4,949	48 31	21 48	26 83	54.2	43.4	37.4	162
3	Chautauqua	2,077	4,931	46 42	19 82	26 60	53.9	40.2	40.9	162
2	Sullivan	4,272	4,916	45 63	16 63	29 00	59.0	33.8	47.5	163
2	Warren	1,382	4,903	42 85	21 97	20 71	42.2	44.8	36.8	163
2	Saratoga	1,686	4,890	44 37	22 37	22 00	45.0	45.7	36.1	164
Ogdensburg	St. Lawrence	2,051	4,826	64 42	18 44	45 98	95.3	38.2	44.7	166
5	Oswego	2,123	4,793	41 53	18 57	22 96	47.9	38.7	44.7	167
2	Essex	3,633	4,784	51 48	19 45	32 03	67.0	40.7	43.0	167
4	Otsego	2,050	4,766	49 57	21 85	27 72	58.3	45.9	38.2	168
4	Jefferson	2,693	4,749	46 78	18 61	28 13	59.2	39.2	45.1	169
4	Saratoga	2,045	4,748	47 26	19 52	27 74	58.4	41.1	43.1	169
Watervliet	Albany	2,262	4,735	59 34	16 56	42 78	90.3	35.0	49.5	169
1	St. Lawrence	2,320	4,733	43 40	19 07	34 42	61.6	40.1	44.4	169
Seneca Falls	Seneca	1,187	4,733	66 16	18 98	47 18	99.7	36.2	45.5	169
4	Onondaga	3,667	4,722	52 06	17 10	34 96	74.0	40.3	44.2	169
LeRoy	Genesee	1,035	4,647	71 95	20 16	51 79	111.4	43.4	42.7	172
5	Onondaga	3,121	4,630	51 63	17 88	33 75	72.9	38.6	47.8	173
5	Erie	2,451	4,629	46 04	17 62	28 42	61.4	38.1	48.3	173
Saugerties	Ulster	750	4,588	61 34	19 29	42 05	91.7	42.0	45.1	174
Hornell	Steuben	2,786	4,577	75 30	18 40	56 90	124.3	40.2	47.2	176

1	Schuyler	1,870	4,564	51 27	21 72	29 55	64.7	47.6	40.1	175
3	Onondaga	3,104	4,550	50 36	17 14	33 32	73.2	37.7	50.2	176
Penn Yan	1,200	4,546	53 23	23 91	29 32	64.5	52.6	35.4	176	
1	Essex	1,657	4,644	47 17	21 19	25 98	57.2	46.6	41.4	176
Norwich	1,916	4,511	61 44	17 54	43 90	97.3	38.9	49.8	177	
3	Warren	1,037	4,497	40 72	22 86	17 76	39.5	51.1	37.9	178
5	Jefferson	2,838	4,432	46 56	19 03	27 53	62.1	42.9	47.3	180
1	Chemung	3,348	4,429	47 62	20 68	26 94	60.8	46.7	43.6	181
3	Columbia	1,510	4,427	40 35	17 85	22 50	50.8	40.3	50.0	181
6	Delaware	1,785	4,389	50 21	20 37	29 84	68.0	46.4	44.7	182
8	Otsego	2,428	4,386	54 00	22 83	31 17	71.1	52.1	39.1	182
1	Steuben	2,192	4,383	48 78	20 18	28 60	65.3	46.0	45.2	182
3	Jefferson	2,405	4,376	41 42	16 95	24 47	55.9	38.7	52.7	182
2	Sullivan	2,964	4,369	47 00	22 95	24 05	55.0	52.5	39.0	183
Solvay	1,789	4,309	92 70	23 44	69 26	160.7	54.4	38.4	188	
2	Wyoming	3,103	4,297	49 13	19 00	30 13	70.1	44.2	48.9	186
3	Steuben	2,031	4,265	42 38	18 94	23 44	55.0	44.4	49.4	188
5	Cattaraugus	2,583	4,264	45 67	10 48	26 19	61.4	45.7	48.1	188
1	Fulton	1,497	4,230	39 02	18 68	20 34	48.1	44.2	50.4	189
2	Wayne	2,157	4,225	44 62	17 87	26 75	63.3	42.3	52.4	189
1	Cortland	2,227	4,209	45 30	19 33	26 45	62.8	46.0	49.1	190
Danville	874	4,208	65 51	19 85	45 76	108.7	47.2	47.9	190	
3	Oneida	3,197	4,193	56 99	19 03	37 96	90.5	45.4	50.0	191
Tyonderoga	1,103	4,179	64 62	15 23	49 39	118.2	36.4	59.3	191	
Nyack	1,443	4,165	73 17	17 54	56 03	134.5	41.2	54.9	192	
2	St. Lawrence	1,714	4,164	36 25	20 41	17 84	42.8	49.0	47.0	192
6	Chautauqua	3,380	4,164	51 99	18 22	33 74	81.0	43.8	52.3	192
1	Delaware	2,111	4,163	46 08	19 26	26 62	64.4	46.3	49.8	192
1	Yates	1,737	4,140	44 52	17 72	26 80	64.7	42.8	53.8	193
6	Steuben	2,468	4,135	46 11	20 18	25 92	62.7	48.8	48.0	194
Newark	1,699	4,132	66 65	17 13	49 52	119.8	41.4	55.3	194	
Hempstead	2,825	4,131	66 38	16 83	49 55	119.9	40.7	56.1	194	
0	Schuyler	1,995	4,122	45 69	18 88	26 81	65.0	45.8	51.2	194
2	Lewis	2,414	4,119	49 01	22 37	26 64	64.7	54.3	42.8	194
0	Clinton	2,363	4,116	102 35	25 65	76 70	186.3	62.3	34.9	194
Johnstown	2,169	4,094	89 21	16 72	52 49	128.2	40.8	56.9	195	
4	Chautauqua	2,221	4,093	58 83	23 00	35 83	87.5	56.2	41.5	195
3	St. Lawrence	2,356	4,091	36 00	17 78	18 22	44.5	43.5	54.3	196
Tupper Lake	991	4,084	62 97	16 89	36 08	88.3	41.4	56.6	196	
Malons	1,943	4,082	58 89	17 46	36 29	88.9	42.8	55.2	196	
7	St. Lawrence	2,246	4,079	39 90	17 36	22 54	55.3	42.6	55.5	198
1	Washington	2,879	4,037	41 38	21 75	19 63	48.6	53.9	45.2	198
Scotia	1,371	4,010	67 29	18 11	48 45	120.8	45.2	54.6	200	
1	Schenectady	1,382	3,972	45 51	21 89	23 62	59.5	55.1	45.6	201
3	Oswego	2,675	3,949	44 07	19 69	24 38	61.7	49.9	51.4	203
8	Lewis	1,323	3,948	41 83	21 25	20 58	52.1	53.8	47.5	203

* Full valuation of real estate.

TABLE B — (Continued)

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valua- tion* per weighted pupil	Current expenses per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equi- val- ent of State aid	Addi- tional local tax rate to raise \$40	Local tax rate to raise \$80
Owego.....	Tioga.....	1,012	\$3,944	\$62 88	\$20 05	\$42 83	108.6	50.8	50.6	203
4.....	Clinton.....	2,267	3,940	41 52	19 27	22 25	56.5	49.9	52.6	203
2.....	Jefferson.....	2,350	3,903	48 64	19 55	29 09	64.5	50.1	52.4	205
1.....	Broome.....	1,776	3,879	50 93	21 59	29 34	75.6	55.7	47.5	206
4.....	Cayuga.....	1,304	3,874	38 98	19 18	19 80	51.1	49.5	53.7	206
1.....	Onondaga.....	2,863	3,857	46 48	18 79	27 69	71.8	48.7	55.0	207
2.....	Oneida.....	2,448	3,846	49 08	20 66	28 40	73.8	53.7	50.3	208
Albion.....	Orleans.....	1,324	3,828	56 42	19 45	36 97	96.6	50.8	53.7	209
Patchogue.....	Suffolk.....	1,842	3,827	68 19	15 02	48 17	125.9	39.2	65.3	209
1.....	Wyoming.....	2,294	3,781	43 28	18 06	25 21	66.7	47.8	58.0	212
Perry.....	Wyoming.....	1,142	3,776	59 66	17 61	42 05	111.4	46.6	59.3	212
Fairport.....	Monroe.....	1,013	3,748	60 71	18 37	42 34	113.0	49.0	57.7	213
5.....	Chenango.....	1,608	3,744	46 83	20 00	26 83	71.7	53.4	53.4	214
2.....	Madison.....	2,143	3,731	52 47	21 77	30 56	81.9	58.3	48.9	214
8.....	St. Lawrence.....	1,847	3,721	40 69	18 55	22 14	59.5	49.9	57.7	215
2.....	Delaware.....	2,173	3,706	49 14	20 81	28 33	76.4	56.2	51.8	216
2.....	Clinton.....	1,646	3,702	37 56	21 83	15 73	42.5	59.0	49.1	216
2.....	Allegany.....	2,568	3,696	51 87	21 65	30 22	81.8	58.6	49.6	216
2.....	Chautauqua.....	1,839	3,694	48 70	20 75	27 95	75.7	56.2	51.1	217
5.....	Allegany.....	2,038	3,690	39 63	16 92	22 71	61.5	45.9	62.5	217
4.....	Chenango.....	1,897	3,684	46 62	21 92	24 70	67.0	59.5	49.1	217
3.....	Lewis.....	1,854	3,634	42 72	21 04	21 68	59.7	57.9	52.2	217
4.....	Oswego.....	2,424	3,623	41 42	20 89	20 53	56.7	57.7	52.7	221
4.....	Franklin.....	2,167	3,616	43 19	19 92	23 27	64.4	55.1	55.5	221
East Rochester.....	Monroe.....	1,286	3,609	53 74	16 01	37 65	104.3	44.4	66.5	222
1.....	Clinton.....	1,895	3,606	39 68	21 62	18 06	50.1	60.0	51.0	222
5.....	St. Lawrence.....	3,132	3,584	41 86	18 87	22 99	64.1	59.0	57.4	224
1.....	Cayuga.....	1,659	3,566	40 93	19 52	21 41	60.0	54.7	58.6	224
1.....	Allegany.....	2,220	3,563	38 00	19 12	18 88	53.0	53.7	58.6	225
Waverly.....	Tioga.....	1,221	3,557	64 97	17 32	47 65	134.0	48.7	63.8	225
2.....	Yates.....	1,792	3,529	35 91	17 42	18 49	52.4	49.4	64.0	227
4.....	St. Lawrence.....	2,034	3,521	35 33	19 44	15 89	45.1	55.2	58.4	227
2.....	Greene.....	1,527	3,515	42 59	21 81	20 78	59.1	55.2	51.7	227
3.....	Tioga.....	1,380	3,510	43 67	20 29	23 68	27.2	57.8	56.2	228
1.....	Franklin.....	2,090	3,498	37 84	20 96	16 88	48.3	59.9	54.4	229
1.....	Otego.....	1,417	3,452	45 32	22 26	23 06	66.8	64.5	51.4	232

5	Oneida	1,952	3,437	42 63	20 20	22 43	65.3	58.8	57.6	233
7	Oneida	1,831	3,394	42 25	18 67	23 68	69.8	54.7	63.1	236
7	Walden	1,003	3,388	60 65	17 37	46 80	138.1	51.3	66.8	236
4	Washington	3,308	3,357	39 97	18 03	21 04	65.4	53.7	65.4	238
5	Cattaraugus	2,022	3,365	46 48	18 70	27 78	82.8	55.7	63.5	238
3	Washington	1,998	3,344	42 30	17 03	24 38	78.6	53.6	66.0	239
1	Jefferson	1,950	3,325	46 36	20 23	26 13	78.6	60.6	59.5	241
7	Steuben	2,076	3,318	44 68	21 03	23 65	71.3	63.4	67.2	241
1	Tompkins	1,486	3,301	45 15	22 75	22 40	67.9	68.9	52.3	242
2	Chenango	2,010	3,293	47 29	21 25	26 04	79.1	64.5	56.9	243
4	Oswego	2,057	3,284	43 55	19 19	24 36	74.2	58.4	63.4	244
6	Otsego	1,202	3,281	46 87	25 18	21 69	66.1	76.7	45.2	244
3	Delaware	3,177	3,245	50 57	20 66	29 01	92.2	63.7	56.6	247
3	Rensselaer	927	3,228	62 98	20 04	42 94	133.0	61.1	61.8	247
3	Rockland	1,251	3,192	55 46	15 52	39 94	125.1	48.6	76.7	251
2	Tioga	1,560	3,171	45 13	21 93	23 20	73.2	69.2	67.0	252
2	Saratoga	2,257	3,169	73 20	18 06	55 14	174.0	67.0	69.2	252
1	Steuben	965	3,154	48 04	19 82	28 22	89.5	62.8	64.0	254
4	Cattaraugus	2,813	3,140	46 52	19 77	26 75	85.2	63.0	64.4	255
4	Cattaraugus	3,499	3,113	52 24	18 99	33 25	106.8	61.0	67.5	257
1	Onondaga	1,193	3,104	54 77	15 73	39 04	125.8	50.7	78.2	258
4	Oneida	1,868	3,086	41 78	16 54	25 24	81.8	53.6	73.0	258
2	Steuben	1,665	3,080	37 95	18 91	19 04	61.8	61.4	68.5	260
2	St. Lawrence	1,192	3,078	18 88	18 88	39 17	127.3	61.3	68.6	260
1	Madison	2,565	3,041	49 62	22 02	27 60	90.8	72.4	59.1	263
5	Cayuga	1,708	3,035	46 18	21 17	25 01	82.4	69.3	62.0	264
2	Schoharie	1,882	3,002	39 26	18 86	20 41	68.0	62.8	70.4	266
3	Washington	1,277	2,985	69 68	17 15	42 53	142.5	57.5	76.5	268
3	Franklin	1,741	2,970	35 54	20 27	15 27	61.4	68.2	66.4	269
4	Ontario	1,998	2,962	39 77	19 38	20 39	68.8	65.4	69.6	270
4	Madison	2,203	2,961	42 62	19 25	23 37	78.9	65.0	70.1	270
3	Chenango	1,610	2,898	48 23	22 11	26 12	90.1	76.3	61.7	276
4	Broome	1,912	2,895	43 13	20 50	22 63	78.2	70.8	67.4	276
3	Alleghany	1,992	2,895	43 34	21 13	22 21	76.7	73.0	65.2	276
2	Oswego	2,482	2,875	40 58	21 65	19 03	66.2	75.0	64.2	278
4	Cortland	1,608	2,875	39 40	16 51	20 89	72.7	64.4	74.7	278
2	Rensselaer	1,347	2,866	36 65	21 40	15 25	53.2	64.7	64.9	279
2	St. Lawrence	1,665	2,840	53 37	15 63	37 74	132.9	55.0	85.8	282
5	Otsego	1,733	2,801	46 20	24 17	22 03	78.7	86.3	66.5	286
2	Delaware	1,690	2,772	42 20	20 25	21 95	79.2	73.1	71.3	289
1	Tioga	1,661	2,763	42 60	23 40	19 20	69.5	84.7	60.1	290
2	Cortland	1,424	2,730	39 55	22 20	17 35	63.6	81.3	65.2	293
2	Fulton	1,944	2,718	37 74	18 77	18 07	69.8	69.1	78.1	294
2	Frankfort	1,167	2,538	47 35	14 50	32 85	129.4	57.1	100.5	315
2	Washington	1,369	2,536	42 68	18 87	23 81	93.9	74.4	83.3	315
3	Tompkins	2,433	2,489	41 26	17 05	23 31	63.7	72.1	68.6	321
3	Rockland	1,384	2,466	51 82	15 70	40 12	162.7	63.7	98.5	324
5	Otsego	1,702	2,452	37 45	20 05	17 40	71.0	81.8	81.4	326

TABLE B—(Concluded)

SUPERVISORY DISTRICT, CITY OR VILLAGE	County	Number of weighted pupils	Full valua- tion* per weighted pupil	Current expenses per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equiv- alent of State aid	Addi- tional local tax rate to raise \$40	Local tax rate to raise \$80
3.....	Steuben.....	1,991	\$2,365	\$41 85	\$21 82	\$20 03	84.7	92.3	76.9	338
4.....	Steuben.....	1,651	2,261	34 13	20 21	13 92	61.6	89.4	87.5	354
1.....	Chenango.....	1,710	2,178	39 34	21 68	17 66	81.1	99.5	84.1	367
2.....	Albany.....	1,523	2,124	37 93	22 54	15 39	72.5	106.1	82.2	377
1.....	Schoharie.....	1,373	2,114	38 53	24 90	13 63	64.5	117.8	71.4	378
Waterford.....	Saratoga.....	898	1,889	63 94	19 31	44 63	236.3	102.2	109.5	423
Ballston Spa.....	Saratoga.....	884	1,694	66 01	20 67	45 34	267.7	122.0	114.1	472
6.....	Oneida.....	2,013	1,377	40 57	21 74	18 83	136.7	157.9	132.6	581

* Full valuation of real estate.

TABLE C
DATA BEARING ON THE FISCAL SUPPORT OF PUBLIC EDUCATION IN DISTRICTS AS NOW ORGANIZED IN THE STATE
OF NEW YORK
Extremely wealthy and extremely poor districts

DISTRICT	Number of weighted pupils	Full valuation* per weighted pupil	Current expense per weighted pupil	State aid per weighted pupil	Local current expense per weighted pupil	Computed local tax rate	Local tax rate equivalent of State aid	Additional local tax rate to raise \$40	Local tax rate to raise \$80
Westchester county, Cortland town, district 3.....	27	\$86,657	\$92 96	\$12 04	\$80 92	9.3	1.4	3.2	9
Westchester county, Rye town, district 5.....	27	69,946	85 19	12 04	73 15	10.5	1.7	4.0	11
Cayuga county, Conquest town, district 2.....	27	32,419	36 93	12 04	24 89	7.7	3.7	8.6	25
Essex county, Lewis town, district 3.....	27	32,240	31 37	12 04	19 33	6.0	3.7	8.7	25
Otsego county, Morris town, district 7.....	27	18,760	34 07	12 04	22 03	11.7	6.4	14.9	43
Cattaraugus county, Great Valley town, district 5.....	27	637	39 96	17 75	21 21	348.7	278.6	349.3	1,356
Sullivan county, Fallsburg town, district 13.....	506	547	43 57	15 66	27 91	510.2	286.3	445.0	1,463
Warren county, Haricon town, district 6.....	27	445	37 19	25 37	11 82	265.5	570.1	328.8	1,798
Ulster county, Wawarsing town, district 12.....	27	412	29 19	25 70	3 49	84.7	623.8	347.1	1,042

* Full valuation of real estate.

APPENDIX III

PRELIMINARY TABULATIONS SHOWING THE AGGREGATE AMOUNT OF STATE AID FOR EDUCATION BY CITIES AND SCHOOL DISTRICTS UNDER PRESENT LAWS TOGETHER WITH INCREASES UNDER THE PROPOSED JOINT PROGRAM

Prepared by the State Department of Education at the Request of the Senate Committee on Education and the Special Joint Committee on Taxation and Retrenchment.

These tables include all cities, a selected group of Union Free School Districts, and a summary table including all schools. The figures are tentative and subject to revision. They are presented to illustrate the proposed joint program as outlined on pages 35 to 38.

TABLE I
PRELIMINARY TABULATIONS FOR CITIES

CITIES	TEACHERS		Basis of equalization	Product of one and one-half mills local tax levy	Proposed State aid excluding equalization quota	INCREASED STATE AID		
	Elementary	Academic				For equalization	For teacher quota	Total increase
	(1)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Albany.....	329	76	\$516,400 00	\$257,462 12	\$365,382 83	.....	\$55,000 00	\$55,000 00
Amsterdam.....	160	24	230,400 00	64,224 60	149,037 26	\$17,138 24	31,762 50	48,900 74
Auburn.....	123	52	230,800 00	64,669 68	135,019 76	43,110 56	28,900 00	71,910 56
Batavia.....	73	25	127,600 00	23,924 25	70,673 82	33,001 93	15,375 00	48,378 93
Beacon.....	43	14	74,000 00	15,200 57	39,096 58	19,702 85	8,212 50	27,915 35
Binghamton.....	201	68	458,000 00	129,348 77	340,163 24	.....	57,187 50	57,187 50
Buffalo.....	1,805	445	2,878,000 00	1,309,238 48	2,255,647 01	.....	261,000 00	261,000 00
Canandaigua.....	27	23	79,200 00	13,918 96	42,648 15	22,632 89	7,675 00	30,307 89
Cohoes.....	61	13	94,000 00	30,232 60	48,699 74	15,087 66	10,050 00	25,117 66
Corning No. 9.....	26	18	60,000 00	17,127 64	24,688 80	8,183 56	6,487 50	14,671 06
Corning No. 13.....	29	18	63,600 00	7,094 06	32,056 55	24,440 89	4,800 00	29,249 89
Cortland.....	57	21	102,000 00	23,084 88	56,459 21	22,455 91	11,662 50	34,118 41
Dunkirk.....	77	29	138,800 00	35,607 05	93,819 21	9,373 74	17,650 00	26,923 74
Elmira.....	150	72	295,200 00	82,837 51	175,916 28	36,446 21	34,087 50	70,533 71
Fulton.....	63	25	115,600 00	26,233 18	54,903 83	34,462 99	11,325 00	45,787 99
Geneva.....	52	20	94,400 00	30,881 82	60,735 84	2,782 34	12,262 50	15,044 84
Glen Cove.....	43	13	72,400 00	24,832 43	36,617 03	10,950 54	7,725 00	18,675 54
Glens Falls.....	48	23	94,400 00	26,125 53	48,056 23	20,218 24	9,487 50	29,705 74
Gloversville.....	91	33	162,000 00	33,793 88	91,283 98	36,922 14	19,725 00	56,647 14
Hornell.....	58	26	111,200 00	19,778 64	73,196 95	18,225 51	14,475 00	32,700 51
Hudson.....	53	14	86,000 00	16,972 88	51,145 06	17,882 06	9,712 50	27,594 56
Ithaca.....	68	40	145,600 00	38,345 63	89,137 40	18,116 97	17,775 00	35,891 97
Jamestown.....	176	63	292,000 00	66,907 08	185,155 49	39,637 43	39,487 50	79,424 93
Johnstown.....	50	16	85,600 00	13,424 64	48,890 98	23,284 38	10,162 50	33,446 88
Kingston.....	102	42	189,600 00	38,502 68	99,214 21	51,883 11	19,600 00	71,383 11
Lackawanna.....	74	9	104,200 00	43,270 30	71,865 27	.....	8,800 00	8,800 00
Little Falls.....	57	11	86,000 00	29,329 13	45,690 07	10,680 80	10,012 50	20,693 30
Lockport.....	81	36	154,800 00	50,631 41	94,642 33	9,526 26	18,900 00	28,426 26
Long Beach.....	10	4	18,400 00	41,925 38	8,029 17	.....	1,837 50	1,837 50
Mechanicville.....	62	12	93,600 00	15,187 36	53,518 59	24,894 05	11,962 50	36,856 55
Middletown.....	73	28	132,400 00	37,796 82	64,507 97	30,095 21	13,275 00	43,370 21
Mt. Vernon.....	240	75	408,000 00	132,321 93	252,711 37	22,966 70	28,800 00	51,766 70
New Rochelle.....	191	58	322,000 00	162,547 33	225,097 40	.....	27,950 00	27,950 00
Newburgh.....	140	38	228,800 00	77,946 75	112,534 31	38,318 94	25,050 00	63,368 94

Niagara Falls.....	262	61	412,000 00	194,337 03	261,409 30	.....	42,031 33	42,031 33
New York.....	27,384	4,404	39,907,200 00	19,552,844 81	21,778,179 12	.....	1,365,750 00	1,865,750 00
North Tonawanda.....	66	17	108,400 00	30,297 84	58,228 26	17,873 90	12,225 30	30,098 90
Norwich.....	42	20	82,400 00	13,250 36	43,047 89	26,101 95	8,250 00	34,351 95
Ogdensburg.....	52	17	89,600 00	14,060 58	48,107 19	26,832 23	10,387 50	37,219 73
Olean.....	111	36	190,800 00	35,873 27	96,639 10	58,287 63	21,975 00	80,262 63
Oneida.....	38	21	79,200 00	14,217 62	48,103 81	16,878 57	0,000 00	25,878 57
Oneonta.....	50	25	100,000 00	22,653 24	46,378 98	30,807 80	9,200 00	40,157 80
Oswego.....	71	38	146,000 00	32,192 01	83,384 03	30,423 98	15,675 00	48,068 98
Plattsburg.....	28	12	52,800 00	13,791 89	34,847 25	4,160 86	6,750 00	10,910 86
Port Jervis.....	42	17	77,600 00	16,786 45	45,972 16	14,841 39	9,450 00	24,291 39
Poughkeepsie.....	170	49	282,400 00	77,637 82	132,799 19	71,962 99	27,675 00	99,637 99
Rensselaer.....	39	16	72,400 00	18,470 40	46,273 33	7,656 27	0,200 00	16,856 27
Rochester.....	1,127	294	1,822,800 00	820,955 41	1,493,546 10	.....	176,100 00	176,100 00
Rome.....	112	27	177,600 00	34,595 45	93,189 27	47,835 28	20,325 00	68,160 28
Salamanca.....	39	19	77,200 00	13,130 70	41,689 66	22,379 64	8,250 00	30,629 64
Saratoga Springs.....	49	22	94,000 00	22,153 72	52,261 40	19,584 86	10,912 50	30,497 86
Schenectady.....	439	121	730,400 00	205,770 18	456,193 69	58,438 13	73,125 00	131,561 13
Syracuse.....	663	195	1,107,600 00	420,848 27	652,656 56	34,095 17	80,125 00	114,220 17
Tonawanda.....	45	17	81,200 00	22,899 67	41,463 23	16,847 10	8,925 00	25,772 10
Troy.....	185	45	294,000 00	92,923 51	190,513 18	10,563 31	27,781 25	38,344 56
Utica.....	385	81	591,600 00	201,723 36	380,083 48	9,793 16	62,281 25	72,074 41
Watertown.....	146	44	245,600 00	69,462 63	130,585 20	49,552 17	28,675 00	78,127 17
Watervliet.....	52	17	89,600 00	15,614 41	49,623 53	24,362 06	10,312 50	34,874 56
White Plains.....	114	41	202,400 00	84,847 56	156,884 42	.....	18,750 00	18,750 00
Yonkers.....	523	129	884,000 00	322,955 06	554,375 79	.....	65,075 00	65,075 00

- (1) The number of elementary and high school teachers listed for each city does not necessarily represent the actual number of teachers now employed. It represents the number of teachers required on the basis of the number of teachers employed throughout the State in proportion to the number of pupils.
- (2) The figures in this column are derived from column one by allowing \$1,100 for each elementary teacher and \$1,800 for each high school teacher.
- (3) Estimated full value of real estate is used in computing the product of the one and one-half mills local tax.
- (4) The figures in this column represent present State aid plus increased State aid for teacher quotas listed in column six.
- (5) The figures in this column are derived by subtracting the amounts listed in columns three and four from column two. The amounts here listed when added to the required local tax levy (column three) plus all other State aid (column four) will produce the full equalized quota (column two).
- (6) The figures in this column represent the increases to be received by each city through the increase of teacher quotas.
- (7) The figures in this column represent the addition of columns five and six.

TABLE II
PRELIMINARY TABULATIONS FOR UNION FREE SCHOOL DISTRICTS HAVING SUPERINTENDENTS

DISTRICTS	TEACHERS		Basis of equalisation	Product of one and one-half mills local tax levy	Proposed State aid excluding equalization quota	INCREASED STATE AID		
	Elementary	Academic				For equalization	For teacher quota	Total increase
	(1)	(1)							(2)	(3)	(4)	(5)	(6)	(7)
Albion.....	22	16	\$52,000 00	\$8,852 65	\$32,729 04	\$10,418 31	\$5,400 00	\$15,818 31
Baldwin.....	33	9	54,000 00	9,285 47	28,577 72	16,136 81	6,000 00	22,136 81
Ballston Spa.....	21	8	38,000 00	5,084 61	24,587 12	8,328 27	4,687 50	13,015 77
Bath.....	18	12	40,800 00	5,073 51	21,934 43	13,792 06	3,750 00	17,542 06
Bayshore.....	30	8	48,800 00	21,289 43	27,249 81	261 26	5,625 00	5,886 26
Bronxville.....	14	6	26,400 00	36,067 29	19,047 83	.....	3,862 50	3,862 50
Carthage.....	15	10	34,000 00	9,215 15	23,398 42	1,386 43	4,350 00	5,736 43
Catskill.....	20	8	36,800 00	13,388 65	22,999 63	411 72	3,900 00	4,311 72
Dansville.....	15	11	35,600 00	8,013 38	22,784 02	4,802 60	3,600 00	8,402 60
Depew.....	19	8	35,600 00	14,356 48	26,258 60	.....	3,900 00	3,900 00
East Rochester.....	38	8	58,400 00	8,222 43	27,132 13	23,045 44	5,625 00	28,670 44
East Syracuse.....	31	8	50,000 00	6,741 51	25,367 17	17,891 32	5,362 50	23,253 82
Endicott.....	108	22	164,800 00	32,429 83	87,925 10	44,445 07	18,337 50	62,782 57
Fairport.....	24	11	46,400 00	6,411 93	25,814 37	14,173 70	5,087 50	19,261 20
Frankfort.....	34	7	52,000 00	4,652 29	23,958 59	23,389 12	5,137 50	28,526 62
Fredonia.....	29	11	52,400 00	8,815 48	29,430 62	14,153 90	5,662 50	19,816 40
Freeport.....	61	17	100,400 00	30,928 93	56,168 07	13,303 00	13,125 00	26,428 00
Gouverneur.....	25	13	50,800 00	6,201 79	29,558 52	14,939 69	5,062 50	20,002 19
Great Neck.....	21	7	36,400 00	5,573 33	81,619 18	.....	6,000 00	6,000 00
Green Island.....	16	.....	19,200 00	7,550 24	10,988 25	663 41	2,475 00	3,138 41
Harrison.....	31	6	46,800 00	19,034 00	23,775 00	3,991 00	5,100 00	9,091 00
Hastings-on-Hudson.....	31	9	51,600 00	18,740 31	25,378 53	7,481 16	5,400 00	12,881 16
Haverstraw.....	22	14	48,800 00	6,403 57	26,261 09	16,135 34	3,900 00	20,035 34
Hempstead.....	58	36	127,200 00	24,397 53	78,681 56	24,120 91	13,200 00	37,320 91
Herkimer.....	53	13	84,400 00	19,088 84	46,695 08	18,738 08	9,412 50	28,148 58
Hoosick Falls.....	20	9	38,400 00	5,222 84	23,123 94	10,053 22	4,387 50	14,440 72
Hudson Falls.....	21	14	47,600 00	11,122 62	27,073 97	9,403 41	5,212 50	14,615 91
Huntington.....	48	18	86,400 00	24,697 62	45,049 35	16,653 03	8,737 50	25,390 53
Ilion.....	41	20	81,200 00	18,678 24	40,495 49	13,026 17	10,575 00	23,601 17
Johnson City.....	57	12	87,600 00	22,039 04	53,528 84	12,032 12	11,962 50	23,994 62
Kenmore.....	28	10	49,600 00	17,016 62	25,952 49	6,630 89	5,887 50	12,518 39
Lancaster.....	20	8	36,800 00	11,291 64	27,757 42	.....	5,625 00	5,625 00
Lansingburg.....	49	18	76,800 00	15,739 31	52,254 34	8,806 35	7,968 75	16,775 10
Lawrence.....	66	17	106,400 00	41,092 57	57,627 36	7,680 07	12,750 00	20,430 07

LeRoy	22	11	44,000 00	8,954 80	27,659 70	7,385 50	5,100 00	12,485 50
Lynbrook	33	16	65,200 00	22,972 82	36,429 69	5,797 59	6,600 00	12,397 59
Malone								
Mamaroneck	54	14	87,200 00	54,836 71	47,684 99		10,612 50	10,612 50
Massena	47	10	72,400 00	14,623 86	36,609 47	21,168 65	7,725 00	28,891 65
Medina	24	12	48,000 00	11,219 52	35,307 83	1,472 65	6,075 00	7,647 65
Minerva								
Newark	33	14	62,000 00	11,331 86	39,402 27	11,265 87	6,675 00	17,940 87
Northport	24	8	41,600 00	9,437 95	21,093 11	11,068 94	4,050 00	15,118 94
North Tarrytown								
Nyack	36	10	58,200 00	13,892 86	32,613 01	11,694 13	6,975 00	18,669 13
Ossining	52	18	91,200 00	28,284 57	44,410 80	18,504 63	9,375 00	27,879 63
Owego	19	12	42,000 00	6,087 81	26,310 70	9,601 49	4,425 00	14,026 49
Patchogue	43	16	77,200 00	13,503 72	36,389 27	27,297 01	7,162 50	34,459 51
Peekskill	67	23	117,200 00	20,541 24	56,266 57	40,392 19	11,925 00	52,317 19
Pelham	32	14	60,800 00		39,602 50		9,037 50	9,037 50
Penn Yan	20	18	52,800 00	8,071 83	37,772 81	6,955 36	4,725 00	11,699 36
Perry	28	11	51,200 00	7,071 91	27,283 01	16,845 08	4,950 00	21,795 08
Port Chester	115	24	176,400 00	36,933 93	95,657 36	43,908 71	21,750 00	65,658 71
Port Washington	43	10	67,600 00	25,466 54	37,290 67	4,842 79	8,382 50	13,205 29
Rockville Center	30	15	60,000 00	24,876 42	35,457 79		7,650 00	7,650 00
Roslyn	32	6	48,000 00	11,532 39	29,891 38	6,576 23	6,450 00	13,026 23
Saranac Lake								
Saugerties	16	8	32,000 00	5,623 91	20,874 95	5,501 14	6,000 00	11,501 14
Searsdale	23	9	42,000 00	37,227 76	35,706 93		7,725 00	7,725 00
Scotia	28	16	61,200 00	6,471 08	32,909 09	21,819 83	7,012 50	28,832 33
Seneca Falls	24	13	49,600 00	9,678 24	29,001 05	10,920 71	5,825 00	16,545 71
Solvay	44	18	81,600 00	20,005 27	54,910 45	6,684 28	9,337 50	16,021 78
Spring Valley	32	13	59,200 00	7,547 57	30,134 55	21,517 88	5,850 00	27,367 88
Tarrytown	21	9	39,600 00	17,045 86	29,619 16		6,000 00	6,000 00
Ticonderoga	25	9	44,400 00	8,290 50	22,184 15	13,925 35	4,762 50	18,687 85
Tupper Lake	26	7	42,400 00	6,071 54	23,375 00		5,100 00	18,053 46
Walden	23	8	42,000 00	3,820 84	20,169 44	18,009 62	4,350 00	22,359 62
Waterford	21	6	34,800 00	5,772 89	22,289 15	6,737 96	4,312 50	11,050 46
Waverly	30	13	56,800 00	6,793 97	27,979 96	22,056 37	5,700 00	27,756 37
Wellsville	21	14	47,600 00	11,503 17	30,945 46	5,151 37	6,037 50	11,188 87
Whitehall	35	9	56,400 00	6,103 02	28,645 89	21,651 09	5,887 50	27,538 59

NOTE.—For notes see previous table.

TABLE III

TENTATIVE TABULATION SHOWING TOTAL ESTIMATED INCREASED STATE AID UNDER PROPOSED JOINT PROGRAM

	For equalization	For teacher quotas	Total increase
Cities.....	\$1,262,147 06	\$3,005,981 33	\$4,268,128 39
Villages (excluding Pelham)...	784,929 41	531,556 25	1,316,485 66
High school districts.....	1,882,989 29	966,302 17	2,849,291 46
Elementary districts:			
Eight teachers or more....	161,996 05	63,450 00	225,446 05
Five to seven teachers....	68,023 52	34,919 00	102,942 52
	\$4,160,085 33	\$4,602,208 75	\$8,762,294 08
Two to four teacher schools		300,000 00	300,000 00
One teacher schools.....		370,000 00	370,000 00
			\$9,430,000 00

APPENDIX IV

DERIVATION OF THE FORMULA FOR DETERMINING THE PERCENTAGE OF THE TOTAL COST OF A MINIMUM PROGRAM TO BE PROVIDED BY THE STATE*

The localities will provide the amount raised by multiplying the State total valuation by the uniform local rate. The total amount to be raised is equivalent to the total valuation multiplied by a rate that would be necessary if the total cost were raised by a State-wide real estate tax. The localities' per cent of the whole will be obtained by dividing the local figure by the State figure, or

$$\frac{\text{State valuation} \times \text{uniform local rate}}{\text{State valuation} \times \text{State-wide rate to raise total amount}}$$

Since the State valuation cancels out, this leaves the per cent raised by the local community as the uniform local rate divided by the State-wide rate required to raise the total amount.

Now if the uniform local rate is determined by taking the rate of some given community, such as the wealthiest, for instance, the uniform local rate may be expressed as (in this case)

$$\frac{\$58.50}{\text{Per weighted pupil valuation in the particular community}}$$

The State rate may be expressed as the rate necessary to raise \$58.50 for each weighted pupil in the state, or,

$$\frac{\$58.50}{\text{Per weighted pupil valuation in the State}}$$

The formula for per cent of total cost raised by the communities becomes:

$$\text{Per cent raised by communities} = \frac{\frac{\$58.50}{\text{Per weighted pupil valuation in the particular community}}}{\frac{\$58.50}{\text{Per weighted pupil valuation in the State}}}$$

Since the \$58.50 cancels out, this may be expressed as

$$\text{Per cent raised by communities} = \frac{\text{Per weighted pupil valuation in the State}}{\text{Per weighted pupil valuation in the particular community, the tax rate necessary in which is taken as the uniform local rate.}}$$

The per cent of the total cost to be provided by the State fund readily develops from this:

$$\text{Per cent raised by State} = 100 - \frac{\text{Per Weighted Pupil Valuation in the State}}{\text{Per Weighted Pupil Valuation in the particular community.}}$$

* See page 210.

This formula makes it possible to determine readily the State fund necessary when a given locality is chosen, no matter what the program is. It will be the same per cent of any program.

The formula applies strictly only when the richest community dealt with (Long Beach in this study) is used as the particular community whose required tax rate is taken as the uniform local rate, but can be used as a useful index of the necessary State fund correct within 2 or 3 per cent as long as not more than 5 per cent of the property in the State lies in communities with greater valuation per weighted pupil than the particular community. In this study the error when New York City was used was \$744,000 in \$25,000,000, or approximately 3 per cent. There was 4.2 per cent of the real estate in the abler communities.

APPENDIX V

CLASSIFICATION OF STATE EXPENDITURES BY OBJECT

Since Table XXXIX, which gives a summarized statement of disbursements for administration, maintenance and operation, classified according to objects of expenditure, has been compiled from several sources, an explanation is necessary concerning the data used and methods employed.

Exhibit VI, Part III, of the report of the comptroller for the fiscal year ended June 30, 1917, gives a summarized statement of disbursements classified by character and object of expenditure, and the figures for 1917 as shown on Table XXXIX are based on this statement. The comptroller's tabulation, however, does not segregate expenditures made by state institutions for clothing and for furniture and household supplies, and in order to arrive at the approximate amount of such expenditures for 1917, recourse was had to the "Requests for Appropriations" made at the 1919 session of the legislature as compiled by the legislative budget committee (Leg. Doc., 1919, Vol. 4, No. 11). This compilation contained a detailed analysis by administrative units of "liabilities and expenditures incurred and chargeable to the year ended June 30, 1917," including expenses for clothing and furniture and household supplies chargeable to that year. It will be noted that the figures of the legislative budget committee are on an accrual basis, whereas those of the comptroller are on a cash disbursement basis. However, as shown by the statement which appears below, the variation between the two bases in respect to the items in question is slight.

The report of the comptroller for the fiscal year ended June 30, 1923, has no summary of expenditures classified by object, comparable to the one given for 1917. Summarized statements of expenditures by objects are, however, given separately for state penal, curative and charitable institutions in Part III of the report. To arrive at the comparable expenditures for other functional units it was necessary to turn to the "Classified Schedule of General Fund Condensed Budget Appropriation Accounts" (Part II, Exhibit 17), and to reclassify the individual expenditures listed therein. For the most part the individual expenditures are described in sufficient detail to permit of accurate classification.

As a check upon the reliability of the results and also for the purpose of determining the amount of error involved in using the cash disbursement instead of the accrual basis of computing expense, the liabilities and expenditures for various objects incurred and chargeable to the years ended June 30, 1917 and

1923, were computed from the "Requests for Appropriations" compiled by the legislative budget committee. In the following tabulation the increases in liabilities and expenditures chargeable to 1923 over those for 1917 are ranged alongside of the corresponding increases in cash disbursements.

OBJECT	Liabilities and expenditures incurred and chargeable to fiscal year, 1917	Liabilities and expenditures incurred and chargeable to fiscal year, 1923	Increase in liabilities and expenditures, 1923 over 1917	Increase in cash disbursements, 1923 over 1917
Food.....	\$3,460,200	\$4,101,000	\$640,800	\$558,700
Fuel, light and power.....	1,173,800	2,430,300	1,256,500	1,218,100
Printing and advertising.....	1,644,700	1,165,800	—478,900	—310,800
Traveling.....	901,900	1,573,900	672,000	611,700
Clothing.....	542,400	716,100	173,700	175,200
Furniture, furnishings and household supplies....	463,900	963,600	499,700	502,900
Communication....	392,100	560,200	168,100	512,300
Building repairs....	565,600	782,100	216,500	480,100
Total.....	\$9,144,600	\$12,293,000	\$3,148,400	\$3,338,200

APPENDIX VI

DRAFT OF AN ACT TO AMEND THE TAX LAW IN RELATION TO AN OPTIONAL PERSONAL INCOME TAX FOR CITIES

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter sixty-two of the laws of nineteen hundred and nine, entitled "An act in relation to taxation, constituting chapter sixty of the consolidated laws," is hereby amended by adding thereto a new article, to be article seventeen, to read as follows:

ARTICLE 17.

OPTIONAL PERSONAL INCOME TAX FOR CITIES.

Section 400. Local law for additional personal income tax on residents.

401. Levy and collection of tax.

402. Disposition of tax; payment to city.

403. List of residents to be filed by tax commission.

§ 400. Local law for additional personal income tax on residents. The local legislative body of a city, in the manner and subject to the provisions of the city home rule law except as provided by this article, at any time subsequent to the first day of September in any year and prior to January fifteenth succeeding, may adopt a local law providing that at the time of the next levy by the state upon and in respect of personal income there shall be imposed, pursuant to this article, upon each resident of such city who is a taxpayer upon and in respect to personal income under article sixteen of this chapter, an additional tax equal to a percentage not exceeding one hundred per centum, to be fixed by such local law, of the total amount of tax for which he is liable under such article. Such local law may provide that it shall not take effect until a proposition for the approval thereof shall have been submitted to the electors of such city at a general city election, or at a special city election called for such purpose. Such a proposition shall be submitted in the manner provided by section eighteen of the city home rule law.

§ 401. Levy and collection of tax. Upon the adoption and taking effect of such a local law in any city, the city clerk of such city, on or before January fifteenth, shall transmit a certified copy thereof to the state tax commission, and thereupon on the date of the next levy by the state of a tax upon and in respect to personal income, such additional tax shall be levied upon and in respect to the personal income of every resident of such city who

is liable to pay a tax upon and in respect to personal income pursuant to article sixteen, and such additional tax shall be paid to the state tax commission at the same time and in the same manner as the tax under such article is paid; and all the provisions of such article in relation to the payment and collection of taxes thereunder, and for penalties for failure to pay, shall apply to such additional tax.

§ 402. Disposition of tax; payment to city. All revenue collected or received by the state tax commission under this article shall be deposited in the manner provided by section three hundred and eighty-two of this chapter, but shall not be subject to the provisions of such section in relation to other revenue collected or received by the commission on account of the tax imposed by article sixteen. Of the amount of such additional tax collected or paid, the comptroller shall retain and pay into the state treasury, one per centum for the expenses of administration by the state. Annually on or before the first day of July, and in the case of money subsequently collected at least quarterly thereafter, the comptroller shall distribute and pay to the city treasurer or other chief fiscal officer of each city, the residents of which shall have paid additional taxes pursuant to this article, all money so collected less one per centum thereof as herein provided; and the revenue so received shall be deemed a part of the general fund of such city, and applicable to general city purposes.

§ 403. List of residents to be filed by tax commission. On or before the first day of July in each year, the state tax commission shall file with the city clerk of each city whose residents are required to pay an additional tax pursuant to this article, a list of the names and addresses of all residents of such city who shall have paid such tax or from whom such tax shall have been collected by the tax commission, during the preceding twelve months. Such a list shall be filed in the office of the city clerk and shall be open to public inspection during office hours, subject to such reasonable limitations as the city clerk shall prescribe.

§ 2. This act shall take effect immediately.

APPENDIX VII

DRAFT OF AN AMENDMENT TO THE EDUCATION LAW TO PROVIDE FOR AN EQUALIZATION QUOTA

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article eighteen of chapter twenty-one of the laws of nineteen hundred and nine, entitled "An act relating to education, constituting chapter sixteen of the consolidated laws," as amended, is hereby amended by inserting therein a new section, to be known as section four hundred and ninety-one-b and to read as follows:

§ 491-b. Additional apportionments for certain districts. 1. In addition to all other quotas and apportionments of public school money provided for in this chapter, there shall be apportioned and paid to each city and union free school district or other district organized and established as provided by law, in each of which districts there shall be maintained a high school or academic department approved by the state education department, the sums to be determined by the commissioner of education as hereinafter provided. Such additional quotas and apportionments shall also be apportioned and paid to districts not maintaining an academic department or high school which employ five or more elementary teachers and provide adequately, with the approval of the commissioner of education, for the academic instruction of pupils who have completed the work of the elementary grades. Such additional quotas shall be known as equalization quotas. The sums to be apportioned to each of such districts shall be determined as follows:

There shall be deducted from the total sum of twelve hundred dollars on account of each elementary school teacher plus the sum of sixteen hundred dollars on account of each high school teacher in the public schools of each such city and district, an amount equal to the total of all sums apportioned and paid out of public school moneys to each such city and school district for the year for which the apportionments authorized by this act are made, plus an amount equivalent to a dollar and fifty cents on each one thousand dollars of actual valuation of taxable property within such city or district. The balance remaining after such deduction, if any, shall be apportioned and paid to each such city or school district in the same manner and at the same time as are other apportionments of public moneys under this chapter. The actual valuation of taxable property shall be ascertained by taking the assessed valuation of such property as it appears upon the last assessment roll of the town or city in which such property is located, after revision as provided by law, and by applying thereto

the ratio, as determined by the state tax commission, which such assessed valuation bears to the actual valuation of such property.

2. The number of elementary and high school teachers which is made the basis of the distribution of the equalization quotas as herein provided shall be determined by the commissioner of education in the following manner:

In a district having an average daily attendance of more than one hundred and thirty-five in grades one to eight, inclusive, one teacher shall be counted for each twenty-seven of such pupils in average daily attendance. In districts having an average daily attendance of one hundred and thirty-five or less in grades one to eight, inclusive, two teachers shall be counted for the first forty of such pupils in average daily attendance, and one teacher for each thirty-two pupils in excess of forty. The pupils enrolled in special classes organized under sections five hundred and seventy-eight and ten hundred and twenty of this chapter shall not be included in computing the average daily attendance, and the teachers employed to teach such special classes shall be included in the number of elementary teachers to be computed as herein provided.

In a district having an average daily attendance in a high school or academic department of thirty-five or more, three high school teachers shall be counted for the first thirty-five of such pupils in average daily attendance, and one teacher for each additional twenty-two pupils in average daily attendance. In districts having an average daily attendance in a high school or academic department of less than thirty-five, two teachers shall be counted for the first twenty of such pupils in average daily attendance, and one teacher for each additional fifteen pupils in average daily attendance.

If the number of elementary or high school teachers employed is less than the number as above computed, and no adequate provision is made for the instruction of such pupils, the commissioner of education may in his discretion use the actual number of teachers employed, or any intermediate number between such actual number and the number determined as above computed, in ascertaining the amount of state aid to be apportioned as provided in this section. The board of regents may, on and after August first, nineteen hundred and twenty-seven, adopt a rule changing the ratios to be used in determining the number of elementary and high school teachers as the basis on which the amount of state aid is to be allotted under this section. The amount apportioned to each city or district under this section shall not be greater than the amount of the excess of the total expenditures for school purposes in such city or district above the aggregate of the amount which would result from a tax of five mills on each dollar of actual valuation of the taxable property in such city or district and the public moneys apportioned to such city or district as provided by law.

§ 3. This act shall take effect July first, nineteen hundred and twenty-five.

APPENDIX VIII

ESTIMATED TRUE AVERAGE TAX RATE FOR STATE AND LOCAL REAL ESTATE TAXES

LEVIED UPON LOCALLY TAXABLE REAL ESTATE, 1913 AND 1923

	Estimated full value of real estate locally taxable	Real estate taxes levied thereon	Estimated true rate (dollars per thousand)
1913.....	¹ \$12,774,196,844	³ \$267,557,947	\$20.945
1923.....	² 19,777,632,924	⁴ 474,518,246	23.993

¹ Grand Table II, State Tax Department, 1925.

² Grand Table II, State Tax Department, 1925, shows full value 1923 as \$20,306,439,199. Of this \$528,806,275 is full value of locally exempt housing (State Tax Report, 1923, page 424 note, raised to full value by county equalization ratios).

³ Grand Table I, State Tax Department, 1925, shows general property tax levied as \$278,177,412. Only 96.18219 per cent was levied on real estate (1922 Leg. Doc. No. 72, pp. 33, 45).

⁴ Grand Table I, State Tax Department, 1925, shows local general property levy as \$458,207,871 and State general property levy as \$24,519,464. Of the local levy 98.42645 per cent or \$450,997,741 was on real estate. (State Tax Report, 1923, p. 424, with non-taxable real estate deducted.) Of the State levy 98.49068 per cent or \$24,149,387 was on real estate. (State Tax Report, 1923, p. 63.) Of this a part was on real estate not taxable locally under Tax Law 4-B. The remainder is represented

by the fraction $\frac{\$24,149,387 \times 16,639,908,784}{17,084,819,872} = \$23,520,505$

STATE OF NEW YORK

3

State Expenditures, Tax Burden, and Wealth

A Study of the Growth of the Functions and Expenditures
of the State Government and the Relation of Total
Tax Burden to the Income of the People
of the State

A Report by the Special Joint Committee on
Taxation and Retrenchment

February 11, 1926



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**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

OF THE SENATE

SEABURY C. MASTICK, *Chairman*
ERNEST E. COLE
PERLEY A. PITCHER
THOMAS I. SHERIDAN
JOHN KNIGHT (ex officio)
BERNARD DOWNING (ex officio)

OF THE ASSEMBLY

F. TRUBEE DAVIDSON, *Vice-Chairman*
CHARLES A. FREIBERG
WALTER L. PRATT
JOHN H. CONROY
SIMON L. ADLER (ex officio)
MAURICE BLOCH (ex officio)

Executive Secretary
LUTHER GULICK

**RESEARCH STAFF OF COMMITTEE FOR THIS
INVESTIGATION**

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Clerk

Gerald G. Casey

Official Stenographers

John K. Marshall
George W. Munson

LETTER OF TRANSMITTAL

February 11, 1926

To the Senate and Assembly of the State of New York:

The report we are submitting to you herewith may be viewed as an essential preliminary to any sound study of retrenchment. It analyzes the increasing expenditures of the state, indicates the functions of the state government in which the major increases occur, and reviews the historic causes of these increases. Inasmuch as the degree of necessity for retrenchment in expenditures is to some extent dependent upon the taxable resources of the state, the report also deals with the relation between the increasing wealth of the people of New York and the increasing tax burden.

Because of the diverse nature of the matters which we have investigated during the past year, we are submitting our report in three sections. The other two sections will deal with the debt of the state and with the gasoline tax respectively.

(Signed)

SEABURY C. MASTICK, *Chairman.*

ERNEST E. COLE.

PERLEY A. PITCHER.

THOMAS J. SHERIDAN.

F. TRUBEE DAVISON, *Vice-Chairman.*

CHARLES A. FREIBERG.

WALTER L. PRATT.

JOHN H. CONROY.

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**CHAPTER I—SUMMARY OF IMPORTANT FACTS AND
CONCLUSIONS CONCERNING STATE ACTIVITIES,
EXPENDITURES AND TAX BURDEN**

CHAPTER I—SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS CONCERNING STATE ACTIVITIES, EXPENDITURES AND TAX BURDEN

The Increasing Cost of State Government a Subject of Constant Criticism

The increasing expenditures of the state governments during recent years is now one of the vital issues discussed by editors, publicists, and after-dinner speakers; by conferences of manufacturers, real estate owners, and civic associations of various kinds. No branch of the subject has escaped searching scrutiny and criticism. We are told that the per capita load of taxes laid upon the people for the support of state government has grown so rapidly in recent years that it has become a ruinous burden upon the individual citizen. It is alleged that state expenditures have increased more rapidly than the income of the people and threaten, if the present rate of increase continues, to consume the total annual substance of the taxpayers at no distant date. "Taxation is increasing much more rapidly than wealth itself," declares the former governor of a great state. "Some way must be found to create an intelligent and genuine public opinion upon the danger we face in the rapidly increasing cost of government or we shall awaken too late to the menace of more and more burdensome taxation. . . . History teaches us that one of the most fruitful causes for the downfall of nations has been the increasing cost of government until it became too great to be borne by the people." A prominent newspaper publishes a cartoon portraying the modern business man with his pockets turned inside out by taxation, exclaiming with his hands up, "Oh, Trotsky, where is thy sting!" A leading real estate authority in New York City protests that land and improvements are so loaded with taxation that neither the owners nor the tenants can stagger under the burden much longer. An eminent specialist in marketing, in tracing the ills of agriculture to their source, finds among the three principal grievances of the farmer: "High taxes that are out of proportion to his ability to pay." Writers none too careful in their statements repeatedly assert that a substantial part of undoubted increase in state and local taxes is due to the wastefulness and extravagance of public authorities. In a magazine published by one of the greatest manufacturers in the country we read: "If the members of state legislatures and municipal councils had been chosen exclusively from lunatic asylums they might have spent more. Yet they could not have spent much more be-

cause they could not have got much more to spend. The gentlemen whom we elected to office raised all they could by taxation." Other writers ascribe the evils they lament to an insatiable bureaucracy of state officials who absorb, largely for their own benefit, an ever increasing proportion of the people's substance. Perhaps more frequently employed is the declaration that the rising costs of state government are due to the propensity of the legislature to invade the domain of private business with unnecessary regulations, and to adopt "fads and frills" without any warrant or common sense. Finally, the argument is repeatedly advanced that inasmuch as federal taxes have been materially lowered during the past five years, it is reasonable to expect a material reduction in the rates imposed by the state governments.

A Critical Analysis of the Problem Needed

The number of such criticisms, the respectable authority which supports many of them, and the obvious desirability of reducing as far as possible the burdens imposed upon the taxpayers, make it imperative that the whole field of state expenditures should be made the subject of a searching analysis. The essential facts should be laid clearly before the people. The nature of the increased expenditures should be explicitly set forth in detail. An inquiry should be made into the causes responsible for all important items. The theories which underlie the criticisms made in various quarters should be scrutinized. In a word, the whole problem of increasing state expenditures should be fearlessly faced in all its aspects in order that any program for curtailment may take a practical form and that policies of future expenditure may proceed upon a more correct understanding of the needs of the state and the ability of the people to bear the burdens imposed to meet such needs.

Growth of New York State Activities

At the very outset we face the problem as to whether as a matter of fact increasing state expenditures are due to new functions recently assumed by the state government in defiance of traditional American practices. This question can only be answered by a review of the growth of state activities over a long period of time. This review, which is presented in detail in Chapter II, shows that the state activities developed gradually over the past century, particularly after 1850. Contrary to popular belief the period of the greatest diversification of state functions was between 1880 and 1900. By the latter date practically all the important state functions were established, and the development in state work since that year has been mainly an expansion of established activities—an expansion accelerated to some extent by conditions growing out of the World War.

The Upward Trend of State Expenditures in New York

Closely associated with the popular notion that the state government has recently been undertaking novel activities are two other arguments which constantly occur in discussions of public finance. It is commonly assumed that the total expenditures of the state government have shown a tendency during recent years to increase at a ratio all out of proportion to the increases of such expenditures during previous periods in the history of the state. Perhaps quite as frequently, it is assumed that the increase in total expenditures during the past decade, at least, is to be ascribed mainly to the extraordinary conditions caused by the World War and that a return to a normal state of affairs will bring a corresponding reduction in such expenditures. The accompanying chart (Chart 1) throws a flood of light on both these assumptions.¹ It indicates the trend in total expenditures by ten year periods from 1850 to 1880, by five year periods from 1880 to 1900, and annually from 1900 to 1924. The solid line represents the total expenditures in actual dollars. The dotted line shows the total expenditures adjusted to eliminate the changes in price levels, using the purchasing power of the 1913 dollar as the basis.²

It will be seen from this chart and an examination of the figures in the tables supporting it that there was a fairly constant increase in the total expenditures of the state government from 1880 to 1915. When the actual figures are adjusted to the price level of 1913, the smoothness of the curve in its gradual upward trend is even more striking. The total state expenditures increased from year to year between 1880 and 1915 at an average rate of 4.6 per cent per annum when reckoned on the basis of the purchasing power of the 1913 dollar. The annual increase in state expenditures between 1915 and 1924 was not greatly out of line with the general trend during the preceding thirty-five years. This is shown by the adjusted line on Chart 1. In fact, the total expenditures for 1924 were only about \$15,000,000 above what they should have been on the basis of the trend from 1880 to 1915.³ On the basis of the figures adjusted to the price level of 1913, the trend of the entire period between 1880 and 1924 rose on the average of 4.7 per cent each year.

¹ In constructing Chart 1, a logarithmic scale is used, which is equivalent to expressing the figures for each successive period as percentages of the figures for the period immediately preceding. The steepness of the curve at any point, therefore, represents the rate of increase at that point in the total expenditures.

² The curves on Chart 1 are based upon the figures contained in Tables 1 and 2 of Appendix I. The term "total state expenditures" covers all outlays from general revenues. It does not include outlays made from borrowings because such outlays are covered in the debt service. To include both debt service and expenditures from bond funds would be equivalent to counting such expenditures twice in the long run.

³ See Table 5 and discussion, page 60. It should be explained that the sag in the curve on Chart 1 at the year 1916 is due to the change in the fiscal year of the state, the expenditures for this year being for only nine months. The sudden rise in the curve at 1921 is due largely to increased state aid to education which was inaugurated in 1920.

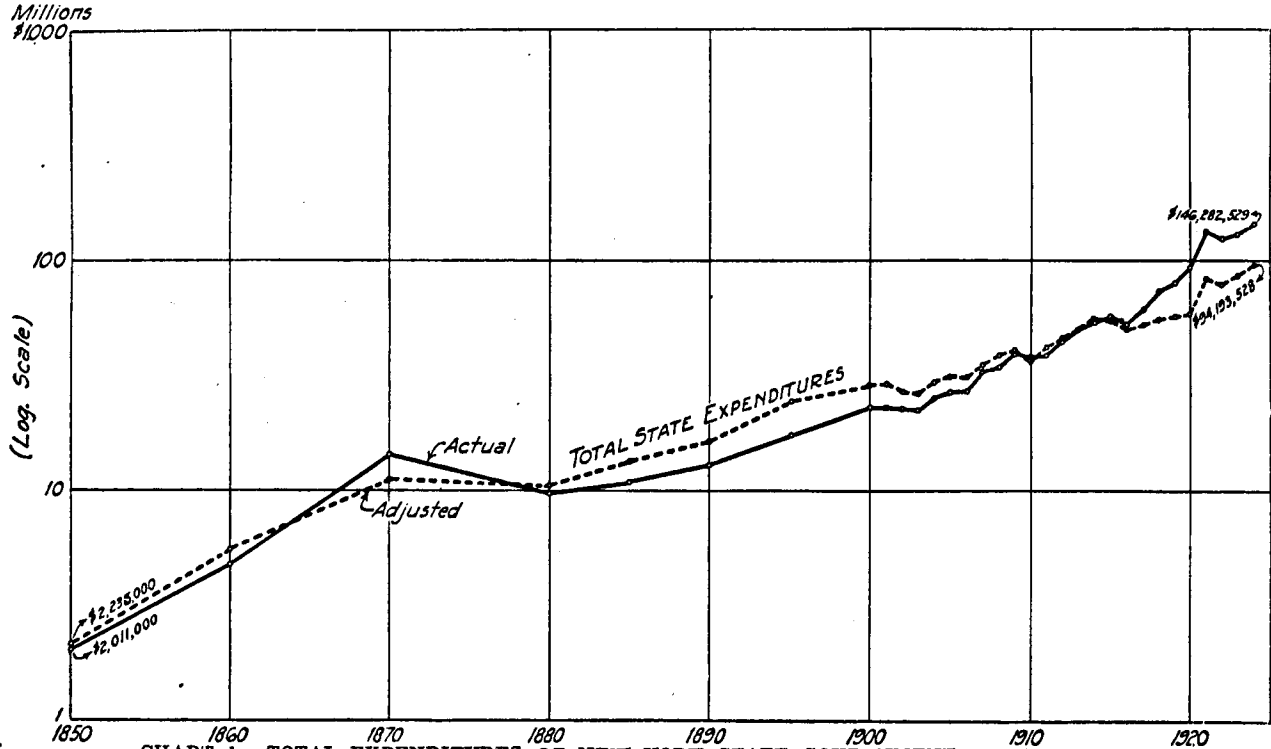


CHART 1. TOTAL EXPENDITURES OF NEW YORK STATE GOVERNMENT FROM 1850 TO 1925.
Showing amounts in actual dollars and amounts adjusted to the price level of 1913.

Assuming that the conditions during the next decade will not vary greatly from those of the present time, and that the increase in state expenditures will continue at about the same average rate, it is possible to predict the total expenditures of the state government ten years hence. If the annual rate of increase remains around 4.7 per cent, as it has between 1880 and 1924, then we can expect the total annual expenditures of the state government in 1934 to be approximately \$230,000,000. This figure is on the basis of the purchasing power of the 1924 dollar. If the value of the dollar should increase during the next ten years, then the expenditure requirements in 1934 would be correspondingly reduced. Should the dollar return to its 1913 value, which is not at all likely, then the total expenditures of the state government in 1934 would be about \$150,000,000.

Political Changes and the Upward Trend of State Expenditures

Among the many forces that produce fluctuations in state expenditures, the transfer of the various branches of state government from the control of one political party to that of another is commonly supposed to be especially significant. While it is true that one party often makes commitments which the other must execute or otherwise necessarily affects continuing policies, in the long run such incidents doubtless tend to correct one another. Broadly speaking, therefore, it may be said that a political party is fairly responsible for the expenditures incurred during its tenure of power. At all events, the connection of changing expenditures with political changes in the state government is a matter worthy of note in considering the problems involved in the mounting costs of government. For this reason we include the accompanying Chart 2,¹ which gives the annual expenditures of the state for the period between 1900 and 1925, and shows which of the political parties dominated the executive department, the senate, and the assembly each year during that period.

Chart 2 shows clearly that the upward trend of state expenditures between 1900 and 1925 continued irrespective of the changes in the political complexion of the executive and legislative branches of the state government. The trend continued upward even during the years when the branches were politically opposed.

The Trend of State Expenditures on a Per Capita Basis

Usually discussions of increases in state expenditures refer to the growth of population, often with the assumption that such growth affords the proper criterion for judging the propriety of the various increases. With this in mind, we have presented in Chapter III a discussion of the growth of per capita expenditures of the state government with supporting tabular data.² These

¹ It should be noted again in connection with Chart 2 that the depression in the curve at 1916 is due to a change in the fiscal year of the state government, the expenditures of this period being for only nine months.

² See below pages 61-64.

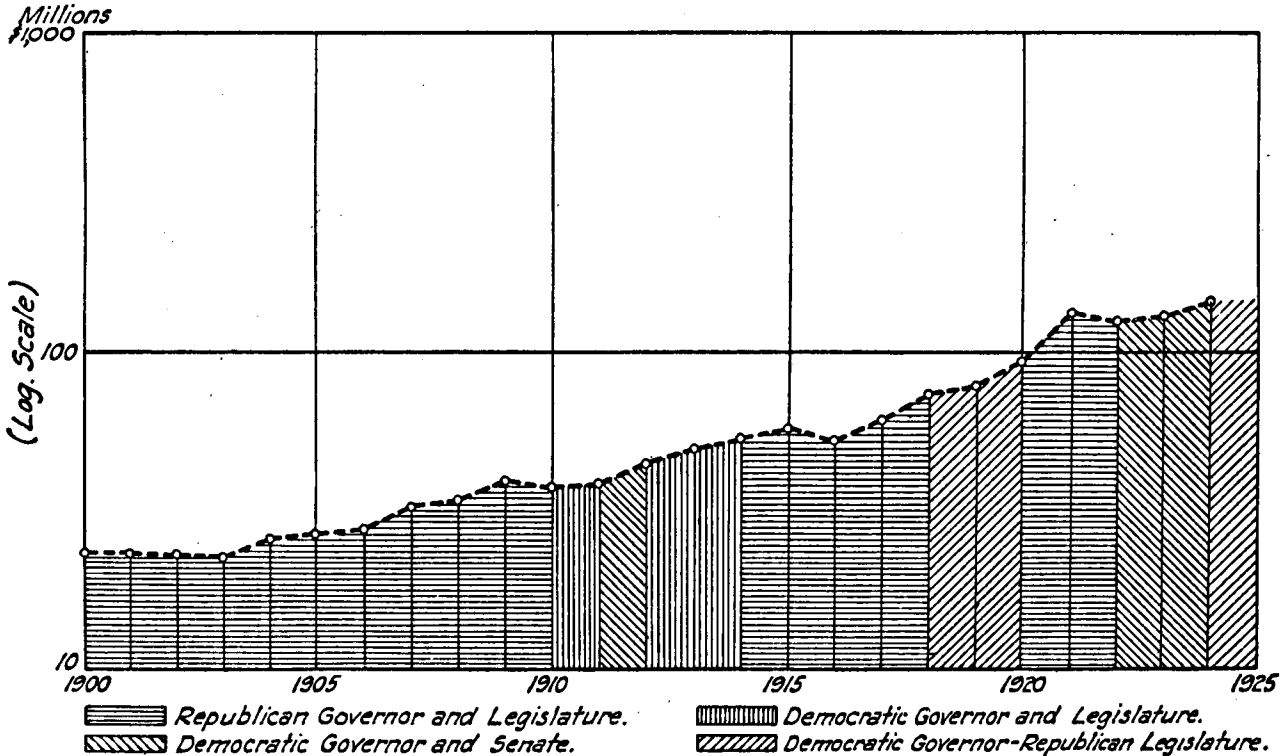


CHART 2. TOTAL EXPENDITURES OF NEW YORK STATE GOVERNMENT IN RELATION TO THE POLITICAL COMPLEXION, 1900 TO 1925.

expenditures are shown by ten and five year periods from 1850 to 1924, both in actual figures and in figures adjusted to the price level of 1913. The total state expenditures for 1850 showed a per capita of 65 cents actual and 72 cents adjusted; for 1880, \$1.93 actual and \$2.05 adjusted; for 1900, \$3.15 actual and \$3.91 adjusted; for 1915, \$5.88 actual and \$5.83 adjusted; and for 1924, \$13.23 actual and \$8.52 adjusted. The upward trend in per capita expenditures is apparent from these few figures, as well as the fact that this trend has been somewhat accelerated during the last decade.

Per capita expenditures should not be taken too literally. There are several important functions of the state government, the expenditures of which bear little or no relation to the population. Many of the developmental and regulatory functions are illustrations. The volume of services and expenditures of such functions depend upon factors other than population. However, such institutional services as the care of the insane may be regarded as having a direct relation to the population. Population also has an important relation to the expenditures for education.

In any state which is rapidly changing from an agricultural to an industrial and urban state, as in the case of New York, the per capita expenditures must inevitably rise with the multiplication of collective services demanded from the government. At what point the rise in per capita expenditures should stop cannot be mathematically determined. If all increased expenditures were for productive purposes — purposes which increase the wealth of the state — conceivably such expenditures might mount much higher in the per capita scale and still indicate direct economic gain to the people of the state rather than costs to them.

Analysis of Functional Expenditures

Total or per capita figures of state expenditures, standing by themselves, though impressive, convey little or no meaning to anyone desirous of making helpful criticism with a view to effecting curtailments in costs. They throw no light on the underlying historic causes responsible for the increments. They afford no real basis for an intelligent discussion of the problem of state finance. A beginning in any businesslike consideration of the subject can only be made when the major details of the total expenditures and the respective increases are clearly presented.

Such details, showing the operating costs of the major functions of the state government, are presented in Table 11 contained in Chapter III, and also in Table 1 of Appendix I.¹ These figures make it clear where the money of the state has been going

¹ See below pages 68ff. Charts presenting graphically the facts contained on Table 11 are also included in Chapter III, as well as a detailed discussion of the facts. The state expenditures are shown in Table 1, Appendix I, at ten year intervals between 1800 and 1900, and at five year intervals since the latter date, together with the percentage of the total operating expenditures for the given years assigned to each of the major functions.

in detail during the period covered. They indicate just what functions of the state government have been absorbing the taxpayers' money and in what proportions.

For the purpose of showing these functions in the order of their increased demands upon the treasury between 1900 and 1924, the following table (Table 1) is included here. In this table the functions of the state government are arranged in an order determined by the respective increases shown by them in 1924 over the expenditures for the same purpose in 1900. This table also shows the exact amount of these increases and the percentages of such increases over the expenditures in 1900.¹ A mere glance at this table reveals the functions which are leading in expenditure increases since 1900.

TABLE 1
EXPENDITURE INCREASES IN THE MAJOR FUNCTIONS OF THE NEW YORK STATE
GOVERNMENT BETWEEN 1900 AND 1924

FUNCTIONS	Total increase * between 1900-1924	Percent- age of total increase	Percent- age of increase over 1900
Education.....	\$40,824,108	42.37	704.3
Public works.....	20,874,033	21.66	886.1
Public welfare.....	15,900,175	16.50	244.4
Agriculture.....	3,688,687	3.83	759.9
Finance.....	3,554,656	3.69	696.8
Labor.....	1,750,375	1.82	1044.2
Minor activities.....	1,661,872	1.73	448.7
Health.....	1,622,468	1.68	1326.2
Judiciary.....	1,544,771	1.60	158.6
Military.....	1,465,508	1.52	172.2
Conservation.....	1,436,744	1.49	476.1
Public utilities.....	662,521	.69	708.3
Attorney General.....	423,974	.44	245.2
Insurance supervision.....	410,317	.43	219.2
Bank supervision.....	319,113	.33	347.5
Secretary of State.....	181,900	.19	258.9
Executive.....	64,600	.07	122.5
Legislative.....	39,937†	.04†	3.0†
Total.....	\$96,345,886	100.00	471.04

* Outlay expenditures for these functions are excluded.

† Decrease. This was due mainly to the transfer of departmental printing from the budget of the legislature to the budgets of the departments.

Fluctuations in Functional Expenditures

The assumption might be made on the basis of the preceding table (Table 1) that the increase for each function between 1900 and 1924 has been steady and cumulative. Such assumption, however, is not warranted by the details in the case. An analysis of the increase for each of these enumerated functions by five year periods, shows extraordinary fluctuations from period to period, revealing now the pressure of one interest upon the legislature and now the pressure of another interest. With a view to affording some clue to the forces responsible for the increases in

¹ This table is based upon the figures contained in Table 3 of Appendix I.

functional expenditures at various intervals during the past twenty-five years, the accompanying table (Table 2) is presented, showing in percentages the increases and decreases in operating expenditures of the major functions of the state government by five year periods between 1900 and 1924.² This table presents the major functions in the same order as in Table I, and in a way supplements the latter table.

TABLE 2
PERCENTAGE OF INCREASE IN THE EXPENDITURES OF THE MAJOR FUNCTIONS
OF THE NEW YORK STATE GOVERNMENT, 1900 TO 1924, BY FIVE YEAR
INTERVALS

FUNCTIONS	1905 over 1900	1910 over 1905	1915 over 1910	1920 over 1915	1924 over 1920
Education.....	8	25	25	91	151
Public works.....	14	97	50	78	65
Public welfare.....	17	38	141	61	16
Agriculture.....	31	56	81	1	131
Finance.....	13	55	66	79	54
Labor.....	15*	53	549	30	1
Minor activities.....	263	37*	141	11*	11
Health.....	92	41	146	81	18
Judiciary.....	6	50	26	19	8
Military.....	15*	12	98	39	4
Conservation.....	2	116	39	65	15
Public utilities.....	23	242	38	68	17*
Attorney General.....	27*	177	17	7	33
Insurance supervision.....	18*	79	73	4*	31
Bank supervision.....	0.3	54	61	52	18
Secretary of State.....	21	10	12	34	45*
Executive.....	0.3*	69	46	50	36*
Legislative †.....	1*	13	8	2	21*
Total.....	15	35	39	60	62

* Decrease.

† The decrease in legislative expenditures in 1924 over 1920 was due to the transfer of printing expenditures to the departments.

The functional expenditures during this period, it is evident from this table, showed wide fluctuations from year to year. For example, the expenditures relating to agriculture in 1920 were 1 per cent over the expenditures for 1915, but in 1924 they were 131 per cent over those for 1920. At the same time, the expenditures relating to labor in 1920 were 30 per cent over those of 1915, but in 1924 they were only 1 per cent over those of 1920. An even more striking shift occurred in the expenditures for the regulation of public utilities; in 1920 these expenditures ran 68 per cent above those for 1915, but in 1924 they were 17 per cent below those for 1920. (See Table 2.)

These wide fluctuations within the total expenditures are caused by many factors and vary from decade to decade. A great scandal in some branch of private enterprise, such as that revealed by the insurance investigations in 1905, produces a popular demand

² The figures contained in this table are drawn from Table 3 of Appendix I.

for supervision which in turn calls for increased expenditures. At another time, shippers, commuters, and customers make an attack on railway and utility rates which results in sweeping and expensive changes, such as those introduced under the utility law of 1907. The advent of the automobile makes a revolution in highway construction and maintenance. A terrible disaster in industry, such as the Triangle Waist Company Fire of 1911, brings about a great increase in the expenditures for the inspection and regulation of workshops and factories. The revelation of the amount of illiteracy in the draft army leads to an insistent demand for increased expenditures for education, in which state aid to localities expands into millions. Business interests promote the popular demand for expensive highway and canal improvements. The social welfare groups insist on a constant improvement in the standards of institutions for the care of the defective, dependent, and delinquent.

State Functions Leading in Expenditure Requirements

The great increases in the cost of state government in 1924 over 1900, measured in actual expenditures, were incurred mainly for the major functions of education, highways and public works, and the institutional care of the defective, delinquent, and dependent. (See Table 1.) Of the functional expenditures of the state for 1924 the operating costs of these three functions constituted 79 per cent of the total.¹ It is evident that if any curtailments of expenditures are to be made, the major portion must affect these three groups.

Most of the expenditures in these fields can be worked out on a mathematical basis; for example, per capita cost of education, mileage cost of highway construction and maintenance, and per capita cost of institutional care. An illustration of this process is afforded by Table 15 of Chapter III, in which it appears that there was in all except two groups of institutions a material increase in the per capita cost of maintenance, even when the figures are adjusted to the price level of 1913.²

Cost of Regulatory and Promotional Services

No criticism directed against the increase of state expenditures is more common than the allegation that the legislature shows a propensity to waste money by regulating private enterprise or by invading the field of private economy in a manner not warranted by public necessity. The annual expenditures of the state government for the regulation of the three great branches of private enterprise, banking, insurance, and public utilities, while showing an increase in the actual amounts constituted a smaller percentage of the total functional expenditures in 1924 than in 1900 — to be precise, 1.51 per cent in 1924 and 1.83 per cent in 1900. The decline was even more marked in 1924 as against 1915

¹ See Table 1 of Appendix I.

² See below pages 77-82 for table and discussion.

when the expenditures for these purposes was 2.74 per cent of the total.¹

If we include under the regulatory and promotional service of the state government not only banking, insurance, and public utilities, but also labor, health, conservation, and agriculture, the expenditures for all these services have constituted relatively a minor part of the total. They formed a smaller proportion of the total functional expenditures in 1924 than in 1915; namely, 9.69 per cent as against 13.75 per cent. If the expenditure figures are corrected according to the 1913 price level, the disbursements for insurance supervision, utility regulation, and the department of labor were actually lower in 1924 than in 1915.²

Growth of New York's Tax Burden and the Increase of Private Wealth

The statement, so frequently made, that public expenditures are increasing more rapidly than the wealth of the taxpayers, is difficult to test by absolute facts. The figures showing in dollars the wealth of the people of New York at various periods cannot be obtained in a form that is completely satisfactory and such data as we have are open to conflicting interpretations. Nevertheless, the question as to whether expenditures tend to increase more rapidly than wealth is a vital one and an attempt should be made to provide an answer — or, at least, an estimate based upon the available data.

Inasmuch as the people of New York must bear their share of taxation to support the federal government as well as their taxes for state and local purposes, it is necessary in any comparison of public expenditures with private income to include the federal, as well as the state, and local burden. In arriving at this total burden, however, we are compelled to shift our consideration from expenditures to taxation. It is not what the federal government spends in the state that is significant in this connection, but how much money it collects from the people of New York in the form of taxes. In attempting to throw light upon the relation of public expenditures to private income we have compared the increase in the total tax burden (federal, state, and local) which falls on the people of New York with the increase in their wealth. This relation is discussed in Chapter IV and graphically presented in Chart 9.³

Inasmuch as there were two "abnormal" periods due to wars in the span of years covered by Chart 9, it is necessary in order to get a view of the normal trend to take the figures between 1880

¹ See Table 1 of Appendix I, also the explanatory matter in Chapter III, page 85.

² See below Chapter III, pages 85-87. Also see Table 1 of Appendix I.

³ See below Chart 9 on page 96, also discussion on pages 94ff of Chapter IV. The data upon which this chart is based and the process by which the trends are computed are described in detail in Appendices II, III, and IV.

and 1910. Trends adjusted to the curves between those years afford a better basis for forecasting the future relations of the tax burden and wealth. These trends are set forth on Chart 10.¹

The total tax burden borne by the people of New York for federal, state, and local purposes as graphically presented on Chart 9, showed a slight tendency to increase more rapidly than the private income of the people between 1850 and 1924.

Certain facts, however, should be considered in this relation. The first is that an encroachment of taxes on private income does not necessarily mean in itself a net loss in the total income of the people. Whether there is an encroachment or not depends upon circumstances. For example, if institutions are not provided for dependent and defective persons, they would have to be maintained by their families and in that case the cost would fall upon the budgets of the individual families and the total expenditures under these conditions would doubtless be higher than the expenditures for the same purpose by the state.

The second fact to be considered in relation to the encroachment of taxation on private income is that, in any event, it is impossible to reckon the value of government services entirely in terms of dollars expended or to measure its results on a profit and loss basis. Low public expenditures do not necessarily mean prosperity for the people that may be said to enjoy them. Of course, it does not follow that a people with the highest expenditures for civil purposes are the most fortunate, or that there is no limit to the proportion of the private income of citizens that may be taken for public purposes. There must be a point to which expenditures for public purposes may be raised with increasing returns to the people concerned in the form of direct economic benefits or cultural advantages. The problem in public policy here involved is that of finding the point at which increasing public expenditures cease to bring corresponding economic returns to the people or pass beyond the ability of the people to pay for the collective or governmental services they wish to enjoy. At no point along the line of the increasing proportion of private income taken for public purposes can a degree of necessity be mathematically fixed.²

The third fact to be noted in connection with the Charts 9 and 10 portraying in graphic form the relation of the tax burden to private income in New York, is that when studied in detail the trends in the increases of taxation and private income show distinct variation according to war conditions. During the period of the Civil War and for about ten years afterward, the total tax burden borne by the people of New York showed a tendency to encroach upon private income. From about 1880 to 1910—which, in spite of the Spanish War may be called a “normal” period,—the increase in the tax burden ran along at a fairly even rate with the increase in income, showing a tendency to decline

¹See below page 99.

²See discussion in Chapter V of this report.

rather than to encroach upon private income. Then came the second "abnormal" period, that of the World War, in which the tax burden once more showed a tendency to encroach upon income. If the conditions which followed the Civil War are repeated in the epoch following the World War, then a decline may be expected in the tax burden in its relation to private income.

Trend of New York Expenditures Compared with That of Other States and the National Government

Although it affords no basis for judging whether or not the government of New York is managed efficiently and economically, a comparison of the trend of the expenditures of this state with the same trend in other states shows to what extent New York is in line with general tendencies throughout the Union. The accompanying chart (Chart 3) gives this comparative view, bringing 146 leading cities and the national expenditures for civil purposes into the graph. In this case in order to make the New York figures comparable with those of the states and cities, the outlays from borrowings have been included in the New York curve.¹

The repeated reductions in federal taxes have led to the popular assumption that there has been a corresponding reduction in the ordinary expenditures of the federal government and that accordingly a similar reduction may be expected in the operating costs of the state government. Chart 3 shows the curve of the federal expenditures for civil purposes from 1900 to 1924.² This curve is of special significance in connection with the assumption that the costs of the federal government (exclusive of expenditures growing out of participation in the World War) are in fact returning to pre-war levels, and that the present trend of federal expenditures for civil purposes is below the trend of state expenditures. This assumption is not borne out by the actual facts.

¹ Figures on which this Chart 3 is based are contained in Table 4 of Appendix I.

² The expenditures here used for civil purposes do not include those for the war and navy departments, Indians, pensions, and interest on war debt. See footnote on Table 4 of Appendix I.

Millions
\$10,000

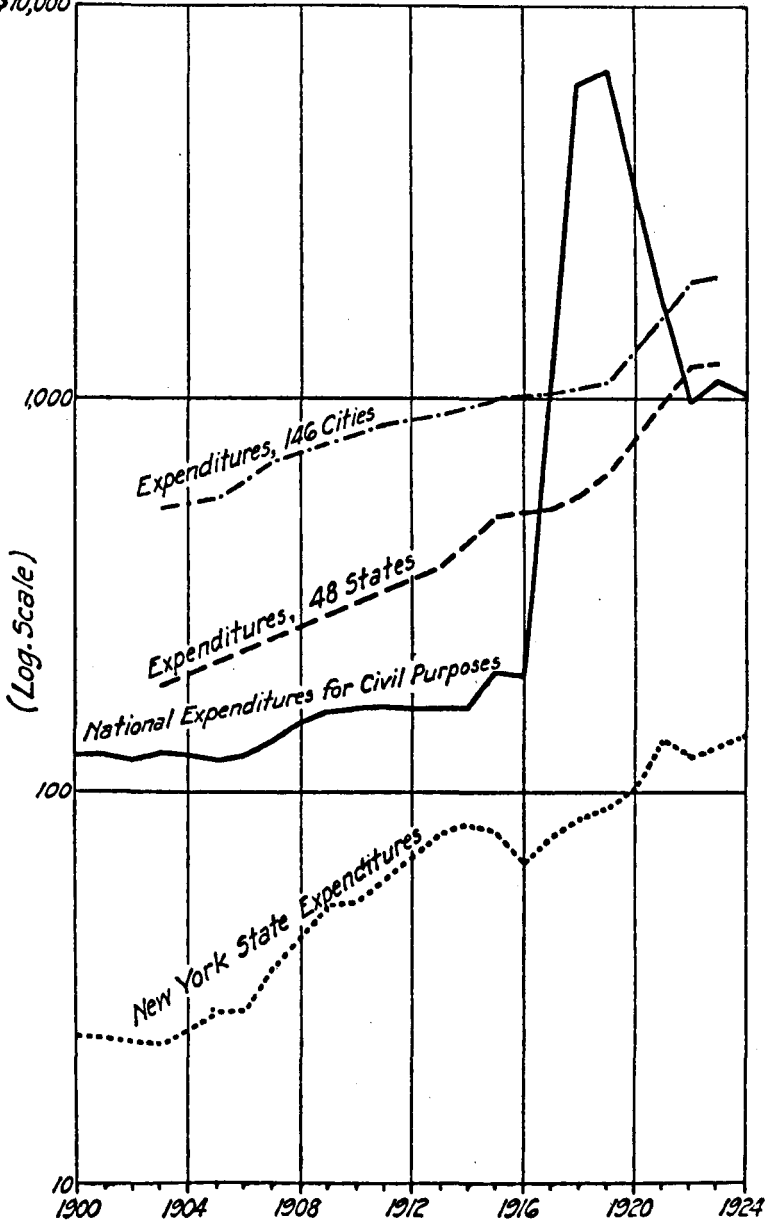


CHART 3. COMPARATIVE GROWTH OF GOVERNMENTAL EXPENDITURES IN THE NATIONAL GOVERNMENT, 146 CITIES, ALL STATE GOVERNMENTS, AND NEW YORK STATE, 1900 TO 1924.

CHAPTER II—DEVELOPMENT OF STATE ACTIVITIES

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Since the opening of the nineteenth century, state government has undergone a transformation in character comparable only with the change in the mode and condition of life of the population which it serves. In 1800 law making, adjudication of cases, and provision for public defense constituted almost the sole work of state government and the principal objects of state expenditure. Today these activities remain, it is true, primary features of our governmental system, but their relative importance has been greatly lessened by the growth of a vast administrative organization.

In 1800 the administrative work of the New York State government was almost entirely performed by seven officials, namely: the governor, secretary of state, attorney general, comptroller, treasurer, adjutant general, and surveyor general, and their immediate assistants. Today there are no less than 175 distinct administrative agencies within the state government. Where the handling of finances, the control of public lands, and the common defense were the chief administrative concerns of a century and a quarter ago, education, transportation, the care of the defective, delinquent and dependent classes, and the regulation of private business are now the leading functions of the state. With this expansion of activities has gone an equally significant increase in expenditures. In 1800 the cost of state government was \$300,000, as compared with \$146,000,000 in 1924. Taking into consideration the growth of population, this meant an increase from 51 cents per capita to \$13.23 per capita.

Without attempting to trace the growth of the state government too minutely, some discussion of the development of state activities should be helpful in understanding the organization as it now exists and the reason for increased expenditures. For this purpose the period since 1800 may be viewed at intervals and the principal changes in state administration noted at each of these points. The years 1850, 1880, 1900, and 1925 have been chosen.¹

The State Administration As It Was in 1800

Aside from the seven offices already mentioned, which may be termed the primary administrative agencies, the state had at the opening of the nineteenth century at least begun to grapple with certain problems destined later to occupy prominent places in its affairs. The institutional system had already been founded, but only in the field of corrections. In 1796 New York had abandoned the old policy of corporal and capital punishment, adopted the prison system and established its first state prison for felons.

¹ The accompanying Table 3 presents in summary form the growth of state activities for each of these periods.

Attention had also been directed to the problem of public education. The board of regents had been created and an effort had been made to encourage the establishment of schools through the granting of financial aid. No general school system had as yet been created, however, and no permanent policy of state aid had been adopted. In the field of health administration a beginning had also been made. The quarantine station in New York harbor had been established in 1796, and annual grants had been made for several years to the New York Hospital.

GROWTH OF STATE ACTIVITIES BETWEEN 1800 AND 1850

Development of Canal System

During the first half of the nineteenth century, the cost of state government rose from \$300,000 to \$2,000,000, an increase of 565 per cent. In the same interval population increased from 589,000 to 3,097,000, a growth of 425 per cent. While this change in the rate of expenditure was indicative of a general expansion of state functions, it was primarily due to the establishment of the canal system, which alone accounted for almost half of the operating cost of state government in 1850. Beginning with the construction of the Erie and Champlain Canals between 1817 and 1825, a period of inland waterway development had been inaugurated which had given the state by 1850 a canal system of 780 miles, in the construction and enlargement of which an expenditure of \$35,000,000 had been incurred. This system, its operation and financing, inevitably overshadowed all other state activities in importance. In 1850 the cost of canal operation and maintenance amounted to \$835,000 and tolls yielded a revenue of \$3,275,000. For the control of the system the canal board had been created with general charge of construction and operation. Finances were administered by means of the canal fund. Not only were ordinary revenues and operating expenditures handled through this fund, but loans and outlay expenditures also passed through it. It was frequently drawn upon for the payment of general state expenditures as well, thereby obscuring the true financial status of both the canal system and the state government as a whole. The mismanagement which this situation induced led the constitutional convention of 1846 to reorganize the state debt, create a series of sinking funds, and regulate the application of canal revenue to general governmental purposes.

Beginning of Public Education

Next to the waterways in point of cost, though not in administrative importance, was education. In 1812 the legislature established the common school system of the state. This system was locally administered and its support was primarily the responsibility of the community. A small degree of state supervision was, nevertheless, provided from the beginning, and state aid was liberally accorded to encourage the development of education. The literature fund for the promotion of secondary education had

been founded in 1790. In 1805 the legislature set aside a half million acres of public land for the creation of a common school fund for the aid of primary schools. To these funds were added the proceeds of the United States deposit fund in 1837, raising the annual income available from trust funds to about \$350,000, nearly all of which was utilized for state aid.

Charities and Corrections

In the field of charities and corrections, state activities had also expanded between 1800 and 1850. Where one prison sufficed in 1800, there were three in 1850—Auburn, Sing Sing and Clinton—with a total inmate population of 1,500. For their control an elective board of prison inspectors had been established by the constitution of 1846, with power to appoint prison officers and supervise the conduct of penal institutions. Separate provision had already been made for juvenile offenders. The New York House of Refuge, established in 1826, by a private society interested in the reformation of youthful offenders, was the first institution of its type in America and received state support from the beginning. Another reformatory, the state school at Industry, had been established in 1846. The principle of institutional care had also been applied by the state in the case of the insane, but only on a small scale. In 1843 the state had opened its first asylum for lunatics, as it was called, in response to a demand for more humane treatment of the insane. No state institution for defective children had as yet been provided, but the state was contributing to the maintenance of private institutions for the deaf, dumb and blind, and the question of a state school for idiots had been raised. Grants were also being made to hospitals and to the support of the foreign poor in New York City. It is thus apparent that considerable interest had already been displayed by the state in the care of the unfortunate classes. In large part this new activity may be attributed to the discovery of improved methods of caring for defectives in Europe and America, and to the interest arising therefrom.

Bank Regulation

The period prior to 1850 was also marked by one important application of state supervision of private business. In 1829, the state created the board of bank commissioners to examine and supervise banking institutions. Its duties were subsequently transferred to the comptroller who became responsible for the supervision of banks and the banknote currency of the state, a most important task in view of the large place occupied by banknotes in the monetary system of the time, and the reckless banking methods then prevailing in the United States.

Importance of Primary Administrative Offices

Although the work of the state government had greatly increased during this period, administrative control resided in a

large measure in the same group of primary officers as in 1800. These officers were made elective, however, under the constitution of 1846. Acting ex-officio, four of them—the secretary of state, comptroller, treasurer, and attorney general—constituted the canal fund commission in charge of canal finances. Together with three additional members, these four officials made up the canal board with general control over the canal system. The secretary of state was ex-officio superintendent of common schools, and the comptroller was responsible for the supervision of banks. Prison administration alone of the important state activities was entirely divorced from the older group of primary administrative offices.

An examination of finances in 1850 shows that \$840,000, or 43 per cent of the total state operating expenditure of \$1,955,000, were devoted to the operation and maintenance of waterways. Four hundred thousand dollars, amounting to 20 per cent of the total, were apportioned as aid to schools. The legislature and the courts together claimed slightly less than \$300,000 and the net cost of prison operation was about one-third as great. Together these five items (canals, school aid, legislature, judiciary and penal institutions) made up more than four-fifths of the state's expenditure.

GROWTH OF STATE ACTIVITIES, 1850-1880

The period between 1850 and 1880 was one of irregular growth, yet during those years operating expenditures quadrupled. During the fifties marked innovations were made, but the expansion of state activities was inevitably checked by the Civil War. Immediately following the war, however, the state launched forth upon new enterprises which rapidly increased operating expenditures until they exceeded \$8,000,000 in 1870. At the same time debt service and capital outlays brought the total expenditure to \$14,000,000 in that year. This development was completely halted by the panic of 1873. Unlike the depressions of subsequent periods that of the seventies exerted a marked influence upon state activities and expenditures. Few new undertakings were begun and expenditures declined. In fact, the decade from 1870 to 1880 is the only one in the history of the state which shows a reduction in state expenditures.

Declining Importance of Canals

While the canals remained during this period the most important administrative problem of the state, their relative importance was greatly lessened by the growth of other functions. Furthermore, the decline of the canals as a transportation system had set in before the end of the period. From the Civil War on, the railroads began rapidly to win out in the competition for traffic. Canal earnings reached their highest point in 1862, and tonnage its maximum in 1872. After 1873, the decline of the canals became more and more evident. These were years of rapid

advances in the efficiency of railroad transportation and sharp reductions in railroad rates. In contrast no improvements were being made in water transportation with the result that valuable tonnage passed into the hands of the railroads. This led, first, to the abandonment of several of the lateral canals in 1878, and finally, to the abolition of tolls in 1882. During the period of more than half a century prior to the abolition of tolls, the state had invested \$78,685,580 in canal construction and expended \$48,399,287 for operation and maintenance.¹ In return it had received \$135,418,325 in canal revenue, thus showing a favorable balance of \$8,333,459, in spite of the many errors and the gross mismanagement that characterized the administration of the system at times.

Liberal Aid to Schools

If the most conspicuous change of the period was the decline in the importance of the canals, the next most striking development was the increase in the importance of education. In 1850 the state expenditure for education amounted to \$465,000, while in 1880 it reached \$3,685,000. Of this sum \$3,095,000 was devoted to state aid. This raised the state's contribution to 30 per cent of the total cost of public school operation. This radical change in the volume of state aid was due to the effort of the state to make elementary instruction free. Beginning in the early forties a vigorous agitation for free schools swept the state, but met with opposition in the rural districts. As a compromise the legislature in 1851 established a state school levy and added \$800,000 to the state's apportionment to common schools as an inducement to localities to abandon tuition charges. This result was not achieved though the volume of state aid was even further increased during the decade. Following the Civil War the subject was revived and tuition charges forbidden by law in 1867. To compensate the districts for the increased cost, the legislature practically doubled the volume of grants-in-aid. The system of state aid thus established continued without violent change until after the World War.

Coincident with the increase in the volume of state aid went a considerable extension of state activity in the field of education. In 1854 the department of public instruction was created to take over the supervision of public schools. This change in administrative machinery was followed by a marked increase in the effectiveness of supervision. In particular the establishment in 1856 of a body of local school commissioners provided a much needed system of local supervision, and at the same time supplied an essential connecting link between the state department of public instruction and the local school districts. In this same period state control over secondary education was increased by the establishment of regents' examinations for academic pupils. Inasmuch as state aid was in part dependent upon the number of

¹ Financial Report of Auditor of Canal Department, 1882, p. 12.

students passing these examinations, a powerful influence was thereby exerted for the improvement of the standards of secondary education. Following the Civil War the state also began to play a more important role in the training of teachers. Even before 1850 some steps had been taken in this direction through the subsidizing of training classes and the establishment of a state normal school at Albany. Between 1863 and 1868 the state definitely took over this problem and added seven new normal schools. It was also at this time that Cornell University was founded as the land grant college of New York.

New Types of Institutional Care

Significant changes also characterized the period in the realm of welfare activities. Especially noteworthy was the establishment of the Elmira Reformatory in 1869, the first adult reformatory in the United States. During the first half of the nineteenth century the Auburn system of congregate labor had made the prisons of New York famous throughout the world. Similarly, in the last quarter of the century Elmira was destined to have an influence at least nationwide in scope. This institution, the outgrowth of the work of the New York Prison Association and its well-known secretary, Dr. Wines, was restricted to the handling of offenders between the ages of 16 and 30. Its most distinctive feature was the reformation sentence which permitted the release of prisoners for good behavior prior to the expiration of the regular term.

A second development of importance was the extension of the policy of state care of the insane. Beginning with the work of Dorothea Dix in the forties, the plight of the insane in county almshouses was brought forcibly to the attention of the state by a succession of investigations. As a result, the legislature in 1865 provided for an additional asylum and authorized the transfer thereto of the chronic insane to be maintained at county expense. This change of policy necessitated further additions to the institutional plant. By 1880 the state had five asylums for civil patients, beside an asylum for insane convicts.

These years also saw the establishment of state institutions for defective children. In 1851 a school for idiots was opened under the impression that such children might by proper instruction be fitted to care for themselves in society. The failure of this purpose later necessitated the provision of custodial institutions for adult feeble-minded. The first of these was the custodial asylum for feeble-minded women of childbearing age, founded in 1873 at Newark. In 1863 the state also opened a school for the blind to serve the western counties.

Another innovation of the period was the creation of the state board of charities in 1867 to supervise state and local institutions generally and make recommendations for their improvement. This new agency was made imperative by two things, first, the unsatisfactory condition of the local poorhouses and workhouses,

and second, the necessity of public supervision of private institutions receiving state money. The latter was a matter of considerable importance at that time as the legislature was pursuing an open-handed policy in dealing out funds to private orphanages, hospitals, dispensaries, and the like. Such expenditures amounted in 1870 to \$400,000.

Insurance Supervision

Since 1850 progress had also been made in the development of state regulation. In 1851 the banking department was created to relieve the comptroller of the supervision of banking and currency, and in 1859 the insurance department was established to handle the supervision of insurance companies, a new type of regulation inaugurated in the fifties to meet the rapid growth of this business and to safeguard the public against badly managed insurance ventures. A brief attempt at railroad regulation was also made in the fifties but abandoned as a result of railroad opposition.

Multiplication of Administrative Heads

Viewing the administration as a whole, it is apparent that by 1880 control was no longer centered in the old group of primary officers selected by popular election, but had largely passed to boards and officials appointed by the governor and the senate. Canal operation was in the hands of the superintendent of public works, though the state engineer had control over the engineering force. Prisons were directed by the superintendent of prisons. Other institutions had their separate boards of trustees as a rule, subject to slight supervision by the state board of charities. The board of regents and the superintendent of public instruction had charge of education. The banking and insurance departments were under superintendents appointed by the governor. Thus a significant change had taken place in administrative organization.

The division of public expenditures had also undergone a considerable change. Education now consumed 49 per cent of the expenditure for governmental operation, as compared with 12 per cent devoted to waterways. The legislature and the courts accounted for 11 per cent, and public welfare activities, including institutions, required 10 per cent of the total.

DIVERSIFICATION OF STATE ACTIVITIES, 1880-1900

The year 1880 marked the opening of an extraordinary period in the development of the state government. The decade of the seventies, which had been characterized by retrenchment, gave way to a period of rapid expansion. Viewing the situation in 1900 the comptroller found that no less than \$7,000,000, or 34 per cent of the operating expenditure of the state in that year, went to meet the cost of innovations made within the previous twenty years. Of these changes by all means the most important from

the financial standpoint was the establishment of complete state care of the insane. From the viewpoint of administrative organization, however, the really significant fact was the remarkable diversification of state activity during these years and the elaborate growth of independent offices which it entailed. Finally, it should be noted that during this period administrative regulation by the state was carried into several new fields.

Changing Social and Economic Order

The sudden expansion of state functions after 1880 can only be understood in the light of changes which were taking place in the life and viewpoint of the population. A few important facts stand out. In the first place, the economic system of the state was changing. Manufacture was increasing rapidly and with it went the creation of a large city working class. Furthermore, the control of business was becoming more centralized, thus widening the gulf between employer and employee, and increasing the danger of exploitation of the consuming public. On the other hand, the turning point had been reached in rural development. After 1880 the acreage of improved farm land steadily declined. Rural population also began to decrease, both in relative size and in actual numbers. In 1880 the balance of population had just shifted to the urban communities. Between that year and 1900 the proportion of urban to total population rose from 56 to 73 per cent. The industrial and agricultural development of the state from 1860 to 1900 is shown below.

YEAR	Number of workers in manufacturing and mechanical occupations*	Gross value of manufactured products*	Acreage of improved farm land*	Value of farm property*
1860.....	364,000	\$378,900,000	14,358,000	\$936,400,000
1870.....	470,000	626,200,000	15,627,000	1,195,800,000
1880.....	618,000	1,080,700,000	17,718,000	1,216,600,000
1890.....	847,000	1,711,600,000	16,389,000	1,139,300,000
1900.....	1,025,000	2,175,700,000	15,600,000	1,069,700,000

* Figures prepared from U. S. census reports.

The expansion of industry and the growth of urban population necessarily made governmental problems more complex. While the effects of urbanization are most conspicuous in the realm of local government, state government is also affected. The problems of health, sanitation, utility control, labor and factory regulation cannot be left entirely to the locality. By increasing the likelihood of social friction and trouble, urbanization also necessitates a greater degree of institutional care of the defective classes, thus augmenting the burden of the state in another respect.

Out of these changes in the conditions of life came the modification of the popular view as to government intervention in private affairs. The extreme individualism of the middle of the nineteenth century gradually gave way to a demand for positive governmental action. Accompanying this change, there appeared in the latter part of the century a marked growth of humanitarianism. The regulation of child labor and sweat-shops, for example, was not solely the result of pressure from the working class, but was due in no small degree to the interest of members of the middle and upper classes in social well-being. Undoubtedly the increased demand for governmental action may also be accounted for in part by the development toward the close of the century of a more accurate understanding of the nature and causes of public ills and by the discovery of new methods of attacking them. This was eminently true in the case of health and sanitation and in a measure in the case of the care of delinquents and defectives.

The Older Activities

With the exception of institutional care few striking changes occurred in the older fields of state activity during the period from 1880 to 1900. The decline of the canals, which had set in prior to 1880, continued with increasing rapidity in spite of the abolition of tolls. In fact, the repeal of the tolls may indirectly have hastened the movement, for it reacted upon expenditures for maintenance. Not until 1895 was any serious effort made to revive the canals. In that year, the legislature authorized the so-called nine-million dollar improvement program, which was subsequently abandoned for the Barge Canal project. Education remained, as in the preceding period, a large source of expenditure, though relatively much less important than before. The most noteworthy innovation in this department was the establishment of state school inspection forces and the introduction of uniform state examinations for teachers. Banking and insurance regulation continued substantially as before, though the powers of supervision were somewhat augmented and some new classes of corporations were brought under control.

Complete State Care of Insane

The greatest single change during the period was the establishment of complete state care of the insane during the early nineties. Previous to this time the larger counties had maintained their own asylums, and many of the smaller ones had evaded the law by keeping the indigent insane in almshouses in order to avoid the cost of their support in state institutions. The inadequacy of local care, a fact long demonstrated, finally led the state board of charities and the state medical society to head a movement for complete state provision for the insane. This agitation achieved success in the passage of the state care law in 1890. The state at once began to negotiate for the transfer of county asylums and to

increase the institutional plant. By this act a heavy burden was shifted from local governments to the state. The following figures show the growth in the number of inmates in state asylums and the increase in state expenditures for the care of the insane between 1890 and 1900, excluding the criminally insane.

YEAR	NUMBER OF INSANE IN PUBLIC INSTITUTIONS AT CLOSE OF YEAR*			State expenditure for maintenance of insane exclusive of expenditures for plant*
	State civil asylums	County asylums and almshouses	Total	
1890.....	5,633	9,315	14,948	\$34,500
1895.....	9,642	9,213	18,855	1,622,100
1900.....	22,088	.....	22,088	3,594,900

* Prepared from annual reports of board of lunacy commissioners and comptroller.

In 1900 the care of the insane formed the largest single item of expenditure, amounting to 21 per cent of the operating expenditures of the state. In addition to the enlargement of the institutional system for civil inmates, a second hospital for the criminally insane was authorized in 1896.

New Reformatories and Institutions for Feeble-minded

Extensive additions were also made to the correctional system of the state. The opening of the Elmira Reformatory was followed by the establishment of the Albion and Hudson reformatories for adult women. A second reformatory for men was begun at Napanoch in 1892. Work was also started on the Bedford Hills Reformatory for women. The establishment of five adult reformatories during this period without any material increase in the prison plant was indicative of a change in viewpoint with reference to the problem of corrections.

Additional provision was also made for the mentally defective. As youths passed beyond the age of instruction in the so-called school for idiots, it became apparent in a large number of cases that they could not safely be returned to their homes. Hence there arose the necessity of asylums for adult feeble-minded. In 1893 the state established a second institution of this type, the Rome Custodial Asylum for men. About the same time it founded the Craig Colony for epileptics, a new type of institution modeled upon foreign experience and intended to permit the removal of this class of inmates from county almshouses and asylums.

Fiscal Supervision of Institutions

The increase in the size of the institutional system led to the establishment of more effective machinery for its supervision. In 1889 the legislature created the board of lunacy commissioners which was given control over institutions for the insane, including their financial administration. In 1895 similar provision for financial control over charitable institutions was vested in the comptroller. The superintendent of prisons already had the power to examine and revise prison estimates and direct prison finances.

Establishment of State Board of Health

The first new administrative agency created during this period was the state board of health in 1880. Previous to this date the state had contributed considerable sums to the support of private hospitals, but the only direct state health activity was the maintenance of the quarantine station at New York City. A series of events had served, however, to direct attention to this field. Cholera and yellow fever epidemics during the preceding decade had aroused public anxiety, and the discoveries of European bacteriologists had begun to reveal the true nature of disease. In New York the desire to check the adulteration of prepared foods was also a factor in the creation of a state health agency. Throughout the period the expenditures for health were very meager. The board of health devoted itself to the collection of vital statistics, the investigation of sanitary conditions, and the advising of local officials in dealing with epidemics and sanitary problems. It was also responsible for the enforcement of the pure food law and the approval of local sewer and sewage disposal projects. During the nineties the eradication of bovine tuberculosis was added to its functions and overshadowed all else for a time.

Beginning of Agricultural Activity

State agricultural activity began in 1882 with the opening of the agricultural experiment station. Prior to this time the state had confined itself to the subsidizing of county agricultural societies and the State Agricultural Society. In 1884 a second step was taken by the creation of a state dairy commissioner to enforce the dairy laws. This was the immediate result of the manufacture of oleomargarine. When artificial butter began to appear on the market in the seventies, the New York farmers rose in protest. As dairying was one of the leading industries of the state, this new form of competition was bitterly resented. The manufacture and sale of oleomargarine was prohibited by law in 1877, but the ineffectiveness of its enforcement produced a demand for administrative action which culminated in the establishment of the office of dairy commissioner. In 1893 this office and the experiment station were united to form the department of agriculture and the powers of regulation were extended to include cattle quarantine and the eradication of plant diseases.

Railroad Regulation

Railroad regulation also had its inception at the opening of this period. In response to a vigorous popular outcry a special investigation of railroad abuses was undertaken in 1879. The report of this commission presented an extraordinary array of evidence of rate discrimination, stock watering and the like, and concluded with the recommendation of a state railroad commission with investigatory and advisory powers. After a prolonged fight, the legislature enacted such a measure in 1882. The New York railroad commission was definitely of the weak type. It confined itself largely to the work of investigation and the adjustment of petty complaints. Its most important powers were the approval of additional capitalization and the authorization of the construction of extensions and new lines. These powers were not vigorously exercised and rate regulation was not undertaken.

Factory Regulation

The field of factory and labor regulation was likewise entered in the eighties. As a result of long continued labor union pressure, the legislature authorized the establishment of the bureau of labor statistics in 1883. This was merely a fact-finding unit, but union leaders rightly believed that the only way in which public action in behalf of labor could be secured was by revealing existing industrial evils through the medium of an impartial investigating agency. The rapid growth of labor unions and the increased use of the strike and boycott during the eighties promptly focused public attention upon the labor problem. The regulatory legislation which followed may be attributed to three things, the activity of the unions, the work of the bureau of labor statistics, and in a measure, to the sympathetic interest of humanitarian organizations. The first factory legislation was enacted in 1886, restricting child labor and creating a factory inspector for its enforcement. In 1887 this law was amended to include safety and sanitary regulations and increase the size of the inspection force. Subsequent legislation extended these safeguards, and provided for the inspection of mines, bake shops, and tenements. In 1900 the inspection force numbered sixty-five.

Conservation and Other Activities

Conservation was another activity which made its appearance toward the close of the century. The protection of wild life and the propagation of fish were the first efforts of the state in this field. In 1868 the fishing interests succeeded in securing the establishment of the state fisheries commission which undertook the establishment of hatcheries and became the state agency for the protection of fish and game. Forest conservation began in 1895 with the creation of the forest preserve and the establishment of the forest commission. During the preceding decade the state had acquired at tax sales about 700,000 acres of wild and forest lands in the Adirondacks and the Catskills. The rapidity with

which these districts were being denuded of timber by the lumber and wood pulp companies had aroused a strong demand for state action to preserve them for recreation purposes and for the protection of navigation on canals and streams fed from these areas. The movement was headed by the commercial organizations. Shortly after the establishment of the forest preserve, an agitation began for the conversion of the Adirondack region into a state park in order that it might be more available for recreation. This change was made in 1892, and a policy of land purchase adopted which increased the state's holdings in the Adirondacks and Catskills to 1,370,000 acres by 1900.

A few other steps in the growth of state activities deserve notice. The administration of the liquor tax was taken over by the state in 1896 and the excise department created for the purpose. The tax commission came into existence in the same year with power to supervise local tax assessments and equalize assessments for the state levy. Finally, it was in 1898 that the state entered the field of highway improvement. The apportionment of aid to towns adopting the "money system" of highway maintenance was inaugurated and the improvement of main roads at joint state and county expense was undertaken.

Complex Administrative Organization

As a result of the entrance of the state into many new lines of activity, the administrative organization had become exceedingly elaborate by 1900. The old elective offices now represented but a small fragment of the machinery of government, and were by no means the most important individual administrative units. In several fields administrative organization had grown needlessly complex. The management of institutions, other than prisons, was divided among a variety of separate boards and commissions. In the case of education two agencies exercised supervision over local schools, and in addition, there were boards of trustees for the various state normal schools. What is now the department of labor was then represented by three separate units. Tax administration was also divided among a group of unrelated agencies. The process of unification had, however, been carried out in the cases of agriculture and conservation, and, in part, in the care of the insane.

In point of cost there was an increase from \$7,510,955 to \$20,453,795 in operating expenditures during the two decades. All divisions of the administration contributed to this growth, though institutional care was by all means the most important factor. The creation of new governmental agencies also added materially to expenditures. Further examination of the growth of expenditures will be reserved for the succeeding chapter.

STATE ADMINISTRATION SINCE 1900

Further Industrial and Urban Development

The process of social and industrial change which had already begun to react upon state government with marked effect before 1900 continued with increasing results after the opening of the new century. Commerce and manufacture developed rapidly. Between 1899 and 1919 the value of manufactures increased from \$1,872,000,000¹ to \$8,867,000,000, and the capital engaged in manufacture rose from \$1,524,000,000 to \$6,012,000,000. Of course, these figures reflect in part the change in price level as well as the expansion of industry. However, the census shows a growth of 165 per cent in the primary horse power utilized within the state and an increase from 727,000 to 1,228,000 in the number of wage earners engaged in manufacture. Sixty per cent of this body of wage earners were employed by concerns employing over one hundred men, indicating the importance of the large unit in the industrial system. In contrast with the rapid development of manufacture, the acreage of improved farm land declined during the same years.

The process of urbanization went rapidly forward during the period. While rural population fell off between 1900 and 1920, the urban population increased 62 per cent. In 1920 the urban dwellers represented 83 per cent of the total population as compared with 73 per cent in 1900, showing the increasing importance of the city in the life of the state.

The Effects of Such Development

With the modification of the economic and social structure went a further change in popular demands upon government. The growth of a great wage earning class separated by a wide gulf from the employers for whom they worked, necessarily involved the ultimate intervention of government for their protection against accident and exploitation. Similarly, the concentration of economic power in other fields, and the abuses to which it gave rise from time to time, enforced an extension of public regulation in other directions. Particularly noteworthy in the decade following 1900 was the establishment of control over public utilities and the enactment of more stringent regulations governing the insurance business. These are only outstanding examples from a much larger body of regulations that have developed since the opening of the century. It should also be noted that in recent years regulation has much more frequently involved state administrative action than formerly and has therefore led to the expansion of the administrative organization.

While regulation has come to play a large part in the work of state government, it would be quite incorrect to assume that this

¹ This figure is somewhat less than that shown above, page 34, owing to the exclusion of neighborhood manufactures which are no longer reported by the census.

is the only or the most important respect in which recent development has affected state administration. Underlying a larger portion of present state activity is a demand for constructive measures for the increase of prosperity, comfort, and health. In the last twenty-five years this has unquestionably been the greatest factor in the growth of state activity. This new reliance upon government must be attributed to a number of causes. Urbanization necessarily forced the substitution of governmental for private action in some cases. The example of European countries was another factor. Increased prosperity also gave rise to greater willingness to support governmental enterprises, and to an insistence upon new public improvements. Finally, the public was gradually becoming convinced that in some matters, as for example in the case of health, desirable ends could only be achieved by collective action. Conspicuous among the constructive undertakings of the last quarter century are the Barge Canal, the state highway system, the state parks, child welfare work, the establishment of state schools and colleges, as well as a considerable measure of state agricultural activity.

The Barge Canal

The Barge Canal was of course the largest single enterprise of the period. It owed its beginning chiefly to the pressure of commercial interests which had become alarmed by the inroads being made by rival ports into New York City's foreign commerce. From the Civil War until 1890, New York City had regularly enjoyed about 45 per cent of the nation's export trade, and the volume of imports passing through her harbors had exceeded the combined business of Montreal, Boston, Philadelphia, Baltimore and New Orleans. After 1890 her commerce showed a relative decline. By 1898 her share of the export trade had fallen to 37 per cent and the five rival ports had exceeded her in the import business. This change was largely due to the improvement of rail and water communication to other cities and to the differential rate system adopted by the trunk line railroads for the middle and north Atlantic ports. About 1890 New Orleans and Galveston secured direct rail connections with the wheat belt and began to cut deeply into the grain trade of New York City. Montreal also secured an advantage as a result of rail development and the canalization of the St. Lawrence.

While New York's commercial supremacy was being challenged by other ports, the region along the Great Lakes became very insistent upon an improved water route to the ocean. Deep waterways conventions were held to urge the construction of a steamship canal between the lakes and the Atlantic. This demand, coupled with the completion of improvements on the St. Lawrence which permitted small vessels to reach the lakes, aroused a fear on the part of New York business men that the middle western trade might be drained off by the Canadian route which had the advantage of being shorter.

As a result of this situation two important investigations were begun at the end of the century. One had to do with the state of commerce and the other with the enlargement of the Erie Canal. The former concluded with the recommendation that the enlargement of the Erie Canal be carried through as the most likely method of assuring the commercial supremacy of New York. The latter investigation led to the proposal of a barge canal as the most probable means of reviving inland water transportation. The committee recommended the abandonment of the nine million dollar improvement initiated in 1895 and the construction of a much larger canal capable of handling barges of 1,000 tons capacity. Such a canal, it was believed, would make possible lower transportation rates than the railroads were capable of meeting.

After a prolonged contest between urban and rural members of the legislature, a measure was passed in 1903 submitting to the voters a constitutional amendment authorizing the issuance of \$101,000,000 of bonds for the construction of the canal. The referendum carried largely as a result of urban support. Actual construction began in 1905. The canal was opened in 1918. The enterprise involved an expenditure of \$150,000,000, nearly all of which was financed with bonds. In addition the state has expended about \$25,000,000 for the construction of terminals.

The results of the canal have thus far been disappointing to say the least. The tonnage which amounted to 3,346,000 in 1900, stood at 2,032,000 in 1924. This represented an increase of 794,000 tons over 1919, the first full year of Barge Canal operation, but practically all of this improvement took place between 1919 and 1922. Even in the case of grain and flour, which form the largest single class of products on the canal, only about 10 per cent of the shipments reaching New York City come by water. Contrary to the predictions of the investigating committee in 1900, canal rates have not been cut below the possibility of railroad competition. A comparison in 1922 showed that for most classes of freight canal rates between Buffalo and New York City were from 10 to 15 per cent less than railroad rates for the same journey. On the other hand the railroads have the advantage of greater speed and as a rule the possession of better connections for the handling of commodities.

Highway Improvement

Though less spectacular, highway development has involved quite as great an expenditure since 1900 as the construction of the canal. The state entered this field on a small scale in 1898. By 1905 about 600 miles of improved road had been constructed. This mileage did not in any wise constitute a system, for the selection of highways for improvement was chiefly in the hands of the property owners and the county supervisors. The work of construction was directed by the state engineer. The original cost was divided between the state and the local governments, but once completed, maintenance became the responsibility of the towns.

With the increase in the use of the automobile came a demand for the rapid improvement of rural roads, and particularly for the development of a system of main thoroughfares connecting the principal cities. By comparison with the present, the number of motor cars in the state was very small in the first decade of the century. In 1905 there were 9,000, and in 1910, 63,000, as against 1,500,000 in 1924, but the rate of increase was high and the influence of the owners far in excess of their numbers. Through automobile clubs and good roads associations a powerful propaganda was carried on in favor of highway development. Furthermore, the introduction of the motor truck as a means of handling farm produce awakened the interest of the rural population in the movement.

New York was among the first states to embark on a large program of road construction. In 1905 a constitutional amendment was passed authorizing the issuance of \$50,000,000 of bonds for highway purposes. This action was promptly followed by the adoption of an improvement program. A system of county highways was mapped out by the estate engineer in conjunction with the counties and approved by the legislature in 1907. This system called for the construction of 8,388 miles of improved roads. The work was to be handled by the state at joint state and local expense. Maintenance was also transferred to the state with provision for a fixed annual charge against the towns. As the county highways had been selected primarily with a view to county traffic, they did not in all cases serve to link up the leading cities. To meet this need a system of state highways was created in 1908 forming 3,000 miles of main routes. Together these two systems mapped out a total of 11,388 miles of highway for improvement by the state, comprising about 12 per cent of the total mileage of public roads. At the same time the state required towns to adopt the "money system" of road maintenance and raised the expenditure for state aid to towns to about \$1,500,000.

The new highway program necessitated a change in administration. In 1908 the legislature created the highway department headed by the highway commission. The new department received control of construction and maintenance on the two highway systems and also the power to supervise town highway work. The principal changes of policy introduced by the commission were the adoption of a more permanent type of construction and the establishment of systematic highway maintenance.

Construction work was carried on rapidly from the proceeds of the \$50,000,000 bond issue. By 1912 this fund had been largely exhausted. A second bond issue of \$50,000,000 was therefore submitted to the voters and approved. To these sums was added in 1917 the state's share of federal highway aid. Following the war the remaining bond funds were quickly expended and construction was continued from taxation. The original state and county systems have been brought nearly to completion. By the end of 1924 a total of 9,441 miles of highway had been constructed. In

addition, a considerable mileage has been virtually reconstructed to meet the new conditions of highway traffic. Recent construction has been characterized by a larger use of concrete instead of macadam on the principal thoroughfares, thus greatly increasing the expense. The following table shows the total mileage of improved state and county highways by two year periods:¹

	Miles
1908	1,787
1910	2,397
1912	3,578
1914	5,201
1916	6,434
1918	7,066
1920	7,459
1922	8,981
1924	9,441

As the state and county highway system neared completion the state began to give greater attention to the improvement of local highways. In 1916 the legislature provided for the return of part of the motor vehicle tax to the counties for local use. In 1920 it also authorized a grant of \$30 per mile to each county raising an equal sum for road improvement. As practically all of the counties have taken full advantage of this law, about \$2,400,000 have been added to the volume of state highway aid, bringing the total to \$4,956,024 in 1924.

Modernization of Prisons

In the field of institutional care the chief problem in recent years has been the modernization of the plant and its expansion to meet the normal increase in the number of inmates. In the case of corrections principal attention has been given to the necessity of replacing the older prison structures with more sanitary and healthful buildings. Auburn and Sing Sing were both founded a century ago when prison methods were very different and the treatment of convicts was harsh to say the least. Clinton also dates from the first half of the nineteenth century. Several investigations of prisons have been made and the abandonment of the older buildings has been recommended a number of times, but no such sweeping reconstruction has occurred. One new prison, Great Meadows, has been erected since 1900, but its full capacity has only recently become available owing to delay in providing for the completion of prison walls and the establishment of necessary workshops. A second prison was begun at Wingdale, but was turned over to the hospital commission in 1924 for development as an institution for the insane. Considerable new construction has also taken place at Sing Sing with a view to modernizing the plant.

¹ The figures are from the annual reports of the state highway commissioner.

One new reformatory for women was completed at the opening of the period and another converted into a reform school for girls. More recently the Napanoch Reformatory for men was made an institution for feeble-minded convicts.

Enlargement of Institutions for Insane and Feeble-minded

The greatest problem of new construction has arisen in the case of the care of the insane. Since 1900 the average daily population of state hospitals has risen from 21,815 to 38,382, or on the average about 690 a year. Construction is therefore a continuous necessity. It has not, however, kept pace with the increase in the number of inmates. Between 1900 and 1924 the capacity of the hospitals increased from 20,256 to 30,837, yet in the latter year the average daily population exceeded the certified capacity of the system by 7,545. The Ward's Island fire served to direct attention to the whole problem of institutional plant, including the improvement of the older buildings, some of which were erected a half century ago. The immediate outcome of this catastrophe was the \$50,000,000 bond issue for new institutions, approved by the voters in 1923. No doubt it was also in part responsible for the \$100,000,000 bond issue authorized in 1925.

Since 1900 the problem of the feeble-minded has commanded greater attention than in previous years. As a result of numerous special studies and a large amount of publicity the public has been awakened to the importance of greater supervision of this class of defectives. In 1915 an elaborate investigation of the problem was made by a special commission. The number of feeble-minded within the state has been estimated at about 35,000. One new institution for the feeble-minded has been opened since 1900, Letchworth Village, and the number of inmates has increased from 1,283 to 5,831.

Some noteworthy changes have taken place in the administrative machinery for the control of institutions since 1900. In 1902 the fiscal supervisor of state charities was created to have charge of purchasing and the financial administration of institutions other than prisons and hospitals for the insane. In 1922 this office was replaced by the department of purchase which was given control over purchasing for all institutions. In 1919 the commission for mental defectives was established to supervise institutions for the feeble-minded.

Educational Development

A number of important developments have characterized the last twenty-five years in the field of state educational activity. The first noteworthy change was the consolidation of supervisory agencies into a single department of education in 1904. Prior to this date the department of public instruction had been responsible for the supervision of elementary schools and the board of regents had the oversight of secondary education. In the case of public high schools some duplication of authority existed. To eliminate

the possibility of friction and to secure a unified direction of public instruction, educators urged the consolidation of the two agencies to form a single department. In the new department, the board of regents acts in general as a rule-making agency and the commissioner of education, appointed by it, serves as the administrative head. Since this reorganization, state school supervision has grown considerably more elaborate. In particular the state has interested itself in the promotion of the newer forms of educational activity such as extension work, evening classes, and Americanization.

Although New York has not entered the domain of higher education to such a degree as middlewestern states have done, it has in recent years participated in the development of technical and vocational education. In 1894 the state established the Veterinary College at Cornell University. In 1904 it created the College of Agriculture, also connected with Cornell, and in 1911 it provided for the College of Forestry at Syracuse University. Each of these institutions is owned and supported by the state, but administered as a part of the university to which it is attached. The state has also established six agricultural schools of academic grade. These schools are managed by separate boards of trustees subject to direction by the department of education. In addition the state supports a school of ceramics at Alfred University. While no new state schools for defective children have been set up in recent decades, the state has increased its provision for the support of indigent children in private institutions for the deaf, dumb and blind. Previous to 1923, this burden fell chiefly upon the counties. Now the state assumes practically the entire expense.

The most striking change in state educational policy in recent years has taken place in the matter of state aid. For fifty years preceding the war very little change was made in the volume of state aid, but since 1919 the expenditure for this purpose has increased from \$7,616,000 to \$39,558,000 in 1924. In 1919 and 1920 the state took the initiative in enforcing a readjustment of teachers' salaries to meet the increased cost of living. To lighten the burden upon the local governments the legislature radically increased state aid for salary purposes, providing for grants varying from \$300 to \$700 per teacher according to the wealth and population of the district concerned. In 1925 a further change was made in deference to a demand for a more equitable division of the cost of instruction throughout the state. By this measure about \$10,000,000 was added to the volume of state aid. This raises the state's contribution to about one-quarter of the cost of primary and secondary education.

Increased Regulation

The practice of administrative regulation has been extended in numerous directions since 1900. In the case of bank and insurance supervision the principal features of the system had been

worked out before the opening of the century, but its actual operation was not wholly satisfactory. The life insurance scandal of 1905 revealed surprising abuses in the conduct of that business as well as great laxity on the part of the insurance department. This exposure led to the enactment of much more stringent insurance legislation and an increase in the state examining force. The panic of 1907 likewise caused some changes in bank regulation. The banking law was revised and the powers of the banking department somewhat enlarged. In this case also the examining staff has been increased.

Public Utilities

The most important development in state regulation occurred in the case of public utility companies. The old railroad commission had proved ineffective in dealing with transportation and it had no control over the bulk of municipal utilities. The decade between 1900 and 1910 was characterized by tremendous interest in utility regulation the country over. The exploits of certain railway magnates aroused popular apprehension. To this were added the disclosures of various investigations, revealing the persistence of old abuses. Out of this awakening came the movement for utility regulation. New York was one of the first states to act. In 1907 the public service commissions law was passed creating two commissions with power to regulate railroads, street railways, gas and electric companies. Telephone and telegraph companies and some smaller utilities were subsequently added. The powers of the commissions were broad, including the regulation of rates and services, and the authorization of increases in capitalization and the undertaking of new enterprises and extensions. The commissions were also assigned control over grade crossing elimination work, and the commission for the first district was made responsible for rapid transit development in New York City. In 1921 the two commissions were united. The control of transit development has subsequently been largely transferred to the city.

Labor

While labor regulation had been introduced prior to 1900, its principal development has come about since that time. In 1901 the bureau of labor statistics, the bureau of factory inspection, and the board of arbitration and mediation were joined to form the department of labor. Except for the gradual increase in the size of the inspection force few changes were made until after 1910. In 1911 the Triangle Waist Company fire, in which 145 lives were lost, directed public attention to the necessity of more stringent regulation of working conditions. A factory investigation commission was created and made a monumental study of the labor problem. On the basis of its recommendations the labor law was entirely rewritten in 1912 and 1913, more elaborate provision for safety required, and the department of labor reorganized. Among the principal administrative changes were the creation of the

industrial board with broad regulatory powers and the enlargement of the inspection force. This reorganization was followed by far more liberal financial support. Workmen's compensation was also introduced in 1913.

Agriculture

As in the department of labor, so in the department of agriculture, regulatory activity has expanded since 1900. The most important addition has had to do with the eradication of bovine tuberculosis, a matter previously assigned to the board of health. In spite of considerable rural opposition, this has become in the last decade the leading task of the department, judged by the expenditure involved. Other changes include the regulation of cold storages, the licensing and supervision of commission dealers, the enforcement of pure food laws and increased control over dairying. In general the growth of agricultural regulation may be attributed to greater public insistence on a healthful food supply and to the desire to protect the farmer in his relations with the dealer. Considerable attention has been given to the problem of marketing. While the work of regulation has increased, the developmental side of agricultural activity has expanded. In 1923 the two were partially separated by the transfer of the experiment station from the department of farms and markets to Cornell University.

Health Service

The last twenty-five years have witnessed a great increase in state health activity. In 1900 two hospitals were established, the hospital for the treatment of incipient pulmonary tuberculosis and the hospital for crippled and deformed children. About the same time the health department took over the cancer laboratory at the University of Buffalo, which has since been developed into the Institute for the Study of Malignant Diseases. The state also undertook the manufacture of anti-toxin. The real growth of health activity, however, dates from 1913. As a result of a special investigation the whole department was overhauled in that year and its powers and organization very much enlarged. A public health council was created with extensive regulatory authority, and a body of district sanitary supervisors was provided to oversee local health activity. Among the important features of the department's work in recent years have been public health education, a campaign against tuberculosis, and the promotion of maternity and child hygiene. Since the war, venereal disease work has been added. On the other hand the oldest health agency of the state, the quarantine station at New York City, has been transferred to the national government.

Conservation

As in the case of public health, popular interest in conservation is of comparatively recent origin. The purchase of forest land had begun in the nineties, but it was not till 1901 that

reforestation was undertaken, nor until 1909 that a corps of rangers was established for the protection of the forests. The latter step was the immediate outcome of costly fires in the preceding year. Park development has engaged particular attention. Large tracts have been added to the Catskill and Adirondack parks and numerous smaller parks have been created. The largest of these are the Palisades Interstate Park and the Allegheny State Park. Another phase of conservation that has evoked considerable interest has been the problem of water power development. The undeveloped power resources of the state have been estimated at 1,500,000 horsepower of which 400,000 horsepower are clearly controlled by the state. A water power commission has been created to supervise such development as may be authorized.

Recently Established Agencies

Scarcely a single branch of the state administration has passed through the last twenty-five years without material change. Beside the activities already described, a few independent agencies have come into being. Of these the state police, established in 1917, is the most important. On the other hand a few activities have been abandoned. The most costly of these was the office of superintendent of elections, abolished in 1922. The general expansion of state activity during the period necessarily has produced a vast increase in the volume of expenditures and required the introduction of new forms of taxation. This process in turn has contributed to the growth of administrative machinery. The motor vehicle bureau was erected in 1910, and the income tax bureau in 1919. In addition the comptroller's office was considerably enlarged for the handling of corporation taxes. In 1921 a general reorganization of tax administration resulted in the transfer of these agencies to the tax commission.

CONCLUSIONS RELATIVE TO THE PROCESS OF STATE DEVELOPMENT

From this examination it is apparent that the growth of state functions is not a recent development. It is, in fact, the result of a process of governmental expansion which has been going on for more than a century with increased rapidity during the last fifty years. Contrary to common belief the bulk of state functions, even including the major fields of regulation, are not innovations of the last twenty-five years, but had their beginnings in the nineteenth century. As a matter of fact the years between 1880 and 1900 were the period of greatest diversification of state activity. The twentieth century has been more largely characterized by intensive development within fields already entered in preceding decades. Even in the cases of highway improvement, health administration, factory and utility regulation, all of which have greatly increased in importance in recent years, the foundations had been laid before the opening of the present century.

Economic and Social Development Largely Responsible

When the question is asked, "Why have governmental functions increased?" the answer must largely be found in the social and economic development of the state. As has already been pointed out, the greatest expansion of state functions has taken place since 1880, the year which marks the transfer of the balance of population from the rural to the urban districts. Without doubt the change in economic organization and the progress of urbanization have been basically responsible for most of the increase in administrative activity and for a vital modification of the popular viewpoint as to government. The extreme individualism of the middle of the nineteenth century has given way to a greater desire to utilize the machinery of government in the solution of common problems. Furthermore, the growth of scientific knowledge as to the nature of some of these problems has enforced the belief that collective action affords the greatest likelihood of their solution. For example, the so-called humanitarian movement of recent decades, which has helped to increase the work of the state, is largely but a substitution of collective action for individual charity in the relief of the unfortunate.

Pressure Groups Influence Growth of State Functions

While development has been continuous, viewing the administration as a whole, an examination of any particular field of activity clearly indicates that growth is not a gradual process of expansion but is in reality a succession of sudden changes in response to outside pressure. State administration has not unfolded in accordance with any preconceived plan, whether of an official, a party, or a legislature. Instead its development has been primarily conditioned by pressure from without governmental circles. Taxpayers, commercial interests, railroad companies, labor unions, farm organizations, automobile associations, humanitarian societies, all have wielded an influence in the growth of state functions. On some occasions public opinion as a whole has been directed toward the accomplishment of a given end.

How does such pressure come to be focused upon a particular change? Oftentimes the gradual or sudden modification of conditions affecting the interests of a given group or class of citizens leads to a concerted demand for action. Thus the inroads of oleomargarine into the butter trade in the seventies and eighties caused a reaction on the part of farmers and dairymen's associations which produced the oleomargarine law and the creation of the state dairy commissioner. Similarly, railroad abuses in the seventies led commercial organizations to demand an investigation and the introduction of railroad regulation. Again, in 1900 the decline of trade through New York City brought these same commercial organizations into the field to lead the movement for the construction of the Barge Canal. It cannot be doubted that the growth of a body of automobile owners actively interested in road improvement had much to do with the development of the

state highway system. Nor is there any question but that the growth of the working class and the rapid rise of labor unions in the eighties were responsible for the establishment of the bureau of labor statistics and the interest of the legislature in factory legislation. Such examples can be multiplied, but they serve only to illustrate what should be an obvious fact, namely, that the growth of governmental activity follows the appearance of a demand, which may normally be expected to arise from a group of citizens conscious that their interests are vitally affected.

Investigation As a Factor in Development

In many cases the movement which produces change is itself the result of governmental investigation. In some instances, as for example, the life insurance investigation, a brief but spectacular inquiry suffices to focus public attention upon a needed reform. In many cases, however, popular interest is the result of continued investigation and study. Both the bureau of labor statistics and the department of health have contributed to development in their respective fields by the education of the community as to needs that exist. In a similar manner the board of charities has unquestionably played an important role in the growth of state welfare activity during the last half century.

Catastrophies and Change in Governmental Policy

Not infrequently a single untoward event has accomplished more than months or years of patient effort in focusing public opinion upon a specific reform. To illustrate, the Triangle Waist Company fire in 1911 produced a popular reaction which completely reorganized state factory regulation. The Ward's Island fire was immediately responsible for the adoption of the \$50,000,000 bond issue for state institutions in 1923. The life insurance scandal of 1905 and the panic of 1907 both directed attention to the necessity of changes in the regulatory system. Thus, a single calamity sometimes brings about important changes in governmental policy.

CHAPTER III—GROWTH OF STATE EXPENDITURES

CHAPTER III—GROWTH OF STATE EXPENDITURES

Between 1850 and 1924 the annual state expenditures increased from \$2,011,000 to \$146,283,000. These figures indicate a sweeping change in governmental costs and a truly remarkable growth of state activities. Measured in dollars, most of this increase came about within the last twenty years; in fact, the greater part took place within the last decade. Yet it would be quite erroneous to assume, as has so often been done, that recent decades have witnessed a revolutionary change in the rate of governmental expansion. If one examines the whole seventy-five year period, it is apparent that the growth of expenditures is nothing new, nor is the rate of increase within the last two decades so extraordinary as it seems. In reality the growth of expenditures has been a continuous process and one which has gone on with considerable regularity viewing the period as a whole. An examination of Chart 4 reveals this fact.

In this chart and in Table 4, on which it is based, the term "operating expenditures" embraces all governmental costs exclusive of debt service, outlay, investments, refunds, and expenditures from bond funds. It is not confined to the general fund, but includes the canal fund and various school funds as well. It, therefore, represents the cost of supplying current governmental services. The term "total expenditures" covers "operating expenditures" and debt service and outlay in so far as the latter items are met from taxation and miscellaneous revenue. Debt service and outlay financed from canal earnings have not been included as they constitute no burden upon the taxpayer and are not needed in showing the cost of current services.

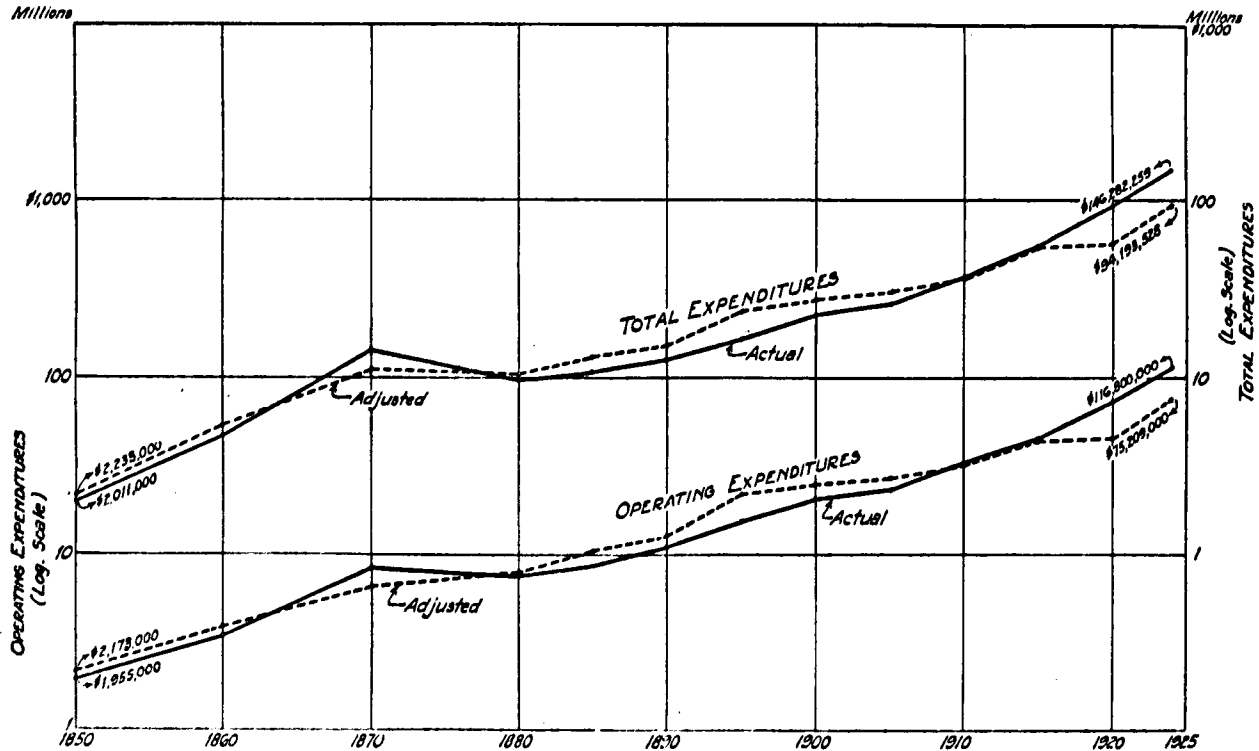


CHART 4. TOTAL EXPENDITURES AND OPERATING EXPENDITURES OF NEW YORK STATE GOVERNMENT FROM 1850 TO 1925.

TABLE 4
GROWTH OF STATE EXPENDITURES, 1850-1924

YEAR	Price index	OPERATING EXPENDITURES		TOTAL EXPENDITURES		PER CENT OF INCREASE IN OPERATING EXPENDITURES			
		Actual	Adjusted to price level of 1913	Actual	Adjusted to price level of 1913	ACTUAL		ADJUSTED AS TO PRICE	
						Ten-year period	Five-year period	Ten-year period	Five-year period
1850.....	90	\$1,955,322	\$2,172,580	\$2,011,328	\$2,234,810	.....	.....	.....	.....
1860.....	88	3,407,244	3,871,868	4,772,943	5,435,162	.....	.....	78	.....
1870.....	125	8,149,411	6,519,528	14,377,817	11,502,252	139	.....	68	.....
1880.....	94	7,510,956	7,990,379	9,797,404	10,422,770	*8	.....	23	.....
1885.....	82	8,543,080	10,418,390	11,035,292	13,457,673	.....	14	.....	30
1890.....	80	11,108,602	13,885,752	13,117,237	16,396,545	48	.....	74	33
1895.....	70	15,868,114	22,668,734	17,135,639	24,479,484	.....	43	.....	63
1900.....	80.5	20,453,795	25,408,441	22,926,580	28,480,224	84	.....	29	12
1905.....	86.2	23,510,305	27,274,136	26,752,613	31,035,514	.....	15	.....	7
1910.....	100.9	32,786,654	32,494,206	37,904,475	37,566,379	60	.....	39	19
1915.....	100.8	45,268,384	44,909,111	56,986,358	56,534,085	.....	38	.....	38
1920.....	160.3	72,255,734	45,448,857	93,256,286	58,176,099	120	.....	40	1
1924.....	155.3	116,799,681	75,209,067	146,282,549	94,193,528	.....	†62	.....	†65

* Decrease. † Four years only.

TAXATION AND RETIREMENT

Rate of Expenditure Growth

An examination of this table and chart indicates that actual expenditures have increased in every decade since the middle of the nineteenth century except between 1870 and 1880. This one break in the upward movement of expenditures is explainable by the decline of prices during that decade and the strict retrenchment enforced by the depression following the panic of 1873. With this exception, however, the period has been characterized by a continuous increase in state expenditures. The rate of increase is shown by the graph. As this graph is plotted on a logarithmic scale, it primarily serves to indicate rate rather than amount of growth. Equal increases in vertical distance upon the graph within equal intervals of time signify equal rates of increase in expenditures. The rate of growth has varied considerably from decade to decade. Nevertheless, if one eliminates the periods of war time price readjustment, a fairly consistent trend in actual expenditures can be observed. Particularly is this true as to operating expenditures in the years between 1880 and 1915. Taking the thirty-five year interval as a whole, the average rate of increase in operating expenditures was 5.3 per cent per annum, or 29.6 per cent for a five year interval. Of course, the period was not without marked fluctuations in growth. Between 1890 and 1900 the rate of increase rose much above the average and between 1900 and 1905 it lagged below. These variations were largely due in the first case to the inauguration of complete state care of the insane, and in the second, to a brief pause in the expansion of state activities.

Since 1915 the growth of expenditures has been more rapid than in the preceding years, yet if one compares the last decade with the decade of the Civil War a striking similarity will be discovered. Between 1860 and 1870 total expenditures increased 201 per cent. In the ten years between 1914 and 1924 the growth amounted to 173 per cent. Operating expenditures rose 138 per cent during the decade beginning with the Civil War, and 183 per cent in the decade opening with the World War. It thus appears that the rate of increase in total expenditures was somewhat greater in the earlier period while the growth of operating expenditures was more rapid in the last decade. In both periods the rate of increase was considerably above that of other decades. The causes are not very different in the two cases. Price inflation was a leading factor in both periods. Additional school aid also figured prominently in both decades, as did the expansion of state services in post-war years. In the case of total expenditures, debt service upon the military bounty debt played a very important part in the years following the Civil War.

Necessity of Considering Purchasing Power of Dollar

Although it is customary in discussing the recent growth of governmental costs to deal only with actual expenditures in dollars, it should be perfectly obvious that these do not provide a

fair basis for comparing the present with the past or estimating the probable trend of the future. It is not dollars expended, but the purchasing power which they represent, that really counts. This fact cannot be too strongly emphasized in view of the extraordinary price changes of the last decade and the frequent failure of critics to take them into consideration in condemning the recent growth of governmental costs. In a period such as the one since 1850, crossed as it is by two great waves of price inflation and a hollow of very low prices, a study of state expenditures must necessarily recognize the fluctuations in the purchasing power of the dollar. Taking 1913 as 100, the wholesale price index compiled by the United States bureau of labor statistics shows that prices stood at 90 in 1850. During the first ten years little change occurred, but in the succeeding decade prices rose from 88 to 1860 to a maximum of 190 in 1865. In 1870 the index registered 125. As a result of business depression, prices fell sharply in the seventies till they reached 94 in 1880. A further decline brought the index number down to 80 in 1890, after which another depression carried it to 70 in 1895. Thereafter prices gradually increased. In 1900 the index number was again 80; in 1905, 86; and in 1910, 101. Between 1910 and 1915 little change took place, but from the latter year prices swung rapidly upward till the index reached 226 in 1920. Subsequent deflation brought the standard back to 150 in 1924.

Obviously, such fluctuations in prices cannot but have the utmost importance in tracing the course of governmental expenditures. In order to eliminate this variable in so far as possible, expenditures have also been expressed in terms of the purchasing power of the 1913 dollar, using the wholesale price index of the bureau of labor statistics for the purpose. Though it must be admitted that the wholesale price index is not a perfect measure when applied to state expenditures, particularly in times of rapid price readjustment, it is the only standard available over a long period of years. Furthermore, it is on the whole a fair indication of the purchasing power of governmental expenditures. When price movements are violent, however, it is to be expected that variations in the value of the government's dollar will lag somewhat behind the course of prices generally. This is largely due to the notorious slowness with which public salaries are readjusted. Because of this fact the wholesale price index has not been used in adjusting expenditures for the years since 1915. Instead, a special index has been applied.¹

Increase in Purchasing Power of Expenditures

An examination of state expenditures adjusted in accordance with the purchasing power of the 1913 dollar throws a different light upon the growth of governmental costs. It is a striking fact that state expenditures in 1920 were scarcely larger than

¹ This index was computed by Clarence Heer on the basis of a detailed study of New York State expenditures during the period from 1916 to 1924.

those in 1915 when allowance is made for the decline in the value of the public dollar. Though operating expenditures rose \$71,500,000 between 1915 and 1924 in actual amount, in purchasing power the increase was only \$30,300,000. The rise in actual operating expenditures was 158 per cent, while the increase in purchasing power was only 67 per cent. In fact, if one compares the period since 1915 with the period since 1850 as a whole, it is apparent that the increase within recent years was not so greatly in excess of the average rate of growth for the whole period as is popularly supposed. Applying the average rate of expansion prevailing since 1850, the increase in the purchasing power of state operating expenditures for the nine years between 1915 and 1924 would have been 50 per cent rather than 67 per cent.

TABLE 5
COMPARISON OF ACTUAL AND ADJUSTED STATE EXPENDITURES, 1924

	Actual Expenditures	Expenditures on basis of 1913 price level	What expenditures would have been on basis of adjusted trend from 1850 to 1924
Operating expenditures.....	\$116,800,000	\$75,200,000	\$68,500,000
Total expenditures.....	146,300,000	94,200,000	79,800,000
Per cent of increase in operating expenditures over 1915.....	158	67	50
Per cent of increase in total expenditures over 1915.....	157	67	49

A similar examination shows that the abnormal rise in actual expenditures between 1860 and 1870 was to no small degree due to price inflation. It is not without interest to discover that the highest rate of decennial increase in corrected operating expenditures occurred neither during the decade of the Civil War nor during the last ten years, but rather between 1890 and 1900 when the growth exceeded 80 per cent. Another noteworthy difference between actual and corrected expenditures is found in the decade from 1870 to 1880. In spite of the fact that actual expenditures declined during these years a very substantial increase is evident when allowance is made for the change in the purchasing power of the dollar.

Consistent Trend of Expenditures

When price fluctuations are eliminated, the growth of state expenditures has followed a consistent course throughout the

period since 1850. Taking the period as a whole, operating expenditures have been increasing 4.6 per cent per year, or 57 per cent per decade.

TABLE 6
RATE OF INCREASE IN STATE EXPENDITURES

	ACTUAL EXPENDITURES, 1880-1915		EXPENDITURES ADJUSTED AS TO PRICE, 1880-1915		EXPENDITURES ADJUSTED AS TO PRICE, 1850-1924	
	Per cent, annual	Per cent, decennial	Per cent, annual	Per cent, decennial	Per cent, annual	Per cent, decennial
Operating expenditures.....	5.3	68.0	4.8	58.7	4.6	57.1
Total expenditures..	5.1	64.6	4.6	57.3	4.5	55.4

While the graph of corrected operating expenditures plainly shows the general trend, a few marked fluctuations in the rate of increase should be noted. The first is the extraordinarily rapid growth in the nineties followed by a plateau between 1900 and 1905, which has already been explained. The second is the practical cessation of development between 1915 and 1920, which gave way to a sudden upward swing in succeeding years. Had the graph been plotted by yearly intervals rather than by five year periods, it would be found that the post-war readjustment of expenditures largely came about between 1919 and 1922 and that growth since 1922 has followed a more normal line than the graph indicates.¹ In other words, having met the increase in prices the recent growth of expenditures more nearly approximates the usual rate of expansion.

CAUSES OF INCREASE IN EXPENDITURES

Rise in Population and Prices

Why has this vast increase in expenditures taken place? One reason has already been given, namely, the decline in the value of the dollar. Had no other changes occurred, this factor alone would have necessitated an addition of practically 50 per cent to the volume of state expenditures between 1915 and 1924. But this has been only one of a number of causes operative in the expansion of governmental costs. The growth of population has been a second. Between 1850 and 1920 the population of New York rose from 3,100,000 to 10,400,000, or 235 per cent. This has inevitably had a tremendous influence upon the amount of state services and expenditures required.

¹ This is well shown by Chart 1, page 14.

Validity of Per Capita Comparisons

Although it is customary to reduce expenditures to a per capita basis for purposes of comparison, it must not be assumed that this affords a thoroughly satisfactory measure either for the comparison of different states or of different periods. In so far as several important services are concerned, governmental expenditures bear little necessary relation to population. The cost of canal maintenance, for example, was greater in 1870 than in 1915, though population had more than doubled. Here obviously the volume of traffic selecting water in preference to rail transportation was a vital factor. Similarly in the matter of highway maintenance, traffic rather than population is the most important matter to be considered in determining budget requirements. Even in the case of state agricultural activity it is clear that population has played but a minor role. In fact, if rural population alone is considered, state expenditures in this field should have declined since 1880. The truth is that for many branches of state administration the volume of services and expenditures depends upon factors other than population. In many matters the really controlling element is state policy, which determines whether much or little shall be attempted by the government in a given direction.

In certain lines of state activity, however, there can be no doubt that population does bear a close relation to service requirements. In no case is this more true than in the care of the insane. As practically all of the insane in need of institutional care are now provided for by the state, the annual number of admissions can be computed with a high degree of accuracy on the basis of total population. While no such definite relation exists between population and institutional care in other fields, it is of course true that population is an important factor in determining the probable number of inmates to be provided for. But it must be remembered that the whole subject of institutional care is greatly affected by progress in the methods of dealing with the defective and delinquent classes. Thus, there has recently been a decline in the population of state reformatories due to the development of probation in dealing with young offenders. Aside from welfare functions education presents another field in which population plays an important role in state expenditures. In this case, however, broad changes of policy, particularly in regard to grants-in-aid, have at times completely altered the volume of state disbursements.

Taking expenditures as a whole, population, nevertheless, furnishes a useful basis of comparison. The individual is for the most part the unit to be serviced by government. Furthermore, the volume of service needed and the ability to finance governmental operations are very likely to be greater, the greater the population affected. Yet one must not be surprised at finding upon analysis the most sudden changes in per capita expenditures in particular activities.

Growth of Per Capita Expenditures

Table 7 shows the growth of state expenditures between 1850 and 1924 reduced to a per capita basis. Both total and operating disbursements are presented, and in each case actual per capita expenditures and per capita expenditures corrected on the basis of the 1913 dollar are given. Succeeding columns show the rate of increase in per capita operating expenditures by five and ten year periods.

TABLE 7
GROWTH OF PER CAPITA STATE EXPENDITURES, 1850-1924

YEAR	Price index	OPERATING EXPENDITURES		TOTAL EXPENDITURES		PER CENT OF INCREASE IN OPERATING EXPENDITURES			
		Actual	Ad-justed as to price	Actual	Ad-justed as to price	ACTUAL		ADJUSTED AS TO PRICE	
						Ten-year period	Five-year period	Ten-year period	Five-year period
1850.....	90	\$0 63	\$0 70	\$0 65	\$0 72	.....	.....	.....	.....
1860.....	88	1 88	1 00	1 23	1 40	40	.....	43	.....
1870.....	125	1 86	1 48	3 28	2 62	111	.....	48	.....
1880.....	94	1 48	1 57	1 93	2 05	*20	.....	6	.....
1885.....	82	1 54	1 83	1 99	2 43	.....	4	.....	20
1890.....	80	1 85	2 31	2 18	2 72	25	20	47	23
1895.....	70	2 39	3 41	3 58	3 69	.....	29	.....	48
1900.....	80.5	2 31	3 49	3 15	3 91	52	18	51	2
1905.....	84.2	2 92	3 39	3 32	3 85	.....	4	.....	*3
1910.....	100.9	3 60	3 57	4 16	4 12	28	23	2	5
1915.....	100.8	4 67	4 63	5 88	5 83	.....	30	.....	30
1920.....	160.2	6 96	4 38	8 98	5 60	93	49	23	*5
1924.....	155.3	10 56	6 80	13 23	8 52	.....	†52	.....	†56

* Decrease. † Four years only.

Since 1850, per capita total expenditures have risen from \$.65 to \$13.23, and per capita operating expenditures have advanced from \$.63 to \$10.56. When the decline in the value of the dollar is considered, however, these increases are less formidable. On the basis of purchasing power, total expenditures have mounted from \$.72 to \$8.52 instead of \$13.23, and operating expenditures have expanded from \$.70 to \$6.80 rather than \$10.56. It will be noted that the difference between total and operating expenditures is now relatively much greater than at the opening of the period. This indicates a larger proportionate expenditure for improvements financed by taxation or by bonds payable from tax revenues.

The growth of per capita expenditures follows a fairly consistent course. Taking the period between 1880 and 1915, in which price fluctuations were less violent, the rate of increase in per capita operating expenditures amounted to 3.3 per cent per annum, or 17.9 per cent for a five year period. If allowance is made for variations in the value of the dollar, a definite trend has prevailed throughout the period since 1850. Eliminating price

changes, per capita operating expenditures have mounted at the rate of 2.8 per cent per year, or 15.0 per cent for a five year period.

TABLE 8
RATE OF INCREASE IN PER CAPITA EXPENDITURES

	ACTUAL EXPENDITURES, 1880-1915		EXPENDITURES ADJUSTED AS TO PRICE, 1880-1915		EXPENDITURES ADJUSTED AS TO PRICE, 1880-1924	
	Per cent, annual	Per cent, decennial	Per cent, annual	Per cent, decennial	Per cent, annual	Per cent, decennial
Operating expenditures.....	3.3	38.9	2.9	33.8	2.8	32.3
Total expenditures..	3.1	36.1	2.6	30.1	2.7	30.9

In reality this trend has been interrupted by two downward movements in the last twenty-five years. Between 1900 and 1905 corrected per capita operating expenditures declined slightly, as was also the case between 1915 and 1920. In the latter period the decline, of course, indicated that the growth of state expenditures did not keep pace with the rise of prices during and immediately following the World War. This situation must be borne in mind in noting the extraordinary increase of per capita expenditures since 1920.

The following table shows what per capita expenditures were in 1924 in actual amount and in purchasing power, and indicates what the corresponding figures would have been, had they conformed exactly with the trend of previous years.

TABLE 9
COMPARISON OF ACTUAL AND ADJUSTED PER CAPITA EXPENDITURES, 1924

	Actual expenditures	Expenditures adjusted on basis of 1913 price level	What expenditures would have been on basis of adjusted trend from 1880 to 1924
Operating expenditures.....	\$10 56	\$6 80	\$5 97
Total expenditures.....	13 23	8 52	7 17

Expansion of State Services

A third reason for the growth of expenditures has been the enlargement of the number and volume of state services. As the per capita data already presented clearly indicates, state activities have been expanding more rapidly than population. This is not unnatural, however, in view of the changes that have occurred in the social and economic life of the people within the period under consideration. The basic factors which condition governmental activity have undergone a remarkable transformation in the last seventy-five years. Agriculture has given way to manufacture and commerce as the dominant feature of the economic system. Small enterprise has been supplanted by large scale corporate undertakings. Population has passed from the rural community to a few great urban centers. With these changes and the governmental problems which they have created has come a fuller understanding of the nature of collective problems and the means of dealing with them. The result has been a great extension of the scope of governmental functions.

Considering only the period since 1880, state services have expanded in many directions. For convenience, development may be examined under three heads: (1) the introduction of new governmental activities, (2) the assumption by the state of activities previously performed by local governments, and (3) the enlargement of pre-existing state services. It is popularly assumed that the greater part of the growth of governmental costs is attributable to the first of these factors, namely, the introduction of new activities. When these undertakings are enumerated the list is long, it is true, but only a few of them bulk large in budget requirements. By all means, the most costly new service instituted since 1880 is the paving and maintenance of rural thoroughfares. In 1924 more than \$12,000,000 was expended for highway maintenance, and new construction claimed \$5,500,000. The department of agriculture comes next in point of cost. Other important agencies or activities introduced since 1880 include the regulation of working conditions and public utility enterprises, the promotion of health, conservation and park development, agricultural education, the state police, and an elaborate organization for tax administration. In total, activities introduced since 1880 accounted for about 28 per cent of state operating expenditures in 1924, while activities established since 1900 made up 21 per cent of the whole. Of the various new services highway maintenance alone amounted to 10 per cent of all operating expenditures.

In the second category the principal undertaking is the care of the insane. Prior to 1890 about one-half of the insane were provided for in local almshouses and asylums. The remainder were maintained in state institutions at the expense of the counties from which they came. As a result of the failure of the counties properly to provide for their insane, the entire task was assumed by the state in 1890. County asylums were taken over and the cost of maintenance was transferred from the counties to the state.

From the fiscal standpoint this change of policy had immense importance. In 1890 under the old arrangement the state spent \$250,000 for the care of the insane. In 1924 its expenditure amounted to \$14,800,000. Obviously, it would be quite unfair to lump this item in with the cost of new governmental services, since it is but the transfer of an activity from one governmental agency to another. The care of the epileptic is another responsibility shifted from the county to the state during this period. In a sense, highway improvement might perhaps be similarly classed, but as the construction and maintenance of hard surface rural thoroughfares had scarcely begun before the state entered the field, it has been included in the first group of activities. Nevertheless, it should not be forgotten that the failure of the state to deal with this problem would have meant an immense increase in the cost of local government. Services transferred from the local governments to the state made up about 13 per cent of state operating expenditures in 1924.

While the state has shown an inclination to relieve the localities of their problems in a few instances, it has more often chosen to wield its influence by means of supervision or grants-in-aid. Administrative supervision has reached its greatest development in the field of education. Some supervision is also exercised by the department of health in sanitary matters. In the case of finance the tax commission has been given considerable authority over local assessments and the comptroller has a staff for the examination of local accounts. The highway bureau likewise has the oversight of town road work. Though these developments represent an interesting and significant tendency in state administration, they play but a very small role in the growth of state expenditures.

The last half century has been characterized not only by the rise of new forms of state endeavor but also by a general expansion in the volume of service within the older branches of administration. The largest development within the older fields has taken place in the realms of institutional care and water transportation. Since 1880, the growth of the reformatory system and the enlargement and modification of the prison system have added greatly to the expenditure for corrections. At the same time the increase in state provision for the feeble-minded has enlarged the cost of institutional care at still another point. Viewing the reconstruction of the canals as the extension of an old rather than the establishment of a new enterprise, it should be noted that the completion of the Barge Canal has added materially to current operating costs as well as to the requirements for debt service. Altogether about 21 per cent of state operating expenditures in 1924 may be attributed to activities inaugurated prior to 1880.

Increased State Aid

A fourth and very important cause of the growth of state expenditures has been the development of state aid to localities. In 1924 this item alone amounted to \$44,515,000. The greater part of

this sum was devoted to education, but several millions were assigned to highways. School aid takes a variety of forms. The state contributes to the cost of books and apparatus, libraries, supervision, instruction of non-resident pupils and the provision of certain forms of specialized instruction. Most of the money, however, goes toward the payment of teachers' salaries. In the case of highway aid the state's contribution is about equally divided between towns and counties. Grants to the former are available for the maintenance and improvement of town highways, while grants to the latter are confined to construction purposes. In the latter case the receipt of aid is conditional upon the appropriation of an equal amount of county funds for highway improvement.

The policy of state aid has been greatly altered since the war. In fact, the volume of aid has increased no less than \$35,290,000 since 1918. Most of this sum has gone to education. In 1919 and 1920 the legislature undertook the revision of teachers' salaries to meet the increased cost of living. To facilitate this readjustment and to assist the poorer communities in bearing the burden, the state assumed a large part of the cost of teachers' salaries. In 1925 the legislature went further in this direction and added about \$10,000,000 to the grants for salary purposes. The principal change in highway aid within recent years was the establishment of grants for county road improvement in 1920. In addition to education and highways the policy of state aid has been applied in a few other fields within the last decade, but the amounts actually expended have been very slight.

Reviewing the development of state aid it may be said that two considerations have as a rule contributed most to its extension. In the first place, the legislature has employed the grant-in-aid as a means of inducing local governments to institute changes in policy or in the type or amount of service rendered. In the second place, state aid has been used to assist the poorer districts in the performance of services in which the commonwealth as a whole feels an interest. Both factors are well illustrated in the evolution of school aid. Large scale grants for educational purposes were first introduced as an inducement to abolish tuition charges. Recent increases have been made to insure the readjustment of salaries and to equalize in part the burden of public instruction throughout the state. Highway aid was established to stimulate local activity in the improvement of roads, though to a degree an effort has been made to favor the poorer communities in the apportionment of state funds.

While the rapid expansion of grants-in-aid has contributed most to the recent growth of state expenditures, it would be quite incorrect to assume that state aid is a new development or that it now occupies a more conspicuous position in state finance than at an earlier period. As a matter of fact, grants-in-aid have been a prominent factor in state expenditures for more than three-quarters of a century, and at times have represented even a larger part of the total than they do today.

Cost of State Aid and New Activities

Table 10 shows the relative importance of old and new state activities and of grants-in-aid in 1924. State aid ranks highest in cost, and activities introduced since 1880 come second in amount.

TABLE 10
EXPENDITURES FOR OLD AND NEW ACTIVITIES AND FOR GRANTS-IN-AID, 1924

	Amount expended in 1924	Per cent of operating expendi- tures
Activities inaugurated prior to 1880.....	\$24,483,000	21
Activities introduced since 1880.....	32,766,000	28
Activities taken over from local governments since 1880..	15,036,000	13
Grants-in-aid.....	44,514,000	38
Total.....	\$116,799,000	100

ANALYSIS OF EXPENDITURE GROWTH BY FUNCTIONAL GROUPS SINCE 1850

In spite of the fact that state expenditures as a whole have pursued a fairly consistent trend since the middle of the nineteenth century, a closer examination shows that expenditures for given functions have expanded with no such regularity. In the course of a few decades, or even a few years, changes of policy may be made which very greatly affect the relative importance of different governmental activities and the sums devoted to them. In view of the transition which has occurred in the general conception of state government, it would be only natural to expect to find important readjustments of emphasis in the division of state expenditures.

Functional Classification of Expenditures

For convenience in examining the development of expenditures, state activities have been grouped under eight heads principally on the basis of function. These classes are as follows: legislature, judiciary, primary administration, public works, public welfare, education, regulatory and promotional services, and finally miscellaneous activities. The first class includes in addition to the legislature and its staff a large expenditure for legislative printing. The second class covers the courts, their clerical assistance, court libraries and the like. "Primary administration" takes in expenditures for the chief executive, secretary of state, attorney general, treasurer, comptroller, and other finance agencies, as well as the state militia. The heading "public works" embraces

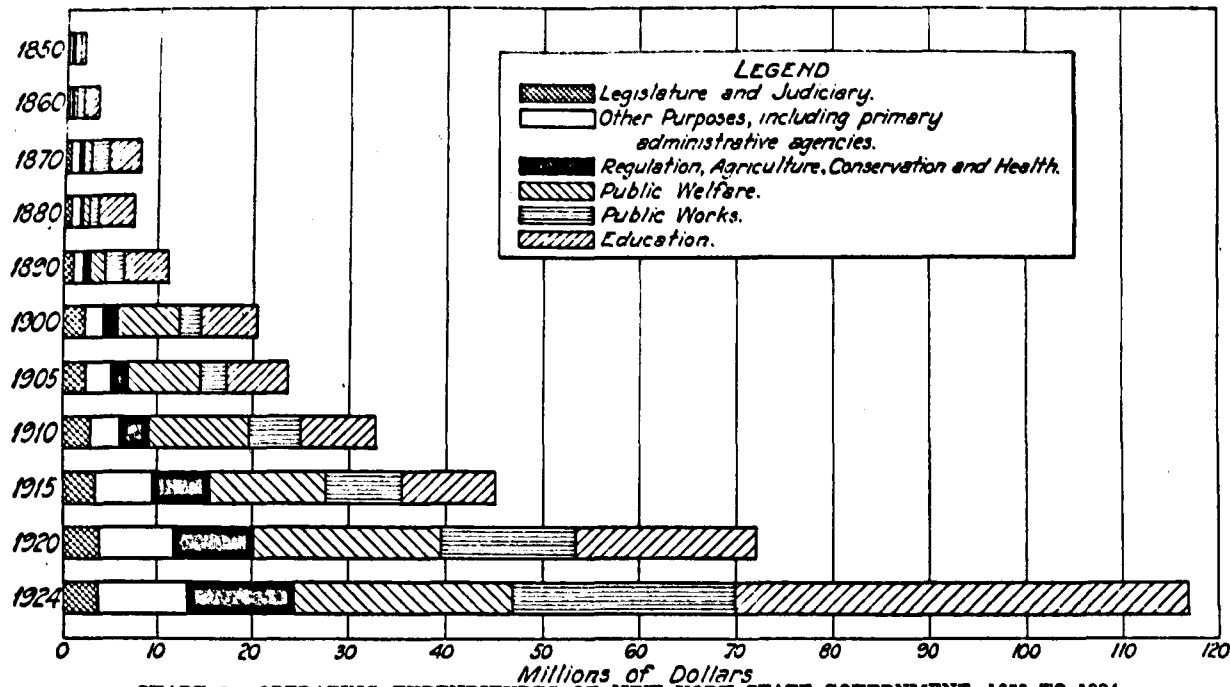


CHART 5. OPERATING EXPENDITURES OF NEW YORK STATE GOVERNMENT, 1850 TO 1924.
Subdivided according to the major functional groups.

the maintenance and operation of waterways, highway maintenance and aid, the planning and care of public buildings other than institutions, and miscellaneous engineering activities. "Public welfare" combines corrections, care of the insane, care of the feeble-minded and epileptic, soldiers' homes, and the supervision of public charities. "Education" includes the entire expenditure for school supervision, state aid, the maintenance of normal, agricultural schools, state colleges and state library and museum, and the support of state and private schools for the deaf, dumb and blind. For the sake of simplicity a variety of regulatory and promotional services have been brought together under the seventh head. This class includes banking, insurance, public utility, and labor regulation, and agriculture, health, conservation and state parks. The principal items listed under miscellaneous are at present the state police, the civil service commission, taxes on state lands, and insurance of state employees.

TABLE 11
OPERATING EXPENDITURES ACCORDING TO MAIN FUNCTIONAL GROUPS, 1850-1924

YEAR	Legislature		Judiciary		Primary Administration		Public Works		Public Welfare		Education		Regulatory and Promotional Services		Miscellaneous		Total	
	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total
1850.....	\$189,684	9.7	\$106,441	5.4	\$56,907	2.9	\$857,358	43.8	\$139,887	7.1	\$465,877	23.8	\$59,532	3.0	\$79,636	4.3	\$1,955,322	100.0
1860.....	309,096	9.1	131,386	3.9	126,235	3.6	614,782	24.0	237,914	7.0	1,504,231	46.0	113,946	3.2	109,954	3.2	3,407,244	100.0
1870.....	577,795	7.1	203,083	2.5	505,317	6.2	2,020,513	24.9	870,916	10.7	3,292,647	40.4	450,508	5.5	228,632	2.7	8,149,411	100.0
1880.....	507,528	6.8	357,149	4.8	646,056	8.5	1,033,409	13.8	784,762	10.5	3,684,643	49.0	209,654	2.9	287,755	3.7	7,510,956	100.0
1890.....	600,491	5.4	562,000	5.1	735,143	6.7	2,030,802	18.2	1,038,575	14.8	4,600,729	41.2	715,708	6.6	225,156	2.0	11,108,602	100.0
1900.....	1,343,199	6.6	978,928	4.8	1,657,848	8.1	2,355,844	11.5	6,505,953	31.7	5,706,464	28.3	1,450,132	7.2	370,427	1.8	20,453,795	100.0
1905.....	1,326,700	5.6	1,031,497	4.4	1,562,152	6.6	2,680,113	11.8	7,639,865	32.5	6,243,423	26.5	1,679,340	7.1	1,347,215	5.5	28,510,305	100.0
1910.....	1,508,764	4.6	1,547,595	4.7	2,230,772	6.9	5,280,559	16.2	10,542,205	32.1	7,806,833	23.8	3,023,445	9.2	851,431	2.5	32,786,654	100.0
1915.....	1,622,849	3.6	1,947,140	4.3	3,725,718	8.2	7,920,513	17.7	12,030,343	26.5	9,730,380	21.6	6,236,307	13.8	2,055,134	4.3	45,268,384	100.0
1920.....	1,649,254	2.3	2,323,001	3.2	5,976,608	8.3	14,103,140	19.6	19,395,664	26.9	18,574,201	25.8	8,406,720	11.6	1,827,137	2.4	72,255,734	100.0
1924.....	1,308,262	1.1	2,518,699	2.2	7,348,487	6.3	23,229,877	19.9	22,406,130	19.2	46,620,572	40.0	11,340,356	9.8	2,032,298	1.5	116,799,681	100.0

TAXATION AND RETIREMENT

Increase Since 1850

Table 11 and Chart 5 show the growth of state operating expenditures in accordance with the above functional grouping. It will be observed that the greatest increase occurred in the case of education, the expenditure for which rose from \$470,000 in 1850 to \$46,620,000 in 1924. Welfare expenditures mounted from \$140,000 in the middle of the century to \$22,400,000 in 1924. Public works claimed \$860,000 in 1850 as compared with \$23,230,000 in 1924. The cost of primary administration increased from \$60,000 to \$7,350,000, and that of regulatory and promotional activities rose from a similar amount to \$11,340,000. On the other hand, the growth of expenditures for legislative and judicial purposes has been much more moderate.¹

Functional Division of Expenditures

The relative importance of the different groups of activities has changed considerably since the opening of the period. This fact is best illustrated by Chart 6. The actual percentage division of operating expenditures among the various functions is given in Table 11. The chart brings out a number of important facts as to the apportionment of state expenditures. In the first place, it is clear that the three great fields of state activity are and have been throughout the last seventy-five years: education, public works, and public welfare. Together these three groups of functions have been responsible for between 70 and 80 per cent of state operating costs in every decade since 1850. In the second place, it is evident that regulatory and promotional services, which have so often been attacked in popular criticisms of governmental costs, have never claimed a large share of state expenditures. It is also obvious that primary administration, the legislature and the courts have contributed only a comparatively small part of the cost of government. Relatively the importance of the legislature and the judiciary has declined during the period.

Variations in Importance of Functions

Another noteworthy fact is the variation in the role which different functions play from decade to decade. In 1850 public works made up 44 per cent of state operating expenditures, as compared with 11 per cent in 1900 and 20 per cent in 1924. This fluctuation was due to the decline in the importance of the canal system in the last half of the nineteenth century and to the recent growth of state highway activity. At the opening of the period the canals overshadowed all else in the operation of the state, but as other functions developed and the canal system failed to expand, this undertaking rapidly lost its dominant position in state finance. Since 1900, however, the percentage of expenditures assigned to public works has almost doubled due to the new demands of highway administration and maintenance, and the added cost of canal operation since the completion of the Barge Canal.

¹ Table 1, Appendix I, presents a detailed analysis of state expenditures by ten year periods from 1800 to 1900 and by five year periods since 1900.

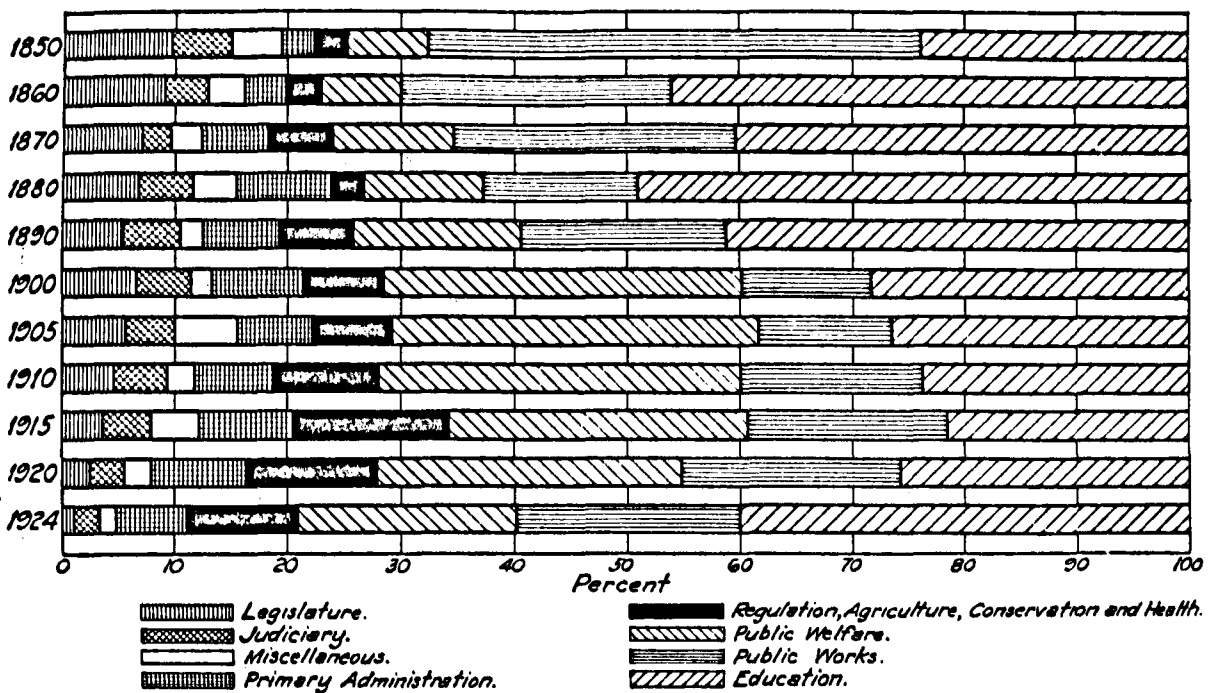


CHART 6. OPERATING EXPENDITURES OF NEW YORK STATE GOVERNMENT, 1850 TO 1924. Showing division on 100 per cent bars according to major functional groups.

Whereas public works declined in relative position between 1850 and 1900, public welfare rose until it formed one-third of the total in the latter year. The principal factor in this development was the establishment of state care of the insane in the nineties, but during the period institutional care was broadened in other directions as well. Since 1905, the percentage of state expenditures devoted to welfare activities has considerably decreased because of the more rapid growth of other functions. Taking the period as a whole education has occupied by all means the most conspicuous place in state expenditures. In 1850 it received 24 per cent of the whole. In 1880 it claimed 49 per cent; in 1915, but 22 per cent; and in 1924, 40 per cent. These variations are chiefly attributable to changes in the volume of state aid, though the creation of state schools and colleges in the last twenty-five years has contributed somewhat to the growth of educational expenditures.

Expenditures for Regulation Small

The seventh group of activities, including regulatory and promotional services, though comparatively a small factor in state expenditures, increased considerably in relative importance between 1880 and 1915, since which time it has somewhat declined. By all means the largest item in this class is agriculture. Labor, health, and conservation and parks come next in size. Banking, insurance and utility regulation impose lesser demands upon the treasury. While it is not in all cases possible to separate expenditures for regulation from expenditures for other purposes, the accompanying Table 12 indicates with substantial accuracy the amounts devoted to the regulation of private business. It includes the entire operating expenditure for the banking, insurance and labor departments and the public service and transit commissions. In the case of the department of agriculture the experiment station, fair commission and similar non-regulatory enterprises have been eliminated. Indemnities for the slaughtering of diseased cattle are included and chiefly account for the large expenditure under the head of agriculture. In 1880, regulation represented 1.7 per cent of state operating expenditures. In 1900, it formed 3.7 per cent; in 1915, 8.8 per cent; and in 1924, 6.3 per cent.

TABLE 12
EXPENDITURES FOR REGULATION, 1880-1924

YEAR	Banking	Insurance	Public utilities	Agriculture	Labor	Total	Per cent of state operating expenditures
1880.....	\$20,102	\$64,276	\$12,855	\$32,983	.....	\$130,216	1.7
1890.....	21,724	83,429	98,225	103,947	\$65,404	372,729	3.3
1900.....	91,817	187,253	93,800	212,919	167,606	753,395	3.7
1910.....	141,489	276,019	391,833	511,264	225,599	1,546,204	4.7
1915.....	227,920	476,396	539,382	1,305,548	1,463,797	4,013,043	8.8
1920.....	347,569	457,165	907,771	1,203,580	1,896,767	4,812,852	6.6
1924.....	410,930	697,569	756,321	3,709,576	1,917,981	7,392,377	6.3

EXPENDITURES FOR PRINCIPAL FUNCTIONS SINCE 1900

In the preceding discussion an effort has been made to show the main features of the growth of state expenditures since the middle of the nineteenth century and to indicate the leading causes of such development. Inasmuch as the increase has been so great within recent years, it would seem desirable to examine the rise of expenditures for the principal functions in greater detail.

Public Works

State operating expenditures for public works have to do chiefly with three matters: waterways, highways, and public buildings. Since 1900, in fact since 1915, the expenditure for waterways has more than doubled, as shown by Table 13. (See Chart 7.) Prac-

TABLE 13
EXPENDITURES FOR PUBLIC WORKS, EXCLUSIVE OF OUTLAY, 1900-1924

Purpose	ACTUAL EXPENDITURES			1924 expenditures adjusted as to price	PER CENT OF INCREASE BETWEEN 1915 AND 1924	
	1900	1915	1924		In actual expend- itures	In expend- itures adjusted as to price
Canals and waterways . . .	\$1,833,956	\$1,717,951	\$4,403,778	\$2,835,659	156	65
Highways:						
State aid	54,058	1,997,555	4,956,024	3,191,258	148	60
Maintenance		3,514,705	12,235,727	7,878,768	248	124
Administration and other	69,172	60,186	391,956	252,386	551	319
Buildings and architecture	317,302	558,776	934,021	601,430	67	8
Miscellaneous	81,356	71,340	308,371	198,564	332	178
Total	\$2,355,844	\$7,920,513	\$23,229,877	\$14,958,065	193	89

tically all of this expenditure is devoted to the maintenance and operation of the canals, though it includes scattered items for other improvements. In 1900 canal operation and maintenance cost \$1,780,000, as compared with \$4,100,000 in 1924. This increase is due to two causes, higher prices and the completion of the Barge Canal. As the new canal is considerably deeper and wider than the old, the task of maintenance is greater. Furthermore, the state has invested \$25,000,000 in terminals which must be kept in repair. Except for price changes the history of the Erie Canal prior to 1900 indicates that canal maintenance should be a fairly constant item. During the last four years it has averaged \$3,670,000.

Highways

Highway improvement and maintenance has become a matter of far greater fiscal importance than the canals since the opening of the century. State highway activity was inaugurated in 1898, but did not attain importance until after the authorization of the first \$50,000,000 bond issue in 1905. In 1906 the state took over the maintenance of state-improved roads and in 1907 launched the

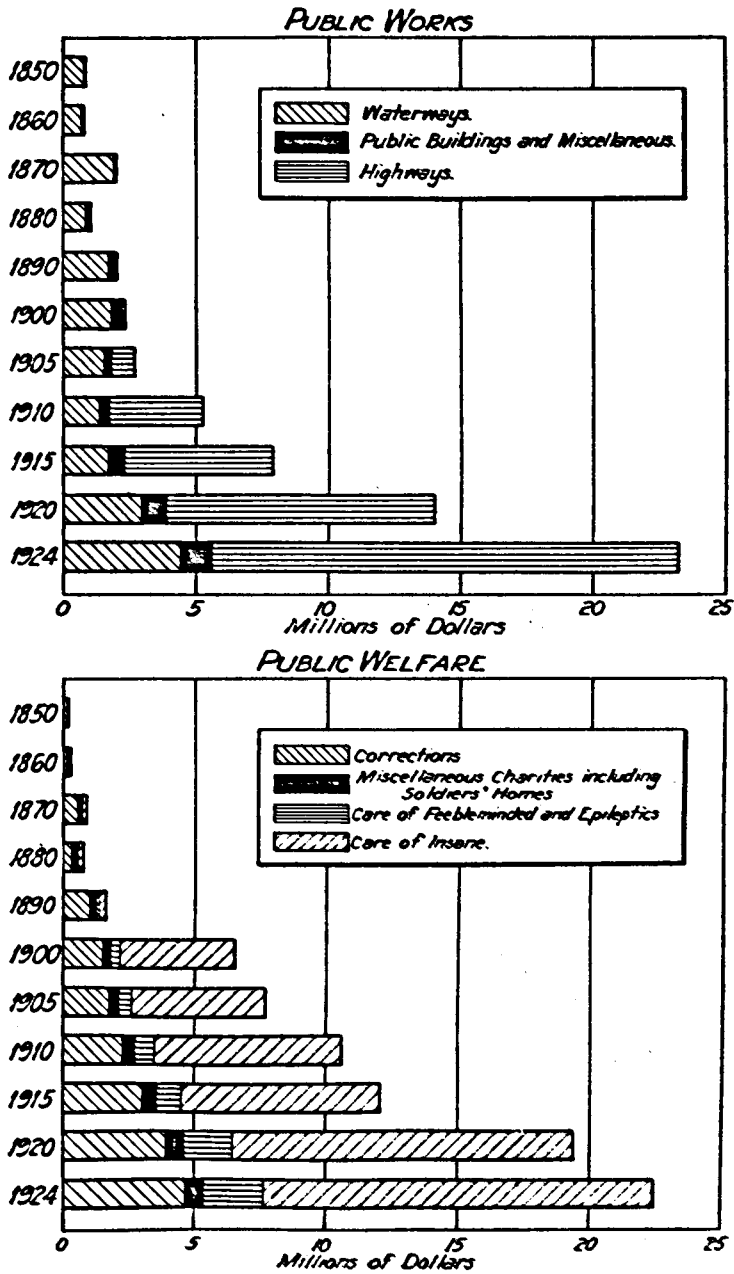


CHART 7. EXPENDITURES FOR PUBLIC WORKS AND FOR PUBLIC WELFARE IN NEW YORK STATE GOVERNMENT, 1850 TO 1924. Arranged according to the major activities.

state and county highway program calling for the improvement of 11,400 miles of roads. At the same time it increased the volume of state aid for town highway purposes to approximately \$1,500,000 per year. In 1920 it added about \$2,400,000 more as aid for the construction of roads. In 1924 the total expenditure for state aid amounted to \$4,956,000, of which \$2,395,000 went for the construction of county aid roads. Practically all of the remainder was apportioned among the towns for use on town highways.

The maintenance of improved highways has become since 1910 one of the largest items of state expense, amounting in 1924 to \$12,235,000. This represents an increase of 248 per cent over 1915 and 590 per cent over 1910. A number of factors have contributed to this development. The rise of prices has of course added greatly to the cost of road repair. More important, however, has been the rapid growth in the mileage of highways subject to state maintenance. At the close of 1924 this mileage amounted to 9,282, an increase of 56 per cent over 1915 and 287 per cent over 1910. The growth of automobile traffic has been another factor. The number of motor vehicles in the state is more than six times what it was in 1915 and twenty times what it was in 1910. As most of the pavements laid before the war were either water-bound or bituminous macadam, the rise in the volume of motor traffic has necessitated extremely heavy expenditures for repairs and resurfacing. Since 1915 the annual cost of maintenance on these two types of pavements has averaged about \$900 and \$550 per mile respectively. Taking the improved highway system as a whole the average cost of maintenance per mile, exclusive of reconstruction work involving a change of type of pavement, has been as follows:¹

1915	\$750	1920	\$631
1916	651	1921	744
1917	643	1922	607
1918	608	1923	712
1919	560	1924	757

In examining these figures the fact must not be overlooked that during and immediately after the war highway maintenance work was seriously curtailed and the average expenditures for those years consequently fell below normal requirements. This fact is important as having a bearing upon maintenance costs in later years. The adoption of a more permanent type of pavement in recent construction and replacement work is another factor which has a bearing upon the current repair costs.

Public Welfare

The state engages in a variety of welfare activities involving an annual expenditure in excess of \$20,000,000. Practically all of this sum is devoted to the operation of the institutional system, which cares for more than 55,000 persons. For convenience the

¹ From Report of State Commissioner of Highways, 1922, p. 51, and from correspondence.

welfare services of the state may be grouped under four heads: corrections, care of the insane, care of the feeble-minded and epileptic, and miscellaneous charities. In the field of corrections, the state now maintains fourteen institutions with a population of over 9,000 in 1924. These institutions are of several types. There are four large prisons for men, a small prison for women, three reformatories for adults between the ages of 16 and 30, three juvenile reformatories, an institution for feeble-minded convicts, and two hospitals for the criminal insane. In addition to the cost of maintaining these institutions and the necessary supervisory agencies, the state also pays certain counties for the support of convicts in county penitentiaries. The largest branch of welfare activity has to do with the care of the insane. The state now operates fourteen hospitals for the civil insane providing for an average population of more than 38,000 in 1924. In connection with this hospital system it also possesses a psychiatric institute for the study of mental diseases. The care of the feeble-minded and epileptic ranks next in importance. There are at present four institutions for feeble-minded with about 6,000 inmates and a colony for epileptics with a population of 1,600. Under the head of miscellaneous charities are included the care of aged soldiers and their dependents, for whom the state has provided two institutions, and the general supervision of public charities and institutions. The state school for the blind and the Thomas School for orphan Indian children are not here treated as welfare enterprises but are classified with other educational services.

Table 14 shows the growth of state expenditures for the various types of welfare activities since 1900. Chart 7 traces the development of these functions from the middle of the nineteenth century.

Growth of Inmate Population in Institutions

The following table indicates that the growth of expenditures for welfare purposes has been very great within recent years.

TABLE 14
EXPENDITURES FOR PUBLIC WELFARE, EXCLUSIVE OF OUTLAY, 1900-1924

PURPOSE	ACTUAL EXPENDITURES			1924 expenditures adjusted as to price	PER CENT OF INCREASE BETWEEN 1915 AND 1924	
	1900	1915	1924		In actual expend- itures	In expend- itures adjusted as to price
Corrections.....	\$1,502,924	\$2,950,516	\$4,653,494	\$2,996,454	57	2
Care of insane.....	4,311,043	7,510,224	14,792,417	9,525,059	97	27
Care of feeble-minded and epileptic.....	354,528	970,465	2,268,969	1,461,023	134	50
Miscellaneous charities...	337,458	599,138	691,250	445,106	15	*26
Total.....	\$6,505,953	\$12,030,343	\$22,406,130	\$14,427,642	86	20

* Decrease.

TABLE 15
POPULATION, EXPENDITURES AND PER CAPITA COST OF THE CHARITABLE, PENAL AND CORRECTIONAL INSTITUTIONS OF NEW YORK STATE,
1900 AND 1924*

CLASS OF INSTITUTIONS	Number of Institutions		Average Daily Number of Inmates		Expenditure for Maintenance (Actual figures)		Expenditure Adjusted to Price Level of 1913		Per Inmate Cost of Maintenance (Actual figures)		Per Inmate Cost of Maintenance (Adjusted figures)		Per cent of increase
	1900	1924	1900	1924	1900	1924	1900	1924	1900	1924	1900	1924	
Prisons.....	4	5	3,468	4,542	\$480,251	\$1,775,612	\$596,582	\$1,148,352	\$136 48	\$390 98	\$173 02	\$251 72	46
Adult reformatories.....	3	3	1,778	1,304	300,445	735,751	373,221	478,750	168 98	539 40	209 91	347 82	66
Juvenile reformatories.....	2	3	1,631	1,333	317,321	768,818	394,186	507,920	194 55	591 76	241 68	361 08	58
Institution for feeble-minded convicts.....		1		391		187,611		120,808		479 82		308 96	.....
Hospitals for criminal insane.....	1	2	732	1,507	134,638	697,608	167,251	449,187	183 93	462 91	228 49	298 07	30
Hospitals for civil insane.....	13	14	21,815	38,382	3,594,873	14,329,912	4,465,659	9,227,080	164 79	873 35	204 71	240 40	17
Institutions for feeble-minded.....	3	4	1,283	5,831	214,458	1,720,198	266,406	1,107,636	167 15	295 01	207 64	189 95	**
Colony for epileptics.....	1	1	502	1,688	107,536	520,600	183,584	335,214	214 21	327 86	266 10	211 11	**21
Soldiers' homes.....	2	2	1,547	513	199,234	376,960	247,494	242,725	128 78	734 81	159 97	473 14	196
All institutions.....	29	35	82,758	55,451	5,348,756	21,133,065	6,644,383	13,607,617	163 29	381 12	202 85	245 40	21

*From annual reports of state superintendent of prisons, state board of charities, and state hospital commission.
 ** Decrease.

Two facts largely account for this development. The first is the increase in the inmate population, which has expanded 70 per cent since 1900, and 12 per cent since 1915. Though the total body of inmates has steadily risen, the numbers in certain types of institutions have materially decreased within the last decade. This is particularly true in the field of corrections. The prison population is about 15 per cent less than in 1915. The number of children in juvenile reformatories has dropped 30 per cent, and the population of adult reformatories almost as much. The only increase has taken place in the case of hospitals for the criminal insane. This reduction in the number of inmates of correctional institutions is chiefly due to a change in practice in dealing with offenders, particularly young offenders. Probation has been substituted for confinement in a large number of cases. As a result the correctional plant is now operating considerably below its capacity and some changes have been made in the use of institutions. It is not improbable, however, that the full capacity of the system will again be required within a few years, for the trend of correctional population has again been upward within the last three years. The population of soldiers' homes, on the other hand, has steadily fallen off within the last decade and a half. In 1910 these two institutions housed nearly 2,000 persons, as compared with only 500 in 1924. The home at Bath, which is rated at a capacity of 1,400 and has cared for as many as 2,000, now contains only about 350 inhabitants. Clearly the rapid decline in the number of old soldiers dependent upon the state raises the question of the adaptation of this institution to other needs. (See Table 15.)

While the population of soldiers' homes and correctional institutions has decreased, that of hospitals for the insane has steadily risen. Years of experience with state care of the insane show that the requirements imposed upon the hospital system bear substantially a fixed relation to the population of the state. Throughout the last decade the number of first admissions to public and private institutions for the insane has amounted to about 69 per 100,000 of the population each year. As private institutions are a very small factor, almost the entire burden falls upon the state. Taking the last decade as a whole, the average annual increase in the number of patients in state hospitals has been about 650. This has resulted in serious overcrowding of the system in recent years. The number of inmates in institutions for the feeble-minded has also risen sharply in the last decade, the growth since 1915 amounting to 90 per cent.

The increase in prices has been a second factor in the growth of institutional costs. Between 1915 and 1924 the index number for foods advanced from 104 to 144. In the same period the index number for fuel mounted from 88 to 170. The cost of other supplies rose in varying degree and salaries had to be raised to meet the increased cost of living. Thus the cost of institutional operation necessarily advanced.

TABLE 16
INCREASE IN PRINCIPAL ITEMS OF INSTITUTIONAL COST, 1915-1924*

INSTITUTIONS	EXPENDITURES						PER INMATE EXPENDITURES						PER CENT OF INCREASE IN EXPENDITURES PER INMATE		
	PERSONAL SERVICE		FOOD		FUEL AND LIGHT		PERSONAL SERVICE		FOOD		FUEL AND LIGHT		Per- sonal service	Food	Fuel
	1915	1924	1915	1924	1915	1924	1915	1924	1915	1924	1915	1924			
Prisons.....	\$470,118	\$815,739	\$275,068	\$360,818	\$53,682	\$137,733	\$87 59	\$179 60	\$51 25	\$79 44	\$9 99	\$30 22	105	55	208
Adult reformatories and institu- tion for feeble-minded convicts	306,368	437,781	109,852	83,553	47,084	112,225	124 48	249 45	44 68	50 45	19 13	63 95	100	13	334
Juvenile reformatories.....	265,645	306,335	93,858	91,583	40,712	85,734	141 31	229 81	52 39	63 70	21 57	66 56	62	31	209
Hospitals for criminal insane....	106,368	372,463	95,789	120,801	23,745	59,253	122 78	247 15	70 69	80 49	17 53	39 43	101	14	126
Hospitals for civil insane.....	2,044,214	6,527,470	2,103,168	3,246,217	574,128	1,402,374	93 51	170 07	64 57	84 53	17 63	36 54	82	31	107
Institutions for feeble-minded and epileptic.....	880,680	1,015,308	182,285	269,823	81,631	266,045	83 89	136 82	40 17	49 84	17 99	35 36	63	24	99
Soldiers' homes.....	160,569	196,576	100,152	49,372	42,696	37,038	107 76	333 93	67 21	96 43	28 65	74 10	256	43	159
All institutions.....	4,794,957	9,071,572	2,064,187	4,227,142	868,623	2,104,202	96 57	174 42	59 70	78 04	17 39	37 95	81	31	118

* From annual reports of state superintendent of prisons, state board of charities, and state hospital commission.

Cost of Maintenance

Table 15 shows the increase in the cost of maintenance for the various types of institutions within the last twenty-five years. Between 1900 and 1915 the per inmate expenditure for the maintenance of the system as a whole advanced 31 per cent. Between 1915 and 1924 it rose 78 per cent. In terms of the 1913 dollar, however, the per inmate expenditure increased only 5 per cent between 1900 and 1915, and 15 per cent between 1915 and 1924. The highest rate of increase in actual expenditures within the last decade occurred in the case of the soldiers' homes, where the cost per inmate mounted from \$243 to \$736, or 202 per cent. A high percentage of increase was also characteristic of correctional institutions as a class. In the case of prisons the growth amounted to 107 per cent. Undoubtedly the decline of the inmate population contributed materially to the rise of per capita costs both in the case of correctional institutions and soldiers' homes. It is a well known fact that the per capita cost of providing for a small body of inmates is considerably greater than that of caring for a large number. Furthermore, it is fair to assume that the force of employees did not decline in proportion to the decrease in the number of inmates. On the other hand, overcrowded institutions are likely to be operated at less than the normal per capita cost.

Three items make up the greater part of the cost of institutional maintenance: personal service, food, and fuel and light. Together they formed 76 per cent of the expenditure for the support of institutions in 1924. An analysis of the increase in each of these three classes of expenditures between 1915 and 1924 is presented in Table 16. On a per inmate basis the growth of expenditures for personal service amounted to 81 per cent for the entire institutional system. The per inmate cost of food and fuel mounted 31 and 118 per cent, respectively. During this period the wholesale price index records an advance of 38 per cent in the cost of foods, and 93 per cent in the price of fuel and light. The increase in the average weekly earnings of New York State factory employees was 115 per cent during the period.

Education

Education has contributed far more than any other governmental function to the growth of state expenditures since the war. The reason is to be found in the change in the policy of state aid. While the expenditure for supervision and the support of state schools and colleges has risen in about the same degree as state expenditures generally, the volume of grants-in-aid has expanded 470 per cent since 1918. In actual amount the increase between 1918 and 1924 was \$32,632,363. This represented a sudden modification of state educational policy. Between 1900 and 1910 the state's contribution amounted to from an eighth to a tenth of the local expenditure for education. By 1915 the ratio had fallen to a twelfth. In 1923 it stood at one-fifth. Prior to 1919 the system

of school aid had continued for practically half a century without violent change. (See Chart 8.) During that period the volume of local school expenditures had greatly expanded with a resultant decline in the relative importance of the state's contribution. In reality the recent assumption by the state of a greater part of the cost of teachers' salaries has not raised the ratio of state aid to local school expenditures to as high a point as it occupied for a time in the nineteenth century. (See Table 17.)

TABLE 17
STATE AID FOR SCHOOLS

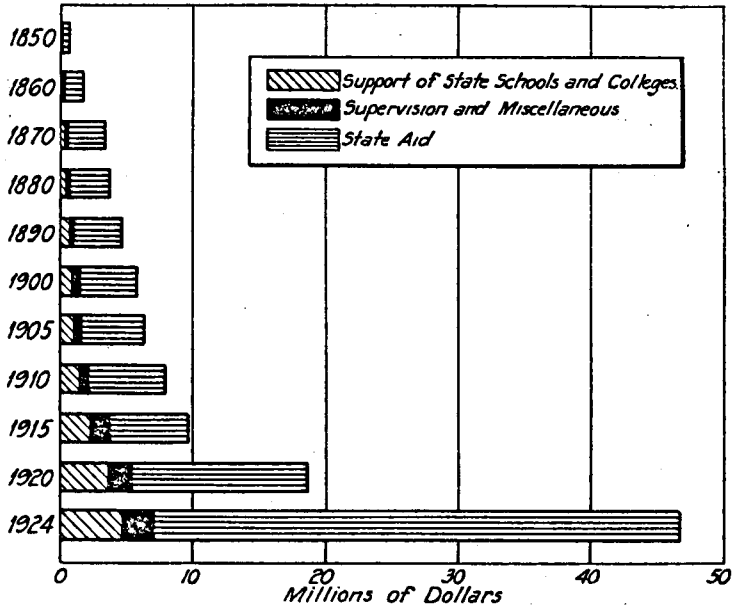
YEAR	State aid for schools	Per cent of local school expenditure borne by state*	Per cent school aid was of state operating expenditures
1860.....	\$1,376,000	37	40
1870.....	2,760,000	28	34
1880.....	3,095,000	30	41
1890.....	3,645,000	21	33
1900.....	4,310,000	13	21
1910.....	5,686,000	11	17
1915.....	6,178,000	9	14
1923.....	37,792,000	20	36

* The expenditures for public primary and secondary schools, as reported by the state department of education, have here been employed.

The second group of state educational expenditures has to do with the maintenance of the state's own schools and colleges. Disbursements for these institutions have grown from \$2,148,000 in 1915 to \$4,706,000 in 1924. About one-third of the expenditure under this head goes for the support of normal schools and the state normal college. Other educational institutions are the State College of Agriculture, the Veterinary College, the College of Forestry, and the six agricultural schools. The school for the blind and the Thomas School for Indian children are included, as are also the payments for the education of deaf, dumb and blind children in approved institutions. Allowing for the rise in prices, expenditures within this class have increased 40 per cent since 1915.

The third group of educational expenditures involves chiefly the machinery of school supervision and consists largely of personal service. Disbursements under this head have advanced 68 per cent since 1915, or if allowance is made for the change in prices, about 8 per cent.

REPORT OF SPECIAL JOINT COMMITTEE
EDUCATION



REGULATION, AGRICULTURE, CONSERVATION AND HEALTH

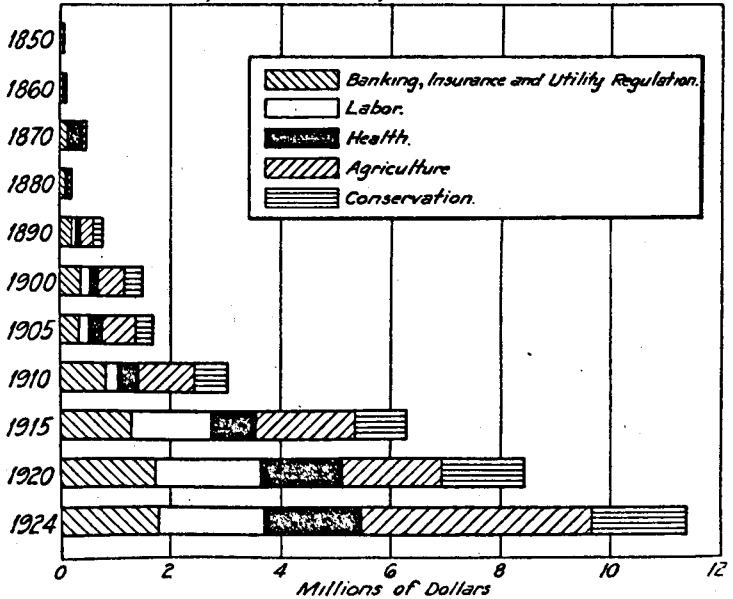


CHART 8. EXPENDITURES FOR EDUCATION AND FOR REGULATORY AND PROMOTIONAL SERVICES IN NEW YORK STATE GOVERNMENT, 1850 TO 1924.

Arranged according to the major activities.

Regulatory and Promotional Services

In two fields of regulation, banking and insurance, the nature of state activity has not materially changed since 1900. (See Chart 8.) The principal development in both cases has been an enlargement of the examining staff. This has been the result of the rapid expansion of the banking and insurance businesses and the growth of popular interest in their supervision. The life insurance investigation in 1905 in particular gave an added impetus to regulation in that field. In the case of utility regulation a complete reorganization occurred in 1907, which marked the beginning of real administrative supervision of railroads and public service companies. In addition to its regulatory functions, the public service commission formerly directed the development of transit facilities in New York City. The operating expenditure for all three of these regulatory agencies consists chiefly of personal service. Making allowance for the advance in prices, the expenditure for bank supervision has increased 16 per cent since 1915, while disbursements for utility regulation and insurance supervision were respectively 10 and 19 per cent less in 1924 than in 1915.

Expenditures for the department of labor have expanded greatly since the opening of the century. Most of this increase, however, occurred between 1910 and 1915 when the department was reorganized and workmen's compensation introduced. In 1913 after the Triangle Waist Company fire the factory inspection force was greatly enlarged and further provision made for the regulation of working places generally. These changes brought about an addition of 500 per cent to disbursements between 1910 and 1915. When the increase in the cost of living is considered, the expenditure for the department has declined 16 per cent since 1915.

State health activity also expanded rapidly after 1910. The reorganization of the department in 1913 was followed by the rapid development of health services. Maternity and child hygiene work has become particularly important as has also the division of laboratories. Beside the health department proper, the state maintains a tuberculosis hospital, an orthopedic hospital for children and an institute for the study of malignant diseases. The quarantine station, which once occupied a prominent place in state health activity, was transferred to the national government in 1921. Since 1915 expenditures for health services have risen from \$814,000 to \$1,745,000 exclusive of outlay items. This constitutes an increase of 114 per cent. Eliminating the price factor it represents a growth of about 38 per cent. (See Table 18.)

Of the various functions classed as regulatory and promotional services, the greatest development within recent years has occurred in the case of agriculture. Since 1915 expenditures for agricultural activities exclusive of agricultural education have risen from \$1,795,000 to \$4,175,000. Of this increase, amounting to \$2,380,000, indemnities for the slaughter of diseased cattle alone

TABLE 18
EXPENDITURES FOR REGULATORY AND PROMOTIONAL SERVICES IN NEW YORK STATE, 1900-1924

	1900	Per cent of total	1905	Per cent of total	1910	Per cent of total	1915	Per cent of total	1920	Per cent of total	1924	Per cent of total	1924 Expenditures adjusted as to price	PER CENT OF INCREASE, 1924 OVER 1915	
														Actual expenditures	Adjusted expenditures
Banking.....	\$91,817	6.3	\$92,181	5.5	\$141,488	4.7	\$227,920	3.6	\$347,569	4.1	\$410,930	3.6	\$284,604	80	16
Insurance.....	187,253	12.9	153,815	9.2	276,019	9.1	476,396	7.6	457,165	5.4	597,569	5.3	384,784	25	*19
Public utilities.....	93,800	6.4	114,630	6.9	391,833	13.0	539,382	8.6	907,771	10.8	756,321	6.7	487,006	40	*10
Agriculture.....	485,453	33.5	633,705	37.7	994,394	32.9	1,794,676	28.8	1,804,767	21.5	4,174,139	36.8	2,687,791	133	50
Health.....	122,349	8.5	234,608	13.9	330,461	10.9	813,881	13.1	1,472,202	17.5	1,744,817	15.4	1,123,514	114	38
Labor.....	167,606	11.6	142,786	8.5	225,599	7.5	1,463,797	23.5	1,896,767	22.6	1,917,981	16.9	1,235,017	31	*16
Conservation and parks...	301,854	20.8	307,635	18.3	663,650	21.9	920,255	14.8	1,520,488	18.1	1,738,599	15.3	1,119,510	89	22
Total.....	\$1,450,132	100.0	\$1,679,340	100.0	\$3,023,444	100.0	\$6,236,307	100.0	\$8,406,729	100.0	\$11,340,356	100.0	\$7,302,226	82	17
Percentage of total operating expenditures.....	7.2		7.1		9.2		13.8		11.6		9.8				

* Decrease

accounted for \$1,950,000. Practically all of this sum is due to the inauguration of an intensive campaign for the eradication of bovine tuberculosis. Regulatory activity has also expanded in several other directions, but the amounts involved have been relatively modest. Expenditures for the experiment station and the conduct of state fairs have virtually doubled within the last decade.

The expenditures for parks and conservation are almost six times what they were in 1900 and practically double the amount in 1915. Park development and forest protection have been leading factors in this increase. The Palisade Interstate Park was established in 1910. Since that time the Allegany State Park has been created and many lesser parks and memorials set up. The area of state-owned land within the Catskills and Adirondacks has also been enlarged. About 200,000 acres have been added in these two regions within the last decade. Reforestation has been extended and the body of forest rangers increased. Since 1910 water power development has also been intensively studied and the water power commission established to have charge of power projects.

SUMMARY AND CONCLUSIONS

1. The foregoing examination of the increase of governmental costs shows that the growth of state expenditures has followed a definite trend over a period of several decades. Though variations in the rate of increase have occurred within intervals of a few years, the movement over a period of years has been remarkably consistent. Between 1880 and 1915, when price changes were not violent, total state expenditures mounted at the rate of 5.1 per cent per annum. Naturally this rate did not prevail during the last decade nor during the years following the Civil War. Yet when price fluctuations are considered, the rise of expenditures in these two periods was not extraordinary. Correcting expenditures according to the purchasing power of the dollar, the trend from 1850 to 1924 has been constant. In the case of total expenditures, the average rate of increase per annum has been 4.5 per cent. Operating expenditures have been expanding at the rate of 4.6 per cent per annum, and per capita operating expenditures at the rate of 2.8 per cent per annum.

2. Correcting actual expenditures in accordance with the pre-war value of the dollar, 1924 expenditures were not greatly above the amount naturally to be expected on the basis of the general trend since 1850. Total expenditures corrected as to price stood at \$94,190,000, whereas the amount computed in accordance with the trend of the whole seventy-five year period would have been \$79,800,000. Operating expenditures similarly corrected amounted to \$75,210,000 in 1924, as compared with \$66,500,000 which might have been expected from the trend of the entire period. It is evident therefore that the present volume of state expenditures

represents no extraordinary or unnatural change in state development, though the actual amount of increase within the last decade appears most unusual if no allowance is made for the decline in the value of the dollar.

3. While expenditures as a whole have consistently advanced, expenditures for specific activities display a most irregular rate of growth. This should be expected, however. Expansion in a given field of state endeavor is not a gradual process of unfolding. On the contrary, the introduction of new services or the enlargement of the volume of services already established often occurs within a few years, or even a single year. Activities which rise to great prominence in one decade may remain relatively stationary in the next. This is the course of governmental development. The explanation is largely to be found in variations in the pressures exerted upon government from without. At one time the commercial organizations succeed in arousing sufficient popular interest in canal improvement to carry through the construction of a barge canal. At another time medical and philanthropic agencies focus attention upon the problem of the insane and secure the establishment of state care of this class of unfortunates. In another decade highway development and maintenance is brought to the fore. In many cases these movements are initiated by a definite group directly affected by the changes demanded. In other instances public opinion as a whole reacts to a sudden calamity or other striking occurrence. Government after all is constantly played upon by a host of varying and unequal forces. It is, therefore, simply inevitable that its efforts should be differently apportioned at different times. As the preceding analysis has shown, the relative importance of individual functions and groups of functions undergoes considerable change. Education, for example, claimed as high as 49 per cent of state operating expenditures at one time, and only 22 per cent at another. In 1890, 2 per cent of expenditures was allotted to the care of the insane, whereas in 1900, 21 per cent was required. But in spite of such readjustments the growth of total expenditures has been kept within a definite course.

4. Though the importance of given services has varied, the three principal groups of state activities—education, public welfare, and public works—have regularly accounted for about three-fourths of total operating expenditures. In 1850 public works was the principal item of expense. In 1900 public welfare occupied the leading position and at present education is the most important object of expenditure. But together these three groups of functions have received a remarkably constant ratio of state operating expenditures.

5. Regulation and what may be termed promotional services have, on the other hand, played a comparatively minor part in the growth of governmental costs. Defining the term regulation somewhat liberally to include bank and insurance supervision, utility regulation, the department of labor and part of the department of agriculture, the regulation of business has at no time secured

more than 9 per cent of state operating expenditures. Regulatory and promotional services, including in addition to the above, health, conservation, parks and the remainder of the department of agriculture, have not amounted to more than 14 per cent of expenditures at the highest. In 1924 they received 10 per cent of the disbursements for current operation.

6. At present state operating expenditures are divided about as follows:

	Per cent
Grants-in-aid	38
Activities antedating 1880	21
Activities introduced since 1880	28
Activities taken over from local governments since 1880	13
Total	100

It is thus apparent that 51 per cent of the present operating expenditures of the state is incurred either for the support of activities conducted by local governments or for services which have been transferred from the local governments to the state within the last forty-five years.

**CHAPTER IV—NEW YORK'S TAX BURDEN AND ITS RATE
OF GROWTH**

[91]

CHAPTER IV—NEW YORK'S TAX BURDEN AND ITS RATE OF GROWTH

The Present Burden of Taxation

Since 1914 taxes levied for state purposes in New York have approximately tripled in volume. Local taxes have increased in about the same ratio, while the estimated burden of federal taxes borne by the inhabitants of the state has grown nearly seven-fold.

For the fiscal year ended June 30, 1924, the total tax burden, federal, state, and local, borne by the people of the State of New York amounted to approximately one and a third billion dollars. This was nearly a billion dollars greater than the state's total tax bill for 1914. Distributed on a per capita basis, the average tax load per inhabitant in 1924 was \$116 as compared to an average load of \$40 in 1914.

Tables 19 and 20 present detailed figures as to the aggregate and per capita amounts of taxes levied for federal, state, and local purposes in respect to the years 1914, 1920, and 1924.¹ It will be noted that federal taxes reached a peak in 1920 when the country's war obligations were at maximum. Since 1920 they have been reduced by approximately a half. State and local taxes on the other hand have increased considerably since 1920.

Pertinent Questions

Accepted at their face value and without further analysis or investigation, the figures which have just been presented may well create in the mind of the taxpayer a feeling of misgiving in regard to the present, and of foreboding in regard to the future. Two pertinent questions require answers. Are the additional sums which the state and its political subdivisions are raising by taxa-

TABLE 19
AGGREGATE FEDERAL, STATE AND LOCAL TAXES BORNE BY NEW YORK STATE

TAXES LEVIED FOR	1914		1920 (peak)		1924	
	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total
Federal government.....	\$66,909,300	25.5	\$1,177,153,800	69.7	\$613,873,000	47.8
New York State.....	43,718,300	11.5	120,613,500	7.2	132,473,000	10.3
Local governments in New York State.....	239,947,000	63.0	390,425,300	23.1	537,072,000	41.9
Total.....	\$380,575,100	100.0	\$1,688,192,600	100.0	\$1,283,423,000	100.0

¹ For derivation of these figures see Appendix II.

TABLE 20
PER CAPITA FEDERAL, STATE AND LOCAL TAX BURDENS IN NEW YORK STATE

	1914	1920	1924	PER CENT INCREASE OVER 1914	
				1920	1924
Federal government.....	10.12	112.66	55.52	1,013	449
New York State.....	4.56	11.54	11.98	153	163
Local governments in New York State.....	25.05	37.37	48.57	49	94
Total.....	39.73	161.57	116.07	306	192

tion being wisely spent for legitimate and necessary purposes? In so far as the state government is concerned this question has been dealt with in other sections of the present report.

The remaining question is equally important. Granted that taxes are wisely spent for legitimate and useful objects, nevertheless, are they not increasing out of all proportion to the economic capacity of the state? If the present rate of increase in taxes continues will not a point soon be reached where the economic development of the state will suffer a serious set back? In other words, are not state taxing agencies gradually strangling the goose that lays the golden egg? It is this latter question which forms the subject matter of the sections which follow.

The Ascending Curve of Taxation

In order to arrive at sound conclusions relative to the problem at hand, it is necessary first of all to secure more adequate information concerning the increase in taxes than has thus far been given. Most of the current discussions on this subject appearing in the public press or voiced from the speaker's platform are confined to the tax expansion which has occurred since the World War. By implication at least the impression is thus created that the present upswing is an altogether unique and unprecedented phenomenon. An accurate view of the matter, however, can only be obtained against a background of what has occurred in the past. This background is furnished by Table 21 which gives by five-year intervals from 1850 to 1910, and by one-year intervals from 1913 to 1924, the annual tax levies in New York State of the federal, the state, and local governments, as well as the aggregate levies of all these agencies combined.¹ The same data is shown graphically on Chart 9.²

The Long-Time Trend

It will be noted that the curves on Chart 9 do not follow a straight line but change their direction from period to period. This means that the rates of growth of the tax burdens have not been uniform over the years under consideration. In some periods they have been relatively great, whereas in a few instances, and over a short period, the growth has actually been negative. In order to secure a measure of the average rates of growth over the entire period under review, straight lines have been fitted to each of the curves and the average rates of growth are indicated by the respective slopes of these straight lines.¹

The outstanding fact brought out by Chart 9 is that the recent expansion of taxes is by no means a unique and unprecedented phenomenon. It is seen that there have been very few periods during the seventy-four years under review in which tax burdens have not been on the increase. During the entire period considered, the total burden of taxes — federal, state, and local — resting upon the people of the state has grown at the average rate of 5.6 per cent per annum. In other words, the total tax burden has doubled on an average every twelve and one-half years. State taxes have grown at approximately the same rate, viz., 5.7 per cent per annum. The average rate of increase in local taxes has been 5.5 per cent per annum, which is equivalent to doubling the burden about every thirteen years. Lastly, federal taxes borne by the inhabitants of New York State during the seventy-four years under consideration increased at the average rate of 5.9 per cent per annum.

It is worth noting that there has been very little difference in the average rapidity with which federal, state, and local taxes have expanded, the respective rates of increase all falling between 5.5 and 5.9 per cent. It is significant, however, that federal taxes have increased more rapidly than either state or local levies, and that the rate of increase of state taxes has been slightly greater than the rate of increase of local levies.

¹ For the derivation of these figures see Appendix II.

² In constructing Chart 9, a logarithmic scale has been used. This device is equivalent to expressing the figures for each successive period as percentages of the figures for the period immediately preceding. The steepness of the curves at any point, therefore, represents the rate of increase at that point, and changes in rates of growth are indicated by changes in the direction of the curves. It is thus possible directly to compare the respective rates of increase of federal, state, and local taxes by the steepness of their corresponding curves. Moreover, considering each series of data by itself, comparisons of the respective rates of growth obtaining at various periods may be made by simply comparing the respective slopes of the segments of the curve corresponding to the periods in question. Had the tax figures been plotted on an ordinary scale, an increase from \$10,000,000 to \$11,000,000 would have appeared ten times as steep as an increase from \$1,000,000 to \$1,100,000. This would be misleading since the rates of growth are in both cases the same, viz., 10 per cent.

³ For the equations of these lines see Appendix III.

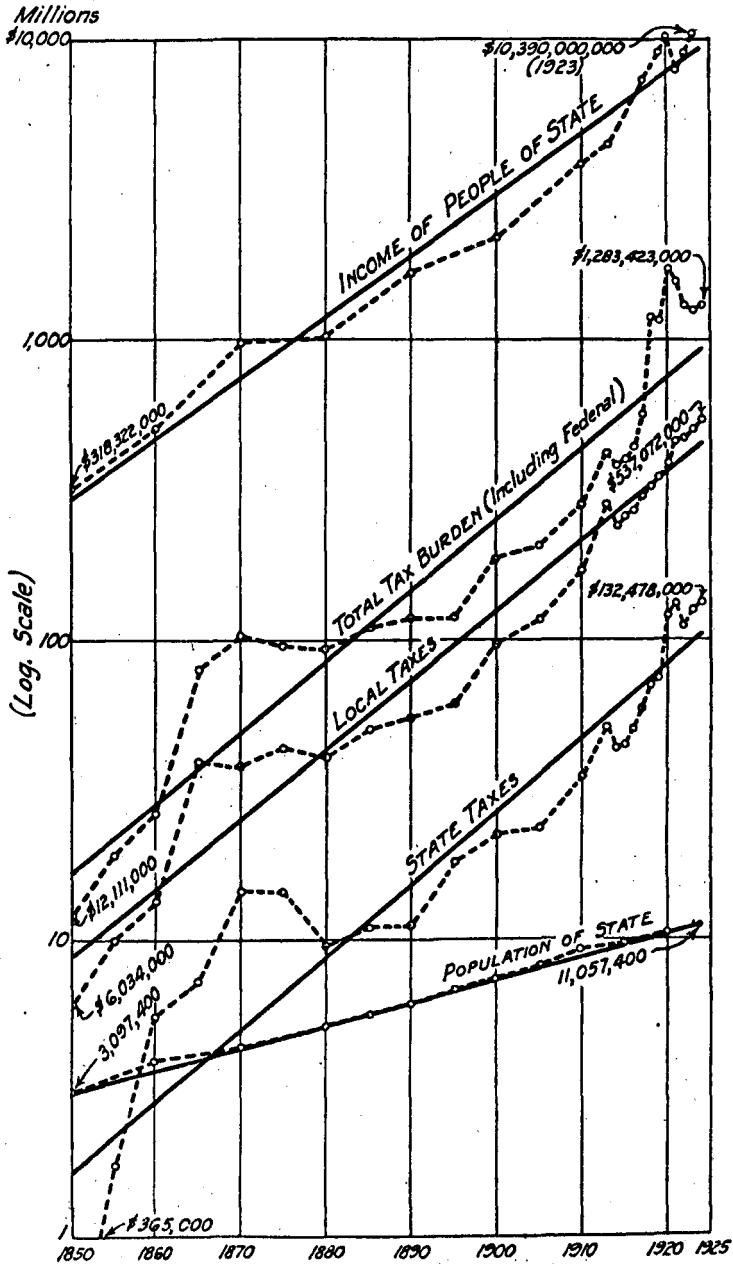


CHART 9. RELATION OF THE TAX BURDEN TO PRIVATE INCOME IN NEW YORK STATE FROM 1850 TO 1925. Showing trends for the entire period.

TABLE 21
FEDERAL, STATE AND LOCAL TAXES BORNE BY NEW YORK STATE, 1850-1924

YEAR	Federal	State	Local	Total
1850.....	\$5,712,000	\$365,000	\$6,034,000	\$12,111,000
1855.....	7,477,000	1,754,000	10,002,000	19,233,000
1860.....	7,395,000	5,444,000	13,585,000	26,424,000
1865.....	33,677,000	7,237,000	38,800,000	79,714,000
1870.....	50,271,000	14,305,000	37,810,000	102,386,000
1875.....	37,672,000	14,279,000	43,970,000	95,921,000
1880.....	42,853,000	9,431,000	40,634,000	92,918,000
1885.....	40,274,000	10,900,000	49,794,000	100,968,000
1890.....	50,629,000	11,220,000	54,635,000	116,484,000
1895.....	38,125,000	18,268,000	61,495,000	117,888,000
1900.....	65,292,000	22,452,000	97,782,000	185,526,000
1905.....	60,003,000	23,380,000	118,360,000	201,743,000
1910.....	78,460,000	34,345,000	168,085,000	280,890,000
1913.....	85,292,000	51,112,000	283,674,000	420,078,000
1914.....	96,909,000	43,719,000	239,947,000	380,575,000
1915.....	94,955,000	44,458,000	257,739,000	397,152,000
1916.....	119,096,000	49,754,000	266,215,000	435,065,000
1917.....	203,243,000	59,308,000	301,257,000	563,808,000
1918.....	767,477,000	71,483,000	324,801,000	1,163,761,000
1919.....	724,849,000	73,949,000	347,678,000	1,146,476,000
1920.....	1,177,154,000	120,614,000	390,425,000	1,688,193,000
1921.....	976,741,000	130,369,000	453,492,000	1,560,602,000
1922.....	699,611,000	112,971,000	470,188,000	1,282,770,000
1923.....	636,105,000	126,814,000	503,367,000	1,266,286,000
1924.....	613,873,000	132,478,000	537,072,000	1,283,423,000

Variations in Rates of Growth

It has already been pointed out that the rates at which tax burdens have increased have not been uniform over different periods of time. Examination of the tax curves shown on Chart 9 reveals three main periods, each one characterized by fairly distinct and separate trends. The first period may roughly be said to include the thirty years between 1850 and 1880. These years witnessed the Civil War with its accompanying era of price inflation. The period was one of rapid tax expansion not only as regards the federal government, but as regards the state and its local political subdivisions as well.

The second period which dates roughly from 1880 to 1910 was one of more moderate tax expansion. The general level of prices was fairly stable throughout the thirty years of this period, although from 1880 to 1900 the trend was slightly upward.

The third period from 1910 to 1924 includes the years of the World War with their aftermath of indebtedness and price inflation. It is characterized by the extremely rapid growth of tax burdens which is the object of so much concern at the present time.

In order to secure quantitative measures of the relative rapidity with which taxes increased during each of the three periods outlined above, straight lines have been fitted to the respective segments of the tax curves relating to each of these periods.¹ This operation is shown graphically on Chart 10 and the numerical results are given in Table 22.

TABLE 22
COMPARISON OF AVERAGE ANNUAL RATES OF GROWTH OF TAX BURDENS BORNE BY
INHABITANTS OF NEW YORK STATE, 1850-1924

TAXES LEVIED FOR	PERCENTAGE FOR EACH PERIOD			
	1850-1880	1880-1910	1910-1924	1850-1924
Federal government.....	8.3	2.1	24.5	5.9
New York State.....	11.2	4.5	11.7	5.7
Local governments in New York State	6.8	4.8	8.2	5.5
Total.....	7.9	3.8	14.8	5.6

It will be seen from Table 22 that the total tax burden borne by the inhabitants of New York State showed an average rate of increase of 14.8 per cent per annum during the period from 1910 to 1924 as compared with an annual rate of growth of only 3.8 per cent during the thirty years from 1880 to 1910, and an annual growth of 7.9 per cent between 1850 and 1880. The recent sharp rise was of course largely due to the tremendous increase in federal taxes, but it is worth noting that since 1910 state taxes have been growing at an annual rate of 11.7 per cent as compared with a growth of only 4.5 per cent during the thirty years prior to 1910.

State Taxes and Price Inflation

It is generally recognized that the cost of war activities and price inflation were the two most potent factors in causing the abnormal expansion of taxes which occurred in the period just brought to a close. The New York State government bore no direct share of the cost of war. Its revenue requirements were, however, affected by the decline in the purchasing power of the tax dollar. Is it possible to estimate what would have been the rate of increase in state taxes had the dollar maintained its pre-war value? Such an estimate will be useful, not only as showing how much of the increase in state taxes was unavoidable, but also as an indication of what rate of increase may reasonably be expected under conditions of greater price stability.

¹ For the equations of these lines see Appendix III.

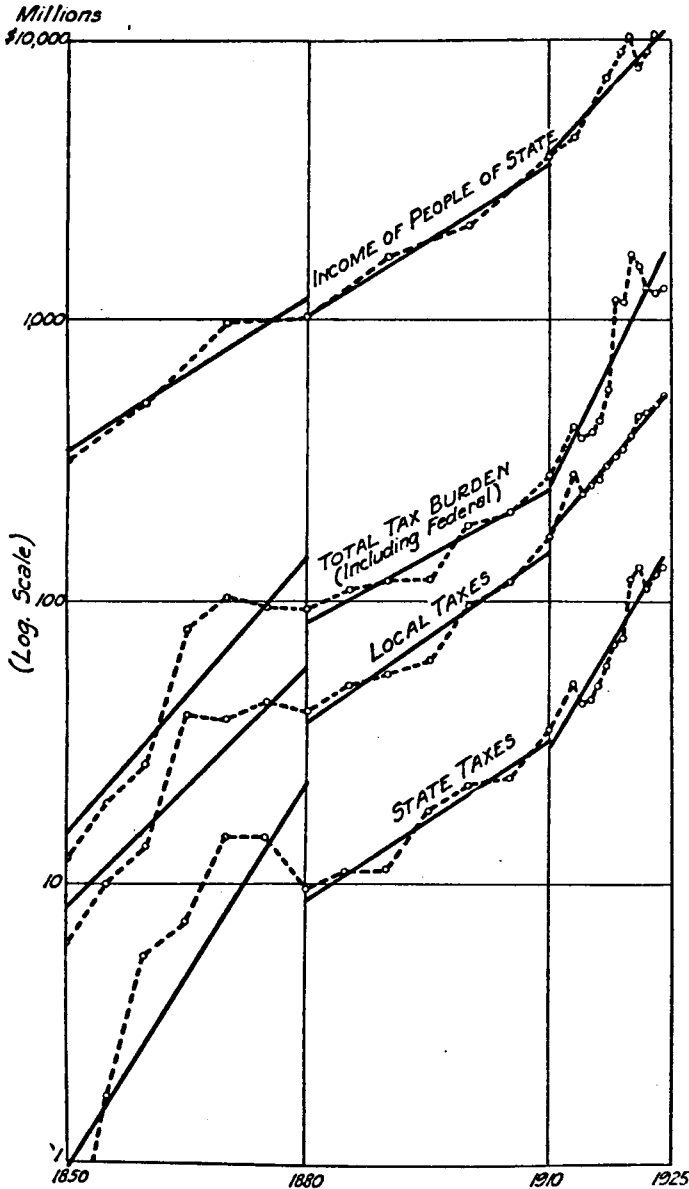


CHART 10. RELATION OF THE TAX BURDEN TO PRIVATE INCOME IN NEW YORK STATE FROM 1850 TO 1925

Showing separate trends for the periods between 1850 and 1880, between 1880 and 1910, and between 1910 and 1925.

Between 1910 and May, 1920, when the inflationary movement reached its peak, the general price level as measured by the wholesale commodity price index of the United States bureau of labor statistics increased by approximately 175 per cent. During the fall of 1920 prices fell rapidly, the decline continuing throughout 1921. The downward movement was halted, however, in 1922. Since then prices have been fairly stable, maintaining an average level between 50 and 55 per cent in advance of the price level of 1910.

It is not proper to assume that the prices of commodities and services purchased by the state government followed the same course as wholesale commodity prices. The state's purchases are to a large extent specialized. The most important item in its budget is represented by salaries and wages, and as is well known, governmental salaries responded tardily and incompletely to the general rise in prices. Interest and other fixed charges represent another large budget item, and these charges are for the most part fixed by long term contracts. The foregoing considerations make it seem probable that the prices paid by the state government for the commodities and services which its requires did not rise *pari passu* with wholesale price level.

The Purchasing Power of the Tax Dollar

This conclusion is substantiated by a study recently made of the increase in prices applicable to the commodities and services actually purchased by the state of New York in 1923.¹ Unfortunately for the purpose at hand, the study in question goes back no further than the fiscal year ended June 30, 1915. This makes little difference, however, since wholesale commodity prices rose only 2 per cent between 1910 and 1915, and it is probable that the prices paid by the state rose on the average even less. On the basis of data developed in the study, it is possible to construct the following index numbers of the purchasing power of the New York State tax dollar during the nine years from 1915 to 1923.

TABLE 23
INDEX NUMBERS OF PURCHASING POWER OF NEW YORK STATE TAX DOLLAR
1915 = 100

1915.....	100.0	1918.....	76.5	1921.....	62.2
1916.....	95.7	1919.....	72.8	1922.....	66.2
1917.....	85.9	1920.....	62.9	1923.....	64.9

By multiplying the respective amounts of taxes actually levied by the state during the years following 1915 by the appropriate index number of purchasing power, it is possible to compute what the state's tax requirements would have been had the tax dollar

¹ A monograph by Clarence Heer entitled *The Post-War Expansion of State Expenditures*.

maintained its pre-war value. This operation is shown on Table 24 which brings out the fact that had there been no inflation, the total taxes levied for state purposes would have been \$224,000,000 less than they actually were for the period between 1916 and 1924.

TABLE 24
ESTIMATED TAX REQUIREMENTS OF NEW YORK STATE ASSUMING TAX DOLLAR TO
HAVE RETAINED ITS PRE-WAR VALUE

YEAR	Actual tax levies	Index of purchasing power of tax dollar	Estimated tax requirements basis of pre-war value of dollar
1916.....	\$49,754,400	95.7	\$47,615,000
1917.....	59,308,000	85.9	50,945,600
1918.....	71,483,500	76.5	54,684,900
1919.....	73,949,200	72.8	53,835,000
1920.....	120,613,500	62.9	75,865,900
1921.....	130,369,500	62.2	81,089,800
1922.....	112,971,400	66.2	74,787,100
1923.....	126,813,500	64.9	82,301,900
Total.....	\$745,263,000	.....	\$521,125,200

If the hypothetical figures developed above are substituted for the actual figures and the average annual rate of increase in state taxes between 1910 and 1923 is recalculated on the basis of the new data, this rate is found to be only 6.9 per cent per annum¹ instead of 11.7 per cent as originally computed. It will be recalled that the average rate of growth in state taxes during the thirty years preceding 1910 was 4.5 per cent per annum. Even with the effect of price inflation eliminated, it thus becomes evident that the rate growth in state taxes since 1910 has been somewhat greater than the normal rate obtaining over the preceding thirty years. As pointed out in the previous report of this committee,² the chief reasons for the accelerated rate at which state taxes increased during the period just closed were: (1) more liberal state grants to local political units for educational and highway purposes and (2) a policy of financing the major portion of permanent improvements out of current taxes instead of through the sale of bonds as theretofore.

The Future Trend of Taxes

Thus far the straight lines that have been fitted to the various tax curves have been considered merely as indicating the average annual rate at which taxes have increased during specified periods

¹ This rate involves a doubling of taxes approximately every eleven years.

² Report of Special Joint Committee on Taxation and Retrenchment, 1925, p. 153, N. Y. Leg. Doc., 1925, No. 97.

in the past. Can any more significance be attached to these lines? Would it be permissible, for instance, to regard them as basic trends which might be projected into the future thus supplying a rough means of estimating what the state's tax burden will be, say, ten years hence?

Here we are treading on exceedingly dangerous ground. Had the trend of taxes been absolutely uniform in the past, it might be reasonably safe to conclude that this trend would continue into the future. The rate at which taxes have increased, however, has varied considerably in the past. Chart 10 shows that the trend line covering the period from 1850 to 1880 differs considerably in direction from the trend between 1880 and 1910, which in turn is not the same as the trend between 1910 and 1924. The periods cited have been more or less arbitrarily selected. If different divisions had been made, the resulting trends would also have been different.

Assumptions Underlying Trend Projections

The assumption underlying the projection of a trend is that the basic conditions which determined the direction of the trend in the past will repeat themselves in the future. As far as the growth of taxes is concerned, it is seen that each period has been characterized by its own peculiar conditions. If a tax trend is to be projected into the future, therefore, it must first be determined what period in the past, if any, may be considered typical of the future period. But this requires a knowledge of the future which is the very thing that it is desired to understand. The trend method, however, should not be dismissed as altogether valueless; after we have made our reasoned conclusion or guess, as to what particular period in the past the future is likely to resemble most closely, the projection of the appropriate trend brings out quantitatively some of the implications of this conclusion.

It is plain that the experience of the last ten years offers no criterion of what may reasonably be expected to happen during the next decade. The period just closed was characterized by a costly war and a violent advance in prices. The combined effect of these two factors was to send taxes bounding upward at a rate never before attained. The period from 1850 to 1880 likewise had a war accompanied by price inflation; it also offers no analogy for the immediate future. The only extensive period which might be regarded as representative of normal peace time conditions is the interval between 1880 and 1910. It is true that this period had its war, but it is of minor fiscal importance. Moreover, as previously pointed out, prices were fairly stable throughout the thirty years in question. Are there any real reasons for supposing, however, that the trend of taxes during the next decade will parallel the trend obtaining between 1880 and 1910?

Probable Future Course of Prices

Considering first the more general aspects of this question, it is assumed of course that the ensuing ten years will not witness another war. The next important consideration concerns the probable future trend of prices. This depends on such a variety of uncertain factors that no forecast can be made with any degree of confidence. Two sets of influences must be weighed; those having to do with the supply of money and credit, and those having to do with the supply of marketable goods.

Consideration of the first set of influences involves such technical matters as the distribution of the world's gold supply, the volume of gold production and the monetary and banking policies not only of the United States, but of the other important commercial nations of the world. It necessitates an estimate of the probable future trend of international payments which leads to the question of war debts and indemnities, and the extent to which such claims are likely to be paid off. Another question involved is whether private capital in the United States is likely to continue to seek investment abroad to the same extent as during the recent past. This in turn leads to speculation regarding the particular method which foreign debtors are likely to adopt in making payments of interest or principal to creditors in the United States. Will such payments be made in gold, goods, or additional certificates of indebtedness? The possibility of payment in goods depends largely upon our future tariff policy and this leads to consideration of the probable effect of an influx of foreign goods upon domestic prices and industry.

Enough has already been said to indicate the many complexities and ramifications of the price problem. The present situation presents possibilities of both rising and falling prices. For instance, heavy European payments in the form of gold may lead to inflation. Payments in the form of goods, on the other hand, may lead to price declines. An important influence working toward price stability, however, is the control over credit exercised by the Federal Reserve Banking System. Since 1921 prices have shown no definite trend either upward or downward despite the fact that the country's gold reserves have been steadily increasing, a circumstance which ordinarily would have resulted in price inflation. The influx of gold was rendered harmless and inflation was prevented largely through the stabilizing influence exercised by the Federal Reserve System. It may reasonably be expected that this stabilizing influence will continue to be exercised in the future, and if the experience of the last three years is any criterion, the probabilities would seem to be against any violent fluctuations in the price level during the next ten years.

In so far as concerns the unlikelihood of war and of extreme fluctuations in prices, it may be concluded that the era immediately ahead will somewhat approximate the period between 1880 and

1910. Further investigation is needed, however, before it can be assumed that the analogy will extend to the actual fiscal needs of the various taxing agencies.

The Diminishing Burden of Federal Taxes

As regards the federal government, at least, the parallel would not at first blush seem to hold. Federal taxes have been decreasing ever since 1920. Tax reductions amounting in the aggregate to about \$336,000,000 are now being considered by Congress. These reductions, it may be contended, will not be the last. The government still supports certain war-born agencies and activities which it may be expected ultimately to liquidate. The comptroller-general's office and the budget bureau are directing their efforts toward enforcing economies in the ordinary departments of government. Our war loans to Europe are gradually being settled, and in the case of Great Britain payment of interest has already begun. Payment of both interest and principal by the rest of the foreign debtors should in the future serve considerably to lighten the burden upon the shoulders of American taxpayers. Moreover, the federal government has reduced the national debt from \$24,000,000,000 on June 30, 1920, to approximately \$20,000,000,000 on June 30, 1925. As further retirements are made, annual interest requirements should be correspondingly reduced. On the basis of the situation, as outlined above, it might reasonably be expected that the direction of federal taxes during the next ten years would be downward, or at least horizontal. The general trend of federal taxes during the period from 1880 to 1910, on the other hand, was distinctly upward.

Unlikelihood of Further Declines

Upon the basis of a more rigorous examination of federal finances, the prospect of continuing tax reductions, held forth in the preceding paragraph, does not appear so certain. It is true that federal expenditures chargeable against ordinary receipts have been reduced from \$6,842,000,000 in 1920 to \$3,506,000,000 in 1924, a reduction of approximately \$3,000,000,000.¹ The actual decrease is even greater than this; since in 1924 some \$296,000,000 was provided out of current receipts for the purpose of debt retirement, whereas in 1920 no retirements were provided for in this manner. As brought out by Table 25, however, all of the above decrease may be more than accounted for on the basis of the decline in war activities.

It is obvious that there is a definite limit to the possibility of reducing expenditures through the curtailment of war activities. The indications are that this limit has already been reached, as is evidenced by the fact that there was an increase of some \$24,000,000

¹ See Treasury, Annual Reports, 1924, Finance, p. 20.

² See Fourth Annual Report of Director of the Bureau of the Budget, July 1, 1925, p. 4.

in expenditures chargeable against ordinary receipts as between 1924 and 1925.* The normal trend of federal expenditures has always been upward and with the possibilities of war deflation exhausted, this tendency should again assert itself.

TABLE 25

REDUCTIONS IN FEDERAL EXPENDITURES FOR SPECIFIED PURPOSES, 1924 OVER 1920*

	1920	1924	Decrease 1924 over 1920
Navy Department.....	\$736,021,456	\$332,249,137	\$403,772,319
War department.....	1,610,587,361	348,629,779	1,261,957,602
Operations in Special Accounts:			
Railroads.....	1,036,672,157	22,771,168	1,013,900,989
Shipping Board.....	530,565,650	85,491,359	445,074,291
War Finance Corporation.....	228,472,187	52,539,947	175,932,240
Grain Corporation.....	350,328,495	.....	350,328,495
Purchase of obligations of foreign governments.....	421,337,028	.....	421,337,028
Total.....	\$4,913,984,354	\$841,681,390	\$4,072,302,964

* Basic data taken from Treasury, Annual Reports, 1924, Finance, Table F, page 375.

There is little reason to believe that the burden of increasing federal expenditures will be appreciably lightened within the near future by payments of interest and principal on our foreign loans. Foreign governments owe us approximately \$12,000,000,000. Agreements have already been reached with ten countries providing for the settlement of obligations amounting to approximately \$7,383,000,000. These agreements call for payments of interest and principal to this country of slightly more than \$180,000,000 during the year 1926. Of this sum Great Britain will pay \$160,000,000, and the amount of its payment has already been taken into account in framing the tax reduction bill now before Congress. Although the settlements provide for a rising scale of payments, the increases during the next ten years are for the most part slight. Thus, Italy on its debt of \$2,000,000,000 will, if the present arrangement is ratified, pay \$5,000,000 per annum during the first five years and from \$14,000,000 to \$18,000,000 during the ensuing ten years. Of the nine countries which have not yet made settlements, France is the principal debtor, owing us some \$4,200,000,000. If the terms finally accorded France are as favorable as those accorded Italy, the maximum payments from France during the next ten years cannot be expected to exceed \$35,000,000 per annum.

Probable Resumption of Upward Trend

The tax reduction bill now before Congress contemplates a scaling down of taxes to the extent of about \$336,000,000 per annum. This sum exceeds the treasury surplus for the fiscal year ended June 30, 1925, by about \$85,000,000, and the estimated surplus for 1926 by about \$74,000,000. It is apparent from this that the proposed tax reduction bill will be the last for some time to come, and that the tendency of expenditures to increase will soon convert the present downward direction of federal taxes into an upward one. There is, consequently, some reason to believe that the trend of federal taxes during the next ten or fifteen years will not differ materially from the trend between 1880 and 1910.

The same conclusion also applies as regards state and local taxes. It has already been seen that the main reason for the departure of state taxes from the trend obtaining during the years from 1880 to 1910, was the effect of price inflation on governmental costs. Local taxes were doubtlessly similarly affected by rising prices and with the prospect of a fairly even price level during the next decade, a return to the 1880-1910 trends should be expected.

Summary

The findings of the present chapter may now be summarized as follows. The growth of the total tax burden resting upon the people of New York State has not been confined to the last decade. On the contrary the trend of taxes has always been upward. The average rate of increase in New York State's total tax bill, federal, state, and local, over the seventy-four years from 1850 to 1924 was 5.6 per cent per annum, a rate which resulted in a doubling of the burden approximately every twelve and one-half years. The average rate of increase in state taxes during the period was 5.7 per cent per annum. During the period from 1910 to 1924, the total burden of all taxes levied in New York State increased at an average rate of 14.8 per cent per annum; and taxes imposed by the state government increased at the rate of 11.7 per cent per annum. This extremely rapid growth was due primarily to the World War, and to price inflation. With the prospect of a more stable price level during the period just ahead it is probable that the rates of increase in tax burdens will, within the next few years, return to the normal rates obtaining during the period from 1880 to 1910, viz., 4.5 per cent per annum for state taxes, and 4 per cent for the aggregate burden of federal, state, and local taxes.

**CHAPTER V—THE TAXABLE CAPACITY OF NEW YORK
STATE**

CHAPTER V—THE TAXABLE CAPACITY OF NEW YORK STATE

It was shown in the previous chapter that New York's tax burden has grown consistently in the past and that it will probably continue to grow in the future. This makes it all the more important to inquire whether taxes are increasing more rapidly than the taxable capacity of the state. No adequate idea of the real burdensomeness of taxes can be obtained without taking into consideration the number and economic status of the taxpayers. The total tax bill of the state may double every twelve and one-half years, but if the aggregate wealth and income of the taxpayers also doubles, the relative sacrifice involved does not grow greater, and may in fact grow less. In the following section, therefore, it is proposed to consider the rate of growth of the state's taxable capacity as measured by population, wealth, and private income.

Growth of Population

An idea of the relative rate of increase in the population of the state as compared with the rate of increase of taxes may be obtained from Chart 9. The average rate of growth of population during the last seventy-four years has been approximately 1.8 per cent per annum. This means that the population has doubled every forty years. Reference to Table 31 will show that the total tax bill, federal, state and local, paid by the people of New York State has expanded on the average more than three times as fast as the population. Table 26 shows the actual population of the state as at various years and the amount of federal, state, and local taxes, reduced to a per capita basis. It brings out the significant fact that the total tax burden was only \$3.91 per capita in 1850, whereas by 1924 it had jumped up to \$116.07 per capita.

Growth of Taxable Wealth

The fact that New York's tax burden has expanded three times as fast as its population is of course no indication that the growth of taxes has been more rapid than the growth of taxable capacity. A better measure of the state's taxable capacity is furnished by its aggregate wealth. Unfortunately, a full and accurate inventory of the wealth of the state is almost impossible to obtain.

The great difficulties involved in obtaining figures on the wealth of New York State may readily be grasped when it is considered what wide differences sometimes appear in appraisals by experts of a single piece of property such as a parcel of real estate or the plant of a public utility. If all classes of property changed hands frequently, and if sale prices were recorded, the task would be considerably simplified. This, however, is far from being the case. Property values ultimately depend upon the capitalized value of expected future income. A property appraisal, therefore, involves a guess not only as to what the future income will be, but as to the rate of interest to be used in capitalizing that income. It will

thus be seen, that even if every single element which goes to make up the aggregate wealth of the state were duly listed on an inventory, it would be possible to obtain no more than a rough estimate of the value of these elements. It is, however, exceedingly difficult to discover and catalogue many elements of wealth. Certain kinds of tangible wealth such as real estate and machinery cannot of course be concealed. It is more difficult to make an accurate inventory of personal property such as furniture, clothing and jewelry, and intangible property such as stocks, bonds and other evidences of indebtedness may easily elude detection.

TABLE 26
GROWTH OF POPULATION AND PER CAPITA TAX BURDENS IN NEW YORK STATE,
1850-1924

YEAR	Population as at June 1	PER CAPITA TAX LEVIES			
		Federal	State	Local	Total
1850.....	3,097,394	\$1 84	\$0 12	\$1 95	\$3 91
1860.....	3,880,735	1 91	1 40	3 50	6 81
1870.....	4,382,759	11 46	3 26	8 63	23 35
1880.....	5,082,871	8 43	1 86	7 99	18 28
1890.....	6,003,174	8 43	1 87	9 10	19 40
1900.....	7,268,894	8 98	3 09	13 45	25 52
1910.....	9,136,965	8 59	3 76	18 40	30 75
1913.....	9,467,433	9 01	5 40	29 96	44 37
1914.....	9,577,589	10 12	4 56	25 05	39 73
1915.....	9,687,744	9 80	4 59	26 60	40 99
1916.....	9,839,933	12 10	5 06	27 05	44 21
1917.....	9,992,122	20 34	5 94	30 15	56 43
1918.....	10,144,311	75 65	7 05	32 02	114 72
1919.....	10,296,500	70 40	7 18	33 77	111 35
1920.....	10,448,690	112 66	11 54	37 37	161 57
1921.....	10,600,879	92 14	12 30	42 78	147 22
1922.....	10,753,068	65 06	10 51	43 73	119 30
1923.....	10,905,257	58 31	11 65	46 15	116 11
1924.....	11,057,446	55 52	11 98	48 57	116 07

The only estimates of the wealth of New York State extending over a considerable period of years are those of the United States Bureau of the Census. These estimates do not by any means cover all classes of wealth owned by inhabitants of the state. They refer only to tangible wealth having its situs within the state. Some of this wealth may be owned by outsiders. On the other hand, the census figures do not take into account property owned by citizens but located without the boundaries of the state. The estimates of the Bureau of the Census are based in part on tax records and although the assessed valuations have been raised to the estimated true values, the figures are probably still subject to a considerable

margin of error. Nevertheless, they are the only ones available and should be useful as furnishing some indication of the trend of wealth accumulation.

Table 27 gives an idea of the various categories of wealth included in the census estimates.

The increase in the tangible wealth of New York State during the 72 years from 1850 to 1922, which is the latest year for which figures have been compiled, is shown in Table 28. For comparative purposes, the ratio of the various tax burdens to the total taxable wealth is also shown. It is seen that the wealth of the state has increased enormously since 1850. The average rate of increase during the period under review is approximately 4 per cent per annum, which on the average means a doubling of wealth every eighteen years. This rate, however, has not been rapid enough to keep pace with the increase in taxes. Reference to Table 22 will show that, during the period from 1850 to the present, the total tax burden grew on the average about one and one-half times as fast as the taxable wealth. It is not until 1900, however, that the relative rates of increase of wealth and taxes begin to diverge widely. It will be noted from Table 23 that the ratio of the total tax burden to the total taxable wealth is fairly constant prior to 1900. After that year, however, the ratio increases rapidly.

Income as a Measure of Taxable Capacity

Tangible wealth is after all only an imperfect measure of taxable capacity since income from property represents but a fraction of the total income of the state. The bulk of the population derives its support from salaries and wages, from professional fees, or from business profits. More than half of the aggregate income of the people of New York State, for instance, consists of salaries and wages.¹ The wage earning employee, the professional man, and

TABLE 27
ESTIMATED WEALTH OF NEW YORK STATE, 1922 *

Real property and improvements:	
Taxed	\$16,741,770,000
Exempt	4,016,064,000
Live stock	225,149,000
Farm implements and machinery.....	134,379,000
Manufacturing machinery, tools and implements.....	2,133,897,000
Railroads and equipment.....	1,479,682,000
Privately owned transportation and transmission enterprises, other than railroads.....	2,545,446,000
Stocks of goods, vehicles, furniture and clothing.....	9,758,875,000
Total	†\$37,035,262,000

* United States Department of Commerce, Bureau of Census, Estimated Value of National Wealth, 1922.

† Includes only tangible wealth. The state tax commission estimates the intangible wealth of New York State, i. e., property in money, stocks, bonds, mortgages, notes, etc. at \$29,500,000,000. For details of this estimate see Report of State Tax Commission, 1924, p. 78.

¹ See *Income in the Various States* by Maurice Leven, publications of the National Bureau of Economic Research, Inc., No. 7, p. 239.

TABLE 28

ESTIMATED TRUE VALUE OF TANGIBLE PROPERTY SITUATED IN NEW YORK STATE
AND RATIO OF TAX BURDENS TO TAXABLE WEALTH, 1850-1922

YEAR	ESTIMATED TRUE VALUE OF TANGIBLE WEALTH (000 omitted)			Per capita taxable wealth	RATIO OF TAX BURDENS TO TAXABLE WEALTH PER CENT		
	Total	Exempt	Taxable		Local	State	Total includ- ing Federal taxes
1850..	†	†	\$1,080,309	\$349	0.56	0.03	1.12
1860..	†	†	1,843,339	475	0.74	0.29	1.43
1870..	†	†	6,500,841	1,483	0.58	0.22	1.57
1880..	\$6,308,000	†	†	†	†	†	†
1890..	8,576,702	567,017	8,009,685	1,335	0.68	0.14	1.45
1900..	12,505,330	990,836	11,514,494	1,584	0.85	0.19	1.61
1912..	25,011,105	3,098,476	21,912,629	2,300	†1.29	†0.23	†1.92
1922..	37,035,262	4,016,064	33,019,198	3,071	1.42	0.34	3.88

* Figures from 1850 to 1912 inclusive obtained from Bureau of the Census, Wealth, Debt, and Taxation, 1913, Vol. 1, p. 25. Figures for 1922 obtained from advance sheets of Bureau of the Census.

† Based on 1913 Tax Levies.

‡ Not available.

the business entrepreneur possess the ability to pay taxes as well as the owner of property. Nevertheless, this ability is not taken cognizance of where taxable capacity is measured solely by tangible wealth. The real wealth of New York State is represented not by the tangible property located within its borders, but by the capitalized value of the aggregate income of all its inhabitants from whatever source derived. Income, therefore, furnishes a much better index than tangible wealth of the growth of taxable capacity.

There is a further reason for accepting income rather than wealth as the ultimate measure of the state's taxable capacity. In the final analysis, practically all taxes are a charge upon the current social income. This is true even of taxes levied nominally against capital such as, for instance, the inheritance tax. An individual may be forced to sell some of his property and thus to reduce his individual capital in order to obtain the liquid funds necessary to meet his tax obligations. The state's aggregate stock of productive capital goods, however, is not thereby reduced. The transaction merely represents a shifting of ownership. On the other hand, taxes do affect both the composition and volume of the stream of new production, for the things the state requires in order to carry on its functions are for the most part, articles which from their very nature must be currently produced, such as materials and supplies, and food, clothing, and shelter for governmental employees, and the inmates of state institutions. The effect

of taxation is to divert a portion of the income stream from the channel of private economy to that of public use. It is obvious that what the government can safely divert bears some relation to the size of the main stream, or, in other words, to the volume of current production. Income, therefore, must furnish the starting point for any adequate estimate of the taxable capacity of the state.

The Growth of Income in New York State

Table 29 presents estimates of the private income of New York State by ten-year intervals from 1850 to 1910, and by one-year intervals from 1919 to 1923. A detailed description of the methods used in arriving at these estimates is given in Appendix IV. It will be noted that the aggregate income of the inhabitants of the state has grown rapidly throughout the 73 years under review. This is true not only of the aggregate income, but of the per capita figures as well. The average income per capita in 1923 was about \$952, which was over twice the per capita income for 1910, and more than nine times that of 1850. Nor was all of this increase fictitious, and due to the changing level of prices. In order to eliminate the effect of price fluctuations, all of the income figures have been equated to the price level of 1913 by dividing them by appropriate index numbers. It will be seen that even when measured in terms of a stable monetary unit, the growth of income in New York State has been relatively rapid. In terms of 1913 purchasing power, the per capita income in 1923 was nearly six times greater than in 1850, and 50 per cent greater than in 1910.

TABLE 29

GROWTH OF INCOME IN NEW YORK STATE AND RATIO OF TAX BURDENS TO INCOME, 1850—1923

YEAR	ESTIMATED INCOME AT CURRENT VALUES		Index numbers *	ESTIMATED INCOME AT 1923 VALUES		RATIO OF TAX BURDENS TO INCOME AT CURRENT VALUES			
	Total in thousands	Per capita		Total in thousands	Per capita	Federal per cent	State per cent	Local per cent	Total per cent
1850.....	\$318,322	\$102.8	90	\$353,691	\$114.2	1.8	0.1	1.9	3.8
1860.....	501,345	129.2	89	509,710	146.8	1.5	1.1	2.7	5.3
1870.....	971,281	221.6	125	777,025	177.3	5.2	1.4	3.9	10.5
1880.....	1,021,886	201.1	94	1,087,112	213.9	4.2	0.9	4.0	9.1
1890.....	1,647,458	274.4	80.5	2,046,532	340.9	3.1	0.7	3.3	7.1
1900.....	2,183,872	300.4	80.5	2,712,884	373.2	3.0	1.0	4.5	8.5
1910.....	3,793,293	415.2	100.9	3,759,458	411.5	2.1	0.9	4.4	7.4
1919.....	9,074,859	881.4	188.3	4,819,362	468.1	8.0	0.8	3.8	12.6
1920.....	10,225,114	978.6	208.5	4,904,131	469.3	11.5	1.2	3.8	16.5
1921.....	7,996,655	754.3	177.3	4,510,240	425.4	12.2	1.6	5.7	19.5
1922.....	9,114,699	847.6	167.3	5,448,117	506.8	7.7	1.2	5.2	14.1
1923.....	10,339,991	952.4	170.9	6,079,573	557.4	6.1	1.2	4.8	12.1

* The so-called cost of living index numbers probably furnish a better measure of changes in the purchasing power of the income of the people than index numbers of wholesale prices. Records of changes in the cost of living, however, do not extend back farther than 1913. The present index was derived by splicing an index of wholesale prices given on page 47 of the July, 1925, issue of the Monthly Labor Review, to the United States Bureau of Labor Statistics index numbers of changes in the cost of living.

Comparative Growth of Taxes and Income

Chart 9 shows graphically the rate of growth of the income of the people of the State of New York as compared with the rate of growth of tax burdens. During the 73 years from 1850 to 1923, income expanded at an average rate of 4.8 per cent per annum, doubling approximately every fifteen years. It will be recalled that New York's total tax bill — federal, state, and local — increased over the same period at the average rate of 5.6 per cent per annum. Taxes have, therefore, been expanding somewhat faster than income, and if the same relative rates of increase were maintained in the future, taxes would reach a point where they would absorb the entire income of the people at the end of three hundred years. Whether these relative rates of growth actually could be maintained over so long an interval is, of course, an entirely different question.

Just as the rate of growth of taxes has varied from period to period, so, too, the rate of increase of income has also been subject to fluctuation. This fact is brought out graphically in Chart 10, which depicts the respective trends of income and tax burdens during the three periods from 1850 to 1880, from 1880 to 1910, and from 1910 to 1924. The accompanying tabulation (Table 30) gives the respective average annual rates of increase applicable to these periods.

TABLE 30
COMPARATIVE ANNUAL RATES OF GROWTH OF INCOME AND TAX BURDENS

	Per Cent— 1850 to 1880	Per Cent— 1880 to 1910	Per Cent— 1910 to 1924	Per Cent— 1850 to 1924
Income of people of New York State.	4.2	4.3	8.3	4.8
Total tax bill, federal, state, and local.	7.9	3.8	14.8	5.6
State taxes.....	11.2	4.5	11.7	5.7
Local taxes.....	6.8	4.8	8.2	5.5
Federal taxes.....	8.3	2.1	24.5	5.9

It will be noted from Table 30 that during the years from 1850 to 1880, the total tax bill of the state grew nearly twice as rapidly as the income of the people. During the period from 1880 to 1910, on the other hand, income increased at a faster rate than taxes. Since this particular period is the only one of the three under consideration which had neither an expensive war nor violent price disturbances, the fact that it witnessed a more rapid increase of income than of taxes is of considerable significance. During the years from 1910 to 1924 taxes again increased almost twice as fast as income. It has already been pointed out that the recent period of rapid tax expansion reached its culmination in 1920 and

that, barring another war, the trend of the total tax burden during the next few decades should approximate that of the period from 1880 to 1910. It is not proposed to venture a prediction as to the probable future course of income, but it is at least worth noting in this connection, that the average annual rate of increase in per capita income measured in terms of 1913 dollars has been considerably greater since 1920 than the average obtaining during the period from 1880 to 1910.

The Relative Burdensomeness of Taxation

It is sometimes attempted to measure the relative burdensomeness of taxation by the ratio which taxes bear to the total income of the people. If this is a fair criterion, it will be seen from Table 29 that the degree of sacrifice imposed upon the present generation of taxpayers has no precedent in the entire history of the state. In 1850 the aggregate amount of taxes—federal, state and local—paid by the people of New York State represented only 3.8 per cent of their total annual income. In 1910 the ratio of taxes to income was 7.4 per cent. In 1921 the ratio rose to 19.5 per cent, and in 1923, the last year for which statistics are available, it stood at 12.1 per cent.

If the view is taken that taxes represent wealth taken out of productive uses to be spent more or less unproductively, that they diminish the rewards of private enterprise, and reduce by so much what might be invested for the purposes of enlarging future production, the present high ratio of taxes to income may easily appear alarming. The question may again be asked whether tax burdens have not reached a point where they are acting as a check upon the economic progress of the state.

Significance of Ratio of Taxes to Income

Before attempting to answer this question, it is in order to inquire whether the ratio of taxes to income actually possesses much worth as a means of comparing the relative burdensomeness of taxes over different periods of time. A little reflection should serve to indicate that this ratio taken by itself has in reality small significance. The present ratio of taxes to income in New York State is three times as high as the ratio for 1850, but it does not necessarily follow that the sacrifice imposed upon the taxpayer is likewise three times as great. Other factors must be taken into consideration, one of the most important of which is the average degree of prosperity enjoyed by the taxpayers.

The principle of progressive taxation is based on a recognition of the fact that the ability to pay taxes increases more rapidly than income. A tax of 10 per cent may represent comparatively little hardship to the individual whose income is in excess of \$100,000 per annum, but it proves a crushing burden upon one whose income is barely sufficient to purchase the necessities of life. In 1850 the average income in New York State was exceedingly

low, only \$103 per capita. In 1923 it was approximately \$952 per capita. In view of this enormous improvement in economic status, taxes might well absorb a larger proportion of the taxpayer's income without entailing additional hardship.

Aside from the consideration just cited, it is apparent that the relative burdensomeness of taxes depends largely upon the purposes for which taxes are spent. Unproductive expenditures are a drain upon the economic resources of the community, but taxes which are spent in supplying services and utilities which the individual would otherwise have to provide for himself do not constitute an additional burden. The bulk of the taxes levied by New York State are expended for education, highways, and the care of defectives and delinquents. These services have in the past, and are, to a certain extent still, supplied by private agencies, but were they left in their entirety to individual initiative, they would still represent a cost to the community.

The significance of the ratio of taxes to income is further obscured by the varying proportions of the total levy spent for interest and amortization of public debt. This proportion is at present higher than ever before, owing to the tremendous federal debt contracted during the World War. In 1924, interest and debt retirement accounted for over 47 per cent of the ordinary expenditures of the federal government, whereas in 1850 these charges represented less than 10 per cent of the total national expenditure. Taxes spent for interest and debt retirement do not constitute a subtraction from the fund of wealth available for investment in private enterprise. They simply result in a transfer of wealth from the pockets of the taxpayers to the pockets of government bondholders, and in many cases the taxpayer and the bondholder are one and the same person. The economic effect of those taxes is, therefore, not the same as the effect exerted by taxes expended for other purposes.

Are Taxes Checking Industrial Progress?

In view of the considerations cited above, it is clear that the ratio of taxes to income throws very little light on the question of whether the present weight of taxation is checking the economic development of the state. A more reliable guide is found in the rate of increase of per capita income. If taxes have actually reached a point where they are slowing down the rate of industrial progress, this condition should be indicated by a decline in the rate of growth of private income. No such tendency is observable from the income figures shown in Table 29.

The following table (Table 31) gives for various past periods the average annual rates of increase of per capita income measured in terms of 1913 purchasing power:

TABLE 31
COMPARATIVE GROWTH OF INCOME IN NEW YORK STATE

PERIOD	Per cent average annual rate of growth
1850-1860.....	2.6
1860-1870.....	1.9
1870-1880.....	2.1
1880-1890.....	4.8
1890-1900.....	1.0
1900-1910.....	1.0
1910-1919.....	1.5
1919-1923.....	4.5

It is apparent from Table 31 that the high level of taxes prevailing during the four years from 1919 to 1923 has had no untoward effect upon the rate of growth of per capita income. Barring the decade from 1880 to 1890, the rate of increase during these four years was greater than at any previous time in the history of the state. This rapid increase of private income would appear to indicate that the present burden of taxes in New York State, large as it is, nevertheless, is still well within the limit of the state's maximum taxable capacity.

The Urban and the Rural Tax Burden

The tax burden in the cities and the tax burden in the rural areas are frequently compared.¹ Most of these comparisons, however, are based upon individual instances or upon personal opinions, influenced more or less by prejudice. It is not possible to say with finality what taxes are paid in this state by any single economic group, such as the farmer, the city dweller, the manufacturer, or the merchant. In the first place, the tax statistics are not classified and tabulated to show what kind of a man pays the tax. But even if they were, what shall be done with taxes which are shifted? Who pays the mortgage tax, the man who registers the mortgage or the farmer who owns the mortgaged farm? Who pays the gross receipts "additional franchise tax,"² the railroad, or the farmer who ships, or the consignee, or the consumer in the city? Who pays the $4\frac{1}{2}$ per cent manufacturer's business income tax,³ the shoe manufacturer, or the wearers who live in the city and on the farm? And what is the effect on taxpayers of interstate and foreign business? These questions cannot be answered in any simple way, especially since the students of public finance do not agree among themselves at all points. With so complicated a situation it is dangerous to make positive statements with regard to the comparative tax burdens of the farmer and the city dweller.

Nevertheless your committee believes that no changes in the tax system of the state or in the tax rates under established taxes

¹ A brief statement of available comparative material was presented by this committee in its report for 1924, Legislative Doc. 91 (1924) p. 52 ff.

² Tax law Sec. 184.

³ Tax law Art. 9-A.

should be made without a consideration of the comparative fairness of existing taxes. We have therefore made an effort in Table 32 to estimate the comparative wealth, income and tax burdens of the urban and rural sections of New York State. We wish it clearly understood, however, that these estimates are to be used with the greatest caution. They indicate probable tendencies rather than a final analysis of known facts.

TABLE 32
TENTATIVE ESTIMATE OF URBAN AND RURAL WEALTH, INCOME AND TAXES IN
NEW YORK STATE

	URBAN*		RURAL		Total State
	Per cent	Amount	Per cent	Amount	
Wealth (1924):					
Gross Wealth.....	87.3	\$60,525,000,000	12.7	\$8,828,000,000	\$69,353,000,000
Net wealth.....	87.3	43,660,000,000	12.7	6,350,000,000	50,000,000,000
Equalized assessment value of taxable real estate and personal property.....	87.4	16,617,185,005	12.6	2,405,048,808	19,022,206,813
Income (1923):					
Entire population.....	87.2	9,061,000,000	12.8	1,328,000,000	10,389,000,000
State income taxes paid (1922).....	92.0	22,891,383	8.0	2,000,017	24,891,400
Taxes (1924), total.....	85.9	1,102,242,000	14.1	181,181,000	1,283,423,000
Federal.....	91.7	562,717,000	8.3	51,156,000	613,873,000
State.....	85.6	113,391,000	14.4	19,037,000	132,478,000
Local.....	79.8	426,134,000	20.7	110,938,000	537,072,000
State and local.....	80.6	539,525,000	19.4	130,025,000	669,550,000
Taxes in per cent of income:					
Total.....		12.16		13.64	12.35
Federal.....		6.21		3.85	5.91
State.....		1.25		1.44	1.27
Local.....		4.70		8.35	5.17
State and local.....		5.95		9.79	6.44
Population (1920).....	79.9	8,303,652	20.1	2,081,575	10,385,227

* Communities of 5,000 and over.

Basis of Estimation

Because of the tentative character of the figures in Table 32 we wish to state definitely how these have been arrived at.

The total *wealth* of the state has been taken from pages 78 and 87 of the 1924 report of the state tax commission. These are based upon United States census figures. Each of the items of wealth there shown has been divided between the urban and rural sections of the state on the basis of indices derived from the state tax report or from the United States census of business, occupations, or wealth. Wherever possible the totals for the cities of the state have been used as representing the urban portion, but where no figures exist for the cities by themselves, the ten or twelve urban counties have been used. For example, 63 per cent of the total value of automobiles has been assigned to the urban population because the urban counties paid 63 per cent of the motor vehicle tax; 84 per cent of manufacturers' stocks is classed as urban because 84 per cent of the personal property of merchants and manufacturers is reported as located in the cities by the corpora-

tions which pay the corporation income tax in New York. This distribution is corroborated by the fact that 82 per cent of the value of manufactured products falls in the cities of the state according to the United States census of wealth (1920). Ninety-three per cent of merchants' stock is allocated to the cities because 93 per cent of those engaged in trade is in the cities according to the United States census of occupations (1920). These indicate the methods which have been followed in allocating the total wealth as between the urban and rural populations.

The *net wealth*, fifty million dollars, is the figure of the state tax commission. The difference between gross and net wealth is primarily due to the overlap between tangible and intangible wealth. The fairest way to distribute this as between city and country appears to be to deduct a proportionate amount from each so that the relation of the two is the same after the reduction as before.

The *equalized assessed value of taxable, real, and personal property* is taken with certain adjustments directly from the 1924 tax report which gives the figure for the state in the equalization table (page 82) and summarizes the cities in a separate table (page 118). The only important adjustment is the addition to the city total of exempt housing in New York City which is included in the state total with which the cities are compared.

The *income* total is taken from Table 29 of this report. In its allocation we have split it up into income over \$2,000, which is apportioned on the basis of the 1922 income tax analysis of the tax department; and income under \$2,000, which is apportioned on the basis of farm income estimates of the Bureau of Economic Research (Knauth, *Distribution of Income by States, 1919*) and a computation of non-farm rural income. Corporate surplus is distributed on the basis of corporation income tax returns under Article 9-A.

The 1920 census figures have been used for *population*. The population of all places of 5,000 and over has been considered as urban.

The total *taxes* are taken from Table 19 of this report. They differ slightly from the tabulation on page 65 of the 1924 state tax report because we have used a different method of determining the New York State share of federal taxes. The distribution of taxes was worked out by treating each individual tax separately. For example, the federal personal income tax was distributed on the basis of the New York State income analysis of 1922, while the federal corporation income tax was apportioned on the basis of value added by manufacture as shown in the United States census of manufacture.

Local taxes were distributed on the basis of Table 2 of the 1924 tax report, supplemented chiefly by income tax figures from the 1922 report. State taxes were similarly handled with considerable material drawn from Table 31 of the 1924 tax report where the county is the unit. It should be noted that no allowance is made

for the shifting of taxes. We have attempted to find the man or property which pays over the cash and have not traced the underlying manipulations.

Taxes in per cent of income are computations based directly upon the figures for wealth, income, and taxes in this table. They differ slightly from the figures on pages 87 of the 1924 tax report because we are using income for 1923, which is higher than for 1919, and a slightly lower share of the federal tax burden. These figures differ also slightly from those in Table 29 which are for 1923 taxes.

Tentative Conclusions Based on This Table

Keeping in mind the extremely tentative character of our estimate of urban and rural wealth, income, and taxes, we may ask what the table tends to show. The following deductions may apparently be drawn from the figures presented:

1. The urban areas have 80 per cent of the population, 87 per cent of the wealth, 87 per cent of the income, and pay 86 per cent of the aggregate federal, state, and local taxes.
2. The rural areas have 20 per cent of the population, 13 per cent of the wealth, 13 per cent of the income and pay 14 per cent of the aggregate taxes.
3. In the urban communities the income tax paid is a greater percentage of total income (.14 per cent) than in the rural sections (.08 per cent).
4. The urban centers, with 87 per cent of the wealth and income, bear 92 per cent of New York's share of the federal taxes, 86 per cent of the state taxes, but only 79 per cent of the local taxes levied in the state.
5. The rural sections, with 13 per cent of the wealth and income, bear but 8 per cent of New York's share of the federal taxes, together with 14 per cent of the state taxes, and 21 per cent of the local taxes.
6. The aggregate of federal, state, and local taxes paid by the urban sections is 12.16 per cent of urban income, while the aggregate of taxes paid by the rural sections is 13.64 per cent of rural income.
7. The urban centers are paying 6.21 per cent of their income in federal taxes, while the rural sections are paying 3.85 per cent.
8. The percentages going for state taxes are, urban 1.25 per cent, and rural 1.44 per cent.
9. The rural sections are paying 8.35 per cent of their income for their own local, town, village, school, and county taxes, while the urban centers are paying 4.70 per cent of their income for their own local, city, school, and county taxes.

It would seem, therefore, from the foregoing tentative deductions that the tax burden of the rural areas is appreciably higher than that of the urban centers, and that the cause for this difference is to be found in the very much heavier burden of local taxes in the rural sections. This difference is so pronounced that the

essential fact may be relied upon as true even though the individual figures may be subject to minor revision because of the tentative character of our tabulation.

Summary

Reviewing briefly the more important points brought out in the present chapter, it is seen that private income rather than wealth is the best index of the state's taxable capacity. Taking into consideration the entire period from 1850 to 1923, the growth of the total tax burden resting upon the people of New York State has been slightly more rapid than the growth of income. However, during the only portion of this period which may be considered representative of normal conditions, that is, the interval between 1880 and 1910, income increased more rapidly than taxes.

Taxes represent a considerably greater proportion of private income than formerly. This does not, however, necessarily indicate that they have become relatively more burdensome or that they are checking the state's industrial growth. Despite the heavy tax bill paid by the people of the state since the close of the World War, private income has increased at an unusually rapid rate. This fact would seem to indicate that the state is still well within its limit of taxable capacity.

When urban tax burdens and rural tax burdens are compared it appears that the rural taxes are more burdensome than are urban taxes and that the real cause for this difference is that the tax burden of local government in the rural areas is much heavier than is the local burden in the urban centers.

**CHAPTER VI—THE DEVELOPMENT OF THE STATE TAX
SYSTEM**

CHAPTER VI—THE DEVELOPMENT OF THE STATE TAX SYSTEM

Emergencies and the Tax System

The tax system of the State of New York has been developed under stress. Almost every change in the fundamental provisions of our tax law has come as the result of an emergency. The moneyed capital tax law of 1923 arose from the crisis in bank taxation precipitated by the Richmond Decision and the Hanover Bank Case which declared illegal our entire system of taxing banks; the personal income tax of 1919 was made necessary by the revenue loss due to national prohibition, by the repealing of the tax on intangible personal property and by the high prices caused by war price inflation; the mercantile and manufacturing income tax of 1917 followed a decade characterized by repeated state deficits and was a final recognition of the breakdown of personal property taxation especially when applied to corporations; the mortgage tax of 1905 was a similar admission that property taxation could not be applied longer to intangible wealth such as mortgages, an admission which was later extended to other intangibles by the personal income tax law and its amendments. These are the more important changes which have taken place during the past twenty-five years; each has been enacted because of an emergency—because additional revenues were needed immediately, or because of the breakdown of some part of the tax system under the stress of changing conditions.

Future Emergencies

An examination of our present tax system and of the financial condition especially of the local units of government shows that in the not distant future other emergencies are sure to present themselves. While present state revenues are adequate to meet present state requirements, it is not at all certain that this will continue to be the case when the full burden of newly authorized debts is assumed in the annual state budget together with the increased institutional appropriations which will come with the added buildings and the unabated demand for more adequate means of financing local schools. It is agreed also that the present methods of financing highway construction and maintenance are hopelessly inadequate and illogical. We know too that the few shreds of the personal property tax which still remain are a hollow mockery. They represent all that is left of a tax which was developed for an agricultural state and which cannot be applied in an industrial and urban civilization. Nevertheless, the personal property tax cannot be simply wiped off the books because in a few jurisdictions it still produces a certain amount of extremely necessary

revenue. At any time, also, further emergencies may arise in connection with the taxation of banks, moneyed capital and inheritances as the result of acts of Congress, judicial decisions, or revenue needs. Nor can the growing problem of tax exemption be overlooked indefinitely. It may be presented for solution as an emergency at any session. It is therefore evident that history will repeat itself and that revenue needs or fiscal considerations may at any time create a crisis which will require important changes in the tax system of the state.

Plans for the Future

We conceive it to be the function of this committee, working in close cooperation with the state tax department, to foresee these emergencies and to assist in the development of plans of taxation and changes in our revenue system which can be put into operation with the minimum of delay and friction when the time for change arrives. Many of the special investigations which we have undertaken and the recommendations which we have made have been with this specifically in mind. It is our belief that it is better public policy to estimate future needs, forecast approaching difficulties and make definite plans, based on thorough investigation, for the revision of the state and local tax systems than it is to wait for emergencies and crises which may force hasty and ill-considered action. In view of the demand for another investigation of our tax system, we wish to bring together various recommendations which we have made in the past with regard to the improvement of the state tax system.

The Tax on Tangible Personal Property

We recommend the repeal of the tax on tangible personal property. At one time the personal property tax was an important source of tax revenue. In 1866 it bore over 25 per cent of the entire tax burden of state and local government. In 1924 it bore but 1.08 per cent of the total burden and 1.38 per cent of the general property tax burden. The amount now on the tax rolls is less than in any year since 1853, since when the assessed value of real estate has multiplied twenty fold. There are two reasons for this disappearance of personal property as a tax base; first, many kinds of personal property have been exempted from the property tax because they are taxed in other ways; and, second, the assessors have discovered that the personal property tax law cannot be enforced fairly and so have allowed it to become a dead letter. The greater loss has of course come about through amendments to the tax law which have whittled away the personal property tax base. In 1901 bank stock was eliminated, in 1905 mortgages were withdrawn, in 1911 motor vehicles were excluded, as were certain intangibles. In 1917 the tangible and intangible personal property of manufacturing and mercantile corporations was exempted, and in 1919 the remaining intangible personal property was withdrawn. What is left now is chiefly made up of personal articles

like household furniture, live stock and farm machinery, the stock and machinery of unincorporated businesses, and a small amount of tangible personal property of public utility corporations. But a glance at the tax rolls shows that even these tag ends of the former personal property tax are as a matter of fact very poorly assessed. In 1924 the state tax report shows that there were 547 villages and towns and 16 cities in which not one dollar of personal property was assessed for taxation. It would seem that the tax had already been repealed in these communities without the need of formal action by the legislature.

We are convinced that a careful investigation of the methods of making personal property assessments in those cities and towns which report such assessments would show a more startling situation than is disclosed in the 563 jurisdictions just cited. In one of the best assessed cities we know it to be a fact that personal property assessments depend not on the amount of property owned but upon the amount of income tax paid to the federal government as printed in the newspapers, upon a listing in the social register or the telephone directory, or upon the outward appearance of a personal address. And we do not wish it to be understood that we are criticising the local assessors who are using these methods. The blame is not primarily theirs, it is inherent in the law.

We recommend the repeal of the personal property tax because it cannot be enforced; because the effort to enforce it in some jurisdictions results in the grossest inequalities; because it introduces an unfair element into the distribution of state and county taxes; because it is no longer a logical part of our state tax system; and finally because we believe adjustments can be made now so that the localities will not suffer as a result of the slight loss of revenue involved.

Unincorporated Business Tax

We recommend the enactment in the near future of a tax on unincorporated business. At the present time the state levies a tax of $4\frac{1}{2}$ per cent on the net income of incorporated businesses, but no tax is levied upon the unincorporated manufacturers and merchants, though they are frequently in competition with the incorporated enterprises. This is an unfair discrimination.

We are not committed to any particular method of reaching unincorporated business, though we incline toward an income basis. We have already presented a bill of this sort, and have discussed the matter repeatedly in our previous reports.¹ As in the past we would urge that a substantial part of the revenue from this new tax be turned over to the local units of government. This would more than compensate them for the exemption from property taxation of the tangible personal property of unincorporated businesses which would be inevitable with the new basis of taxation.

¹ Leg. Doc. 1922, No. 72, p. 126; 1925, No. 97, p. 180.

State Gasoline Tax

We recommend the enactment of a gasoline tax and the reduction and readjustment of present motor vehicle fees. We believe that the gasoline tax is a necessary supplement to the state system of motor vehicle taxation. It serves to measure, in a rough way, the wear and tear on the highways, and makes the tax heavier for the man who makes the greater use of the highways. It will reach also those from other states who drive upon our highways, just as the motorists of New York State are now contributing through gasoline taxes to 44 of the 48 states of the Union.¹

We recommend that a portion of the gasoline tax be distributed back to the local units of government, as nearly as may be possible in relation to highway use.

Taxation of Bank Stock and Moneyed Capital

Before the Hanover Bank Decision demolished our state taxes upon national and state banks, we recommended that the bank stock tax be replaced by a business income tax.² At that time we stated, however, that this could not be done unless the United States Congress amended sec. 5219 of the federal revised statutes so that the states might tax national banks like other businesses within their jurisdictions. This was not done. The amendments to sec. 5219 were so worded as to make it impossible in this state to levy a business income tax on banks without giving them differential and specially privileged treatment. This is still the situation. The only course of action open to New York is therefore to continue the present taxes upon bank stock and moneyed capital, in spite of the fact that these taxes are not consistent with the general state tax system. When sec. 5219 is satisfactorily amended to fit the conditions in this state we shall renew our recommendation that the bank stock and moneyed capital taxes be repealed and that a business tax based on income be enacted in their place.

Public Utility Taxes

The taxation of public utilities in this state rests upon laws which were enacted chiefly between 1880 and 1901. *Every one of these laws was enacted before utility rates were subject to public regulation.* Public regulation has completely altered the tax status of railroads, street railways, telegraph, telephone, gas, electric and power companies. The public service commissions definitely regulate the rates so that the taxes levied upon the utilities will be passed on to the consumers. The utilities therefore have become tax gatherers for the state. In 1922 this committee made an exhaustive study of this whole situation and showed that the whole fabric of taxes upon the public utilities was indefensible under present conditions.³ We therefore renew again

¹ Leg. Doc. 1922, No. 72; 1924, No. 91; 1925, No. 97; 1926, No. —.

² Leg. Doc. 1922, No. 72, p. 78; 1924, No. 91, p. 135.

³ Leg. Doc. 1922, No. 72, p. 92; 1924, No. 91, p. 99.

our recommendation that the taxation of public utilities be completely revised and that in place of the present taxes there be substituted a tax based upon gross and net income which will recognize the present regulated status of the utilities and which will be consistent with our state system of taxation.

The Direct State Tax

We renew our recommendation that every effort should be made to reduce the burden of taxation now resting upon real estate. The tax upon property is the only elastic local tax and it has, therefore, been forced to shoulder more than its share of the rapidly increasing tax burden of the past ten years. The first practical step to be taken in granting relief is for the state to reduce as rapidly as possible the direct state tax to the end that eventually it may be abolished. We earnestly recommend this policy.

Personal Income Tax

The personal income tax usually stands second to the corporation taxes in the size of yield. This tax is well fitted to become an elastic source of state revenue, and should the real estate tax be given up or reduced, would be called upon in all probability to fill the gap between revenues and expenditures from year to year. Moreover, with the reduction of the federal tax on incomes, the state of New York can advance its rates slightly without upsetting the balance between property and income taxes in this state. For these reasons an increase in the state rates on personal incomes is suggested here if substantial additional funds are needed by the state.

Tax Exemption

This committee has opposed tax exemption in almost every conceivable form. In 1919 when the income tax was presented many varieties of exemption came before us and every year there is a stream of income tax exemption bills. Not a few of these, like the mortgage income exemption plans of 1920,¹ have been supported by powerful interests. Bills for the exemption from taxation of various kinds of privately owned property are also continually before us. We wish to state again, as in the past, that we are unalterably opposed to the whittling away of our bases of taxation by a broadening of exemptions. We believe that the time has come for a movement in the opposite direction and we wish to endorse the recommendation which has been made by the state tax department that lands owned by the state be subject to taxation locally for schools and highways. This is a practicable first step upon which all can agree and should be put into effect immediately. If the state is to distribute millions of dollars back to the localities for one purpose or another, why should we not distribute a small fraction of this total in relation to the location of land which we have removed from taxation? Ownership of lands

¹ Leg. Doc. 1920, No. 57, p. 41.

by the state does not decrease the local burden for highways, police, fire, education, improvements or other services of government.

Local Tax Administration

The most antiquated portion of our tax system is to be found in the local tax administration. With the exception of a very few cities indeed, and scattering towns, the assessment of property for taxation is still extremely unsatisfactory. In the rural sections the local units of government, which were laid out before the days of the automobile and the improved highway, are too small for efficient tax administration. In 1923 we recommended, as a tentative proposal, that the county, excluding cities within it, be made the unit for tax purposes.¹ Under this plan all areas lying outside of the cities would be assessed by a county assessor. There would be a single assessment roll for all purposes, and a single tax bill and receipt, but above all, there would be no need of equalization except between the county districts and the cities lying within the county, which we think should be handled by the state. In the cities, we urge the establishment of a department of assessment with a single appointed assessor as is authorized by Chapter 300 of the Laws of 1921 in accordance with our recommendations of 1920 and 1921. We are inclined to believe that all of the cities of the state can secure sufficient revenues to meet the necessary expenses of their city governments and their schools within the constitutional tax limits *provided they will assess real estate at full value* as is required both by law and by good practice. The purpose of property assessments is to distribute the property tax burden fairly between those who must bear the taxes. It is of the utmost importance, therefore, that a man's assessment shall be on the same basis as that of his neighbor, and that relative increases or decreases from year to year shall be accurately followed in the assessment roll. There is no method by which this can be done without listing the full market value. If an assessor is valuing property at 60 per cent of full value, he must first fix the 100 per cent valuation before he can compute the 60 per cent. The standard full valuation is especially advantageous in the case of properties which are depreciating, because the injustice of an assessment which is not correspondingly reduced becomes apparent immediately. We, therefore, renew our recommendation that local assessments be placed on a full value basis and that the work of assessing be considered a full time year-around task requiring skilled and experienced permanent officials.

We believe that the date of assessment should be uniform throughout the state and that the date for tax collection should be brought nearer to the beginning of fiscal years in those jurisdictions in which this has not already been done as was recommended by this committee in 1920.²

¹ Leg. Doc. 1923, No. 55, p. 101.

² Leg. Doc. No. 80, p. 19.

Summary of Recommendations

In this brief chapter we have sought to bring together in a general outline the more important suggestions and recommendations we have made during recent years with regard to the tax system of the state. At no time have we expected or urged that the entire program be enacted immediately into law. It has been our policy to prepare a consistent and logical tax program based on careful research and consultation with the state tax department and then to present these suggestions for widespread public discussion in order that there may be a substantial unanimity of opinion with regard to the directions of reform whenever the time for change arises or the need for new revenues presents itself.

APPENDICES

APPENDIX I

CLASSIFICATION OF STATE EXPENDITURES

The analysis of the growth of state expenditures in Chapter III is chiefly based upon data presented in Table 1 of this appendix, showing disbursements at decennial intervals from 1800 to 1900 and at five year intervals since 1900. As the classification adopted in this table differs materially from that employed by the comptroller, a brief explanation is necessary. Disbursements are divided into three main classes: operation, debt service, and outlay. The term "operating expenditures," as here used, covers current disbursements for governmental services. In addition to expenditures from the general fund, it embraces payments from the canal fund for the operation and maintenance of the canals, and disbursements from the free school fund, the common school fund, the literature fund, the United States deposit fund, the college land scrip fund, and lesser school funds. A few petty trust funds, such as the military record fund, the mariners' fund, and the William Vorce fund are excluded. Transfers, refunds, investments, payments of temporary loans and advances to counties to meet arrears of taxes on non-resident lands are eliminated from the table. Under "debt service" and "outlay" only payments from taxation and miscellaneous revenues are included, disbursements from borrowed funds and from canal earnings being omitted. "Operating expenditures" are subdivided in the table primarily on the basis of function. The principal items included under each heading in the table are as follows:

Legislature

Salaries and other expenses of the legislature and its staff, and expenditures for legislative printing. Prior to 1924 most of the cost of state printing was classified under legislative printing.

Judiciary

Expenditures for courts and court libraries, including amounts returned to districts from stenographers' and court expenses tax.

Chief Executive

Expenditures for the governor and his office; salary of the lieutenant governor; and at the opening of the nineteenth century the expenses of the council of appointment.

Secretary of State

Salaries and expenses of the office, exclusive of the motor vehicle bureau in 1910, 1915, and 1920, and of the state census.

Attorney General

Salaries and expenses of the office, including special legal service.

Finance

Includes expenditures for the following offices: treasurer, comptroller, board of assessors (1860-1890), excise department (1900-1920), tax commission, motor vehicle bureau, board of estimate and control, and department of purchase.

Military Affairs

Expenditures for the National Guard, the Naval Militia, and the maintenance of arsenals, armories and fortifications.

Public Works

1. State Engineer and Surveyor—Expenditures for state engineer's office in so far as these are not charged directly to other classes of public works.

2. Canals and Waterways—Maintenance and operation of canals and waterways, and expenses of office of superintendent of public works.

3. Highway Administration and Maintenance—Repair of state and county highways and roads on Indian reservations. Expenditures for highway bureau.

4. Highways, State Aid—Grants to towns and counties for maintenance and improvement of highways.

5. Public Buildings—Expenditures of department of architecture, department of public buildings, and trustees of public buildings, including maintenance of administration buildings. Institutions, schools, hospitals, and historic houses are not included.

6. Miscellaneous—Special engineering investigations and projects.

Public Welfare

1. Corrections—Maintenance and operation of prisons, reformatories, reform schools, and hospitals for criminal insane; and expenses of superintendent of prisons, commission of prisons, transportation of convicts and support of state prisoners in county penitentiaries. Expenses of prison manufactures are excluded. Prior to 1890 manufacturing expenses were not kept separate, and, therefore, the net cost of prison operation is used, deducting earnings from total expenditures.

2. Care of Insane—Maintenance and operation of hospitals for civil insane, and expenses of state hospital commission.

3. Care of Feeble-minded—Maintenance and operation of institutions for feeble-minded and epileptic, and expenses of commission for mental defectives.

4. Miscellaneous Charities—Maintenance and operation of soldiers' homes; grants to charitable institutions other than schools for deaf, dumb, and blind; grants to localities for care of the poor; and expenses of state board of charities.

Education

1. State Aid—Grants to public schools, academies, and colleges.

2. Supervision and Administration—Expenses of board of regents and department of education; salaries of school commissioners; expenses of state library and museum; and miscellaneous educational expenses.

3. State Schools and Colleges—Maintenance and operation of normal schools, agricultural schools, state colleges, Thomas School for Indians, and state school for blind; and grants to approved schools for deaf, dumb, and blind.

Bank Supervision

Banking department.

Insurance Supervision

Insurance department.

Public Utilities

Expenses of public service commission and transit commission. Prior to 1907, expenses of railroad commissioners and gas inspector.

Agriculture

Expenses of department of farms and markets, including indemnities for the slaughter of diseased cattle, agricultural experiment station, and fair commission; and grants to agricultural societies.

Health

Expenses of health department, quarantine station, institute for the study of malignant diseases, orthopedic hospital for children, and hospital for tuberculosis; and grants to hospitals and dispensaries.

Labor

Expenses of department of labor, including administration of workmen's compensation.

Conservation and Parks

Expenses of conservation commission, waterpower commission, and the various state parks, reservations, and historic places.

Miscellaneous

Expenses for unrelated agencies and activities, chief among which are: state police, civil service commission, land office, Indian affairs, insurance of state employees, state census, and constitutional conventions.

Debt Service

Interest and debt retirement from taxation and miscellaneous revenue, exclusive of payments on canal debt from canal earnings prior to 1882.

Major Outlay

Capital outlays from taxation and general revenue, exclusive of canal improvements financed from canal earnings prior to 1882. Items involving less than \$10,000 are not included as a rule. Owing to the vagueness of the comptroller's classification of expenditures prior to 1910, the figures on outlay expenditures should be considered only approximate.

APPENDIX I — TABLE 1
EXPENDITURES OF THE STATE OF NEW YORK, 1800 — 1924

FUNCTIONAL GROUPS	1924		1920		1915		1910		1905	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Legislature.....	\$1,303,262	1.12	\$1,649,254	2.28	\$1,622,849	3.58	\$1,503,764	4.59	\$1,326,700	5.64
Judiciary.....	2,518,699	2.16	2,323,001	3.21	1,947,140	4.31	1,547,595	4.72	1,031,497	4.39
Chief executive.....	117,312	.10	183,110	.25	122,468	.27	83,658	.25	52,537	.22
Secretary of State.....	252,160	.22	463,378	.64	104,972	.23	93,295	.28	84,975	.36
Attorney General.....	596,810	.51	447,123	.62	416,355	.92	350,768	1.07	126,775	.54
Finance.....	4,065,438	3.48	2,650,164	3.67	1,482,257	3.27	893,863	2.73	575,519	2.45
Military affairs.....	2,316,767	1.98	2,232,833	3.09	1,599,636	3.53	809,190	2.47	722,346	3.07
Public works:										
State Engineer and Surveyor.....	179,876	.15	79,524	.11	57,349	.13	45,141	.15	45,003	.19
Canals and waterways.....	4,403,778	3.77	2,959,796	4.10	1,717,951	3.81	1,390,666	4.24	1,570,067	6.68
Highways — administration and maintenance.....	12,627,684	10.82	7,938,272	10.99	3,574,891	7.91	1,848,836	5.64	247,661	1.06
Highways — state aid.....	4,956,024	4.24	2,260,051	3.13	1,997,555	4.41	1,645,496	5.02	554,032	2.35
Public buildings.....	934,021	.80	740,473	1.03	558,776	1.23	340,454	1.03	250,574	1.07
Miscellaneous.....	128,494	.11	125,024	.17	13,991	.03	9,966	.03	12,776	.05
Total public works.....	\$23,229,877	19.89	\$14,103,140	19.63	\$7,920,515	17.62	\$5,280,559	16.11	\$2,680,113	11.40
Public welfare:										
Corrections.....	\$4,653,494	3.99	\$3,890,008	5.38	\$2,950,516	6.52	\$2,245,014	6.85	\$1,755,319	7.47
Care of insane.....	14,792,417	12.67	12,930,134	17.90	7,510,224	16.60	7,108,295	21.68	5,031,587	21.40
Care of feeble-minded.....	2,268,969	1.94	1,858,232	2.57	970,465	2.14	703,950	2.15	468,350	1.99
Miscellaneous charities.....	691,250	.59	717,280	.99	599,138	1.32	484,948	1.48	384,609	1.64
Total public welfare.....	\$22,406,130	19.19	\$19,395,664	26.84	\$12,030,343	26.58	\$10,542,205	32.16	\$7,639,865	32.50
Education:										
State aid.....	\$39,558,040	33.87	\$13,066,692	18.09	\$6,177,613	13.65	\$5,685,572	17.34	\$4,677,254	19.89
Supervision and administration.....	2,356,171	2.01	1,927,281	2.68	1,404,405	3.10	746,611	2.28	627,717	2.67
State schools and colleges.....	4,706,361	4.04	3,580,228	4.96	2,148,362	4.75	1,374,700	4.19	938,452	3.99
Total education.....	\$46,620,572	39.92	\$18,574,201	25.73	\$9,730,380	21.50	\$7,806,883	23.81	\$6,243,423	26.55

Bank supervision.....	\$410,930	.85	\$347,569	.49	\$227,920	.50	\$141,489	.43	\$92,161	.39
Insurance supervision.....	597,569	.51	457,165	.63	476,396	1.05	276,019	.84	153,815	.65
Public utilities.....	756,321	.65	907,771	1.26	539,382	1.19	391,833	1.19	114,630	.49
Agriculture.....	4,174,139	3.57	1,804,767	2.49	1,794,676	3.96	994,394	3.03	633,705	2.70
Health.....	1,744,817	1.49	1,472,202	2.04	813,881	1.79	330,461	1.01	234,608	1.00
Labor.....	1,917,961	1.64	1,896,767	2.62	1,463,797	3.23	225,599	.69	142,786	.61
Conservation and parks.....	1,733,599	1.43	1,520,485	2.10	920,255	2.03	663,650	2.02	307,635	1.31
Miscellaneous.....	2,032,298	1.74	1,827,137	2.52	2,055,134	4.54	851,431	2.60	1,347,215	5.73
Total operation.....	\$116,799,681	100.00	\$72,255,734	100.00	\$45,268,384	100.00	\$32,786,654	100.00	\$23,610,305	100.00
Debt service from taxes and general revenue.....	11,679,042	.....	13,591,721	.....	7,681,030	.....	2,097,140	.....	1,194,292	.....
Total operation and debt service	\$128,478,723	.....	\$85,847,455	.....	\$52,949,414	.....	\$34,883,794	.....	\$24,704,597	.....
Major outlay from taxes and general revenue:										
Buildings and miscellaneous.....	\$12,295,380	.....	\$3,547,076	.....	\$3,305,309	.....	\$3,020,681	.....	\$1,479,321	.....
Canals.....	.....	.....	2,130,000	.....	600,000	.....	.....	.....	.....	.....
Highways.....	5,608,446	.....	1,731,755	.....	231,635	.....	.....	.....	568,695	.....
Total.....	\$17,903,826	.....	\$7,408,831	.....	\$4,036,944	.....	\$3,020,681	.....	\$2,048,016	.....
Grand total.....	\$146, 2,54	.....	\$93,256,286	.....	\$56,986,358	.....	\$37,904,475	.....	\$26,752,613	.....

APPENDIX I—TABLE 1—(Continued)

FUNCTIONAL GROUPS	1900		1890		1880		1870		1860	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Legislature.....	\$1,343,100	0.37	\$900,401	5.41	\$507,528	6.70	\$577,705	7.00	\$309,006	9.07
Judiciary.....	973,028	4.70	502,000	3.00	357,149	4.73	309,083	3.49	131,380	3.86
Chief executive.....	53,712	.30	35,575	.32	38,302	.51	20,641	.30	11,683	.34
Secretary of State.....	70,259	.34	40,306	.30	30,000	.41	23,300	.30	13,312	.30
Attorney General.....	172,835	.84	61,440	.55	25,010	.33	31,508	.39	5,104	.15
Finance.....	510,783	2.50	90,000	.82	60,881	.80	59,611	.73	33,300	1.08
Military affairs.....	851,259	4.16	507,321	4.67	483,038	6.44	301,188	4.43	62,800	1.84
Public works:										
State Engineer and Surveyor.....	76,863	.30	25,488	.23	43,652	.58	4,748	.06	2,074	.06
Canals and waterways.....	1,833,000	8.97	1,753,402	15.78	928,692	12.37	1,071,735	14.20	707,365	22.52
Highways — administration and maintenance.....	69,172	.33	.....	.....	.....	.....	6,700	.08	2,000	.06
Highways — state aid.....	54,053	.26	.....	.....	.....	.....	.....	.....	.....
Public buildings.....	317,302	1.55	251,942	2.27	61,065	.81	37,330	.46	42,843	1.35
Miscellaneous.....	4,493	.02	.....	.....	.....	.....	.....	.....	.....
Total public works.....	\$2,855,844	11.82	\$2,030,802	18.28	\$1,039,400	13.70	\$2,020,513	24.80	\$1,147,222	33.91
Public welfare:										
Corrections.....	\$1,002,024	7.35	\$1,008,888	6.08	\$208,745	2.68	\$500,243	6.23	\$170,118	5.17
Care of insane.....	4,811,043	21.08	265,394	2.30	227,383	3.03	125,844	1.54	7,300	.21
Care of feebleminded.....	354,528	1.73	134,210	1.20	60,000	.84	25,000	.31	23,500	.69
Miscellaneous charities.....	337,458	1.65	240,143	2.17	192,764	2.60	159,829	1.96	31,000	.91
Total public welfare.....	\$6,505,053	31.81	\$1,638,575	14.75	\$784,792	10.45	\$870,910	10.60	\$237,914	6.98
Education:										
State aid.....	\$4,810,414	21.07	\$3,644,806	32.80	\$3,004,716	41.20	\$3,720,750	43.87	\$1,876,138	40.30
Supervision and administration.....	616,817	3.11	280,475	2.52	100,807	1.31	189,000	2.32	67,404	2.03
State schools and colleges.....	849,333	4.15	675,667	6.10	393,430	5.24	343,828	4.32	90,578	2.65
Total education.....	\$6,276,414	28.33	\$4,600,728	41.42	\$3,498,953	46.75	\$4,253,578	51.51	\$2,034,120	45.98

Bank supervision	\$91,817	.45	\$21,724	.29	\$29,192	.26	\$21,319	.26	\$28,006	.36
Insurance supervision	147,253	.92	63,429	.75	64,270	.60	75,879	.93	6,201	.18
Public utilities	93,809	.40	98,225	.88	12,865	.17	39,190	.37	8,023	.24
Agriculture	155,454	2.37	224,241	2.92	59,172	.79	39,720	.48	8,190	.24
Health	122,349	.69	71,981	.65	35,771	.48	279,318	2.43	62,270	1.83
Labor	107,699	.82	65,404	.69	.....	.....	.....	.....	.....	.....
Conservation and parks	291,824	1.48	150,793	1.35	17,478	.23	5,991	.09	.....	.....
Miscellaneous	870,427	1.81	226,169	2.02	287,755	2.84	228,632	2.79	109,954	3.23
Total operation	\$20,453,796	100.00	\$11,109,692	100.00	\$7,510,956	100.00	\$3,149,411	100.00	\$3,407,244	100.00
Debt service from taxes and general revenue	892,261	.....	760,000	.....	789,725	.....	4,329,431	.....	377,095	.....
Total operation and debt service	\$21,346,056	.....	\$11,869,692	.....	\$8,300,681	.....	\$12,478,842	.....	\$3,784,339	.....
Major outlay from taxes and general revenue:										
Buildings and miscellaneous	\$1,516,216	.....	\$1,278,635	.....	\$1,496,723	.....	\$1,808,975	.....	\$119,004	.....
Canals .....	.....	.....	.....	.....	.....	.....	.....	.....	869,616	.....
Highways	64,318	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total	\$1,580,534	.....	\$1,278,635	.....	\$1,496,723	.....	\$1,808,975	.....	\$988,614	.....
Grand total	\$22,926,590	.....	\$13,117,227	.....	\$9,797,404	.....	\$14,287,817	.....	\$4,772,943	.....

APPENDIX I — TABLE I — (Concluded)

FUNCTIONAL GROUPS	1850		1840		1830		1820		1810		1800	
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Legislature.....	\$189,684	9.70	\$129,036	8.82	\$87,984	12.20	\$113,077	21.00	\$49,945	15.13	\$46,874	16.01
Judiciary.....	108,441	5.44	101,939	6.97	30,657	4.25	37,101	6.89	25,300	7.87	12,041	4.34
Chief executive.....	8,322	.43	7,516	.51	6,600	.94	8,909	1.64	5,998	1.82	4,099	1.80
Secretary of State.....	5,808	.30	5,879	.40	2,985	.41	6,775	1.26	3,084	1.12	2,750	.99
Attorney General.....	4,099	.24	1,955	.13	7,217	1.00	2,807	.52	11,081	3.35	10,799	3.89
Finance.....	16,552	.85	14,151	.97	14,593	2.02	11,392	2.11	5,781	1.76	22,087	8.19
Military affairs.....	21,526	1.10	42,890	2.92	13,299	1.84	40,758	7.57	109,070	38.06	23,404	8.46
Public works:												
State Engineer and Surveyor.....	1,825	.09	1,801	.12	1,497	.21	1,025	.30	4,773	1.45	500	.18
Canals and waterways.....	841,000	43.02	610,301	41.74	297,997	41.32	4,999	.93	3,000	.91	.....	.....
Highways — administration and maintenance.....	3,870	.20	.....	.....	.....	.....	.....	.....	.....	.....	.....
Highways — State aid.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Public buildings.....	10,597	.54	8,093	.55	.....	.....	.....	.....	.....	.....	.....
Miscellaneous.....	.....	.....	7,419	.51	.....	.....	.....	.....	.....	.....	.....
Total public works.....	\$857,358	43.85	\$627,614	42.92	\$299,494	41.53	\$6,624	1.23	\$7,773	2.36	\$500	.18
Public welfare:												
Corrections.....	\$108,377	5.54	\$21,702	1.48	\$56,459	7.83	\$54,418	10.11	\$25,000	7.85	\$19,442	7.01
Care of insane.....	9,430	.48	.....	.....	.....	.....	.....	.....	.....	.....	.....
Care of feeble-minded.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Miscellaneous charities.....	22,080	1.13	8,000	.55	15,800	2.15	10,500	1.95	421	.13	16,231	5.85
Total public welfare.....	\$130,887	7.15	\$29,702	2.03	\$71,959	9.98	\$64,918	12.06	\$26,321	7.98	\$35,673	12.86
Education:												
State aid.....	\$398,393	20.38	\$338,372	23.13	\$100,500	13.94	\$115,026	21.47	\$29,558	8.96	\$50,123	18.08
Supervision and administration.....	19,781	1.01	2,297	.16	5,656	.78	2,055	.38	792	.24	.....	.....
State schools and colleges.....	47,703	2.44	33,019	2.26	6,737	.93	.....	.....	.....	.....	.....
Total education.....	\$465,877	23.83	\$373,689	25.55	\$112,893	15.65	\$117,081	21.85	\$30,350	9.20	\$50,123	18.08

Bank supervision.....	\$19,349	.99	\$51,107	3.49	.....	.....	.....	.....	.....	.....	.....	.....
Insurance supervision.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Public utilities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Agriculture.....	8,207	.32	.....	.....	.....	.....	\$11,244	2.09	.....	.....	.....	.....
Health.....	83,976	1.74	23,960	1.64	23,800	3.26	22,500	4.18	\$15,259	4.62	\$17,750	6.40
Labor.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Conservation and parks.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Miscellaneous.....	79,636	4.08	53,129	3.64	49,990	6.92	94,807	17.60	39,457	11.95	49,618	17.60
Total operation.....	\$1,955,322	100.00	\$1,462,586	100.00	\$721,231	100.00	\$638,493	100.00	\$329,999	100.00	\$277,248	100.00
Debt services from taxes and general revenue.....	.....	.....	\$120,243	.....	.....	.....	\$107,827	.....	\$67,023	.....	\$19,312	.....
Total operation and debt service	\$1,955,322	.....	\$1,582,809	.....	\$721,231	.....	\$646,320	.....	\$397,022	.....	\$296,560	.....
Major outlay from taxes and general revenue:	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Buildings and miscellaneous.....	\$56,006	.....	\$162,533	.....	\$18,845	.....	\$21,000	.....	\$9,530	.....	.....	.....
Canals.....	.....	.....	.....	.....	.....	.....	207,449	.....	.....	.....	5,000	.....
Highways.....	.....	.....	.....	.....	7,836	.....	6,428	.....	8,667	.....	.....	.....
Total.....	\$56,006	.....	\$162,533	.....	\$26,681	.....	\$234,877	.....	\$18,197	.....	\$5,000	.....
Grand total.....	\$2,011,328	.....	\$1,745,342	.....	\$747,912	.....	\$881,197	.....	\$415,219	.....	\$301,560	.....

TAXATION AND REFINANCEMENT

APPENDIX I — TABLE 2
EXPENDITURES OF NEW YORK STATE GOVERNMENT, 1900-1924

YEAR	Expenditures*	Price index†	Expenditures adjusted to price	Increase (+) or decrease (—) over preceding year
1900.....	\$22,926,580	80.5	\$28,480,224	.....
1901.....	22,938,694	79.3	28,926,474	+ 446,25
1902.....	22,812,267	84.4	27,028,752	— 1,897,72
1903.....	22,773,809	85.5	26,636,034	— 392,71
1904.....	25,353,216	85.6	29,618,243	+ 2,982,20
1905.....	26,752,613	86.2	31,035,514	+ 1,417,27
1906.....	27,313,223	88.6	30,827,565	— 207,94
1907.....	32,607,483	93.5	34,874,313	+ 4,046,74
1908.....	34,279,327	90.1	38,045,868	+ 3,171,55
1909.....	39,138,417	96.9	40,390,523	+ 2,344,65
1910.....	37,904,475	100.9	37,566,379	— 2,824,14
1911.....	38,034,660	93.0	40,897,484	+ 3,331,10
1912.....	44,702,429	99.1	45,108,405	+ 4,210,92
1913.....	49,835,895	100.0	49,835,895	+ 4,727,49
1914.....	53,563,355	98.1	54,600,770	+ 4,764,87
1915.....	56,986,358	100.8	56,534,085	+ 1,933,31
1916.....	52,496,906	105.3	49,854,612	‡— 6,679,47
1917.....	60,881,298	117.3	51,902,215	+ 2,047,60
1918.....	73,142,571	131.7	55,537,260	+ 3,635,04
1919.....	78,341,313	138.5	56,564,125	+ 1,026,86
1920.....	93,256,286	160.3	58,176,099	+ 1,611,97
1921.....	135,608,175	162.1	83,657,110	+25,431,01
1922.....	126,669,172	162.1	78,142,611	— 5,514,49
1923.....	131,868,672	155.3	84,912,216	+ 6,769,60
1924.....	146,282,549	155.3	94,193,528	+ 9,281,31

* These figures do not include capital expenditures financed by borrowings. They are made up from the State Comptroller's Report for 1924, pp. 253, 260-61, 264-65 Reports previous to 1924 have also been used. Refunds, transfers, and expenditure from trust funds are excluded as far as possible from these figures.

† These figures follow the wholesale price index to 1916. From 1916 to 1924 inclusive the wholesale index figures have been adjusted to take care of the lag in state appropriations behind the wholesale price levels for this abnormal period during and after the World War. For an explanation of this adjustment see pages 100-101 of this report.

‡ Owing to a change in the fiscal year, the expenditures of 1916 are for only nine months.

APPENDIX I—TABLE 3
INCREASE IN STATE EXPENDITURES BY FIVE YEAR PERIODS, 1900-1924

FUNCTIONAL GROUPS	ACTUAL AMOUNT OF INCREASE					PER CENT OF INCREASE				
	1924 over 1920	1920 over 1915	1915 over 1910	1910 over 1905	1905 over 1900	1924 over 1920	1920 over 1915	1915 over 1910	1910 over 1905	1905 over 1900
	Legislature.....	*\$345,002	\$26,405	\$119,085	\$177,064	*\$16,409	*21	2	8	13	*1
Judiciary.....	195,698	375,861	399,545	516,098	57,509	8	19	26	50	6
Chief executive.....	*65,798	60,642	38,812	31,110	*175	*36	50	46	69	*0.3
Secretary of State.....	*211,218	358,408	11,677	8,320	14,716	*45	34	12	10	21
Attorney General.....	149,687	30,738	65,617	223,993	*48,090	33	7	17	177	*27
Finance.....	1,415,274	1,167,007	588,304	318,344	64,736	54	79	66	55	13
Military affairs.....	83,934	633,197	790,446	80,844	*128,013	4	39	98	12	*15
Public works:										
State Engineer and Surveyor.....	\$100,352	\$22,175	\$12,208	\$138	*\$1,860	120	38	27	0.3	*41
Canals and waterways.....	1,443,982	1,241,845	327,285	*179,401	*263,889	49	72	24	*11	*14
Highways — administration and maintenance.....	4,689,412	4,363,381	1,726,055	1,601,175	178,489	59	122	98	646	258
Highways — state aid.....	2,695,973	262,496	352,059	1,001,464	499,974	119	13	21	197	925
Public buildings.....	193,548	181,697	218,322	89,880	*96,728	26	33	64	36	*21
Miscellaneous.....	3,470	111,033	4,025	*2,810	8,283	3	704	40	*22	184
Total public works.....	\$9,126,737	\$6,182,627	\$2,639,954	\$2,600,446	\$324,269	65	78	50	97	14
Public welfare:										
Corrections.....	\$763,486	\$939,492	\$705,502	\$489,695	\$252,395	20	32	31	27	17
Care of insane.....	1,862,283	5,419,910	401,929	2,076,708	720,544	14	72	6	41	17
Care of feeble-minded.....	410,737	887,767	266,515	235,600	113,822	22	91	38	50	32
Miscellaneous charities.....	*26,040	118,152	114,192	100,337	47,151	*4	20	23	26	14
Total public welfare.....	\$3,010,466	\$7,365,321	\$1,488,138	\$2,902,340	\$1,133,912	16	61	14	38	17
Education:										
State aid.....	\$26,491,348	\$6,689,079	\$492,041	\$1,008,318	\$366,840	203	111	0	22	8
Administration and supervision.....	428,890	522,876	657,794	118,894	*6,100	22	37	88	19	*1
State schools and colleges.....	1,126,133	1,431,866	773,662	436,248	89,219	31	67	56	46	10
Total education.....	\$28,046,371	\$8,643,821	\$1,923,497	\$1,563,460	\$460,959	151	91	25	25	8

APPENDIX I—TABLE 3—*Concluded*
 INCREASE IN STATE EXPENDITURES BY FIVE YEAR PERIODS, 1900-1924

FUNCTIONAL GROUPS	ACTUAL AMOUNT OF INCREASE					PER CENT OF INCREASE				
	1924	1920	1915	1910	1905	1924	1920	1915	1910	1905
	over 1920	over 1915	over 1910	over 1905	over 1900	over 1920	over 1915	over 1910	over 1905	over 1900
Bank supervision.....	\$63,361	\$119,649	\$96,431	\$49,328	\$344	18	52	61	54	0.3
Insurance supervision.....	140,404	*19,231	200,377	122,204	*33,438	31	*4	73	79	*18
Public utilities.....	*151,450	368,389	147,549	277,203	20,830	*17	68	38	242	22
Agriculture.....	2,369,372	10,091	800,282	360,689	148,252	131	1	81	56	31
Health.....	272,615	658,321	483,420	95,853	112,259	18	81	146	41	92
Labor.....	21,214	432,970	1,238,198	82,813	*24,820	1	30	549	58	*15
Conservation and parks.....	218,111	600,233	256,605	356,015	5,781	15	65	39	116	2
Miscellaneous.....	205,161	*227,997	1,203,703	*465,784	976,788	11	*11	141	*37	263
Total operation.....	\$44,543,947	\$26,987,350	\$12,481,730	\$9,276,349	\$3,056,510	62	60	38	39	15

* Decrease.

APPENDIX I—TABLE 4
 COMPARISON OF GOVERNMENTAL EXPENDITURES

YEAR	National government ¹	146 largest municipalities ²	48 state governments ³	New York State government ⁴
1900	\$131,689,000	.....	.....	\$24,130,065
1901	131,977,000	.....	.....	23,257,838
1902	125,111,000	.....	.....	22,812,266
1903	133,073,000	\$514,189,206	\$185,764,202	22,773,808
1904	131,357,000	.....	.....	25,353,216
1905	127,969,000	561,772,857	.....	27,908,806
1906	131,639,000	.....	.....	28,483,913
1907	145,642,000	691,071,411	.....	36,460,266
1908	162,532,000	.....	.....	42,387,354
1909	167,001,000	761,526,037	.....	51,013,705
1910	171,581,000	.....	.....	51,296,004
1911	173,839,000	863,996,528	.....	60,125,191
1912	172,257,000	.....	.....	68,029,643
1913	169,802,000	912,390,262	382,551,199	79,110,160
1914	170,530,000	.....	.....	83,355,480
1915	200,533,000	996,061,502	494,907,084	80,591,125
1916	199,555,000	.....	510,134,299	66,763,679
1917	1,153,677,000	1,007,290,346	517,503,220	77,985,994
1918	6,306,355,000	.....	565,485,937	86,729,989
1919	6,805,125,000	1,113,599,879	640,403,134	91,553,469
1920	3,133,101,000	.....	.....	102,656,181
1921	1,811,016,000	.....	.....	144,278,799
1922	989,923,000	1,984,322,234	1,280,319,931	135,157,611
1923	1,169,528,000	2,066,234,164	1,310,332,793	137,417,492
1924	1,047,270,000	.....	.....	150,865,389

¹ Figures are the ordinary civil expenditures of the National Government compiled from *Statistical Abstract of the U. S., 1924*, U. S. Bureau of Domestic and Foreign Commerce, p. 147. These figures do not include the expenditures of the War Department, the Navy Department, for the Indians, and for war pensions, and interest on war debt. They do, however, include certain expenditures, that resulted directly on account of the World War, such as, expenditures for railroad control, and for the shipping board. But they are, nevertheless, fairly comparable with the expenditures of state and local governments.

² Figures represent expenditures for "governmental-cost payments" of 146 cities *Financial Statistics of Cities, 1923*, U. S. Bureau of the Census, p. 20.

³ Figures are "governmental-cost payments" of 48 states, including New York from U. S. Bureau of the Census, *Financial Statistics of States, 1923* p. 17. Data for 1903 and 1913 are from the Census Bureau's report of wealth.

⁴ Figures for New York State are from State Comptroller's Report for fiscal year ended June 30, 1924, pp. 260-261. The same table in previous reports is also used. Expenditures from bond funds are included.

APPENDIX II

METHOD OF ESTIMATING THE TOTAL TAX BURDEN BORNE BY THE PEOPLE OF NEW YORK STATE

The annual report of the state tax commission for the year 1924, contains an estimate of New York State's total tax bill, federal, state and local for the fiscal years 1913 to 1924 inclusive.¹ The figures presented in Table 21 of the present study are largely based on the information developed by the tax commission. The method of estimating the total tax burdens for years prior to 1913 as well as certain minor variations in the method of computing the burden of federal taxes, however, requires some explanation.

New York's Proportion of Federal Taxes

The estimate burden of federal taxes borne by the people of New York State as given in Table 21 of the text is based on data as to actual tax collections during the fiscal year ended June 30, reported in the statistical abstract of the United States and the annual reports of the commissioner of internal revenue. Taxes comprise customs receipts and internal revenue collections.

Personal income and estate and succession taxes have been allocated to New York State on the basis of the amounts of these taxes reported received by federal collection agencies located within the state. In the case of corporation income² and excess profits taxes and the capital stock tax, it was considered that the amounts actually collected in New York State were not a fair measure of the real burden of these taxes on New York State, since many corporations have their domicile in New York, although conducting their major activities elsewhere. In the case of these taxes, a share of the total collections for the nation as a whole was pro-rated to the state on the basis of the ratio which the value added by manufacture in New York State bears to the value added by manufacture for the country as a whole. This ratio was obtained from the census of manufactures for census years and was interpolated on a straight line basis for intermediate years.

All other internal revenue collections, as well as customs receipts, represent for the most part taxes on consumption. New York's share of the total burden of these latter taxes was, therefore, estimated on the basis of the ratio which the aggregate income of the people of New York State bears to the aggregate national income. In obtaining this ratio, the state income figures used were those given in the text of this report. The national totals from 1850 to 1910 were those developed by Willford L. King,³ and for 1919 the estimate of Oswald Knauth⁴ was used.

State Taxes

In respect to the years 1913 to 1924 the figures for state taxes have been obtained directly from the 1924 report of the state tax commission. For years prior to 1913 it has been necessary to resort to tax revenues rather than tax levies. These have been obtained from a tabulation appearing on page 102 of the 1924 report of the state tax commission.

Local Taxes

For the years from 1913 to 1924 inclusive, the figures for the aggregate amounts of local taxes levied have been obtained directly from the 1924 report of the state tax commission. For years prior to 1913, the aggregate local tax bill was estimated as follows:

¹ Report of the State Tax Commission, 1924, pp. 65-67.

² No separation is kept in the accounts of the bureau of internal revenue between corporation and personal income tax collections. The amounts of these taxes levied and payable in respect of the calendar year may, however, be obtained separately in the annual "Statistics of Income" published by the treasury department. For the purpose in view it was necessary to obtain an estimated separation of the total income tax collections as between those on persons and those on corporations and this separation was made on the basis of the assumption that personal and corporation tax collections bear the same ratio to one another as do the corresponding tax levies.

³ *The Wealth and Income of the People of the United States*, New York 1923.

⁴ Publications of the National Bureau of Economic Research No. 2, Income in the United States.

ESTIMATED BURDEN OF LOCAL TAXES IN NEW YORK STATE

YEAR	Aggregate State and local general property tax levies, including bank stock tax	General property direct State tax ⁴	Estimated local general property tax levies, including bank stock tax	Estimated local excise tax	Mortgage tax (local share)	Estimated total local tax levies
1850...	\$6,313,000	\$364,000	\$5,949,000	\$85,000	.....	\$6,034,000
1855...	\$11,678,000	1,754,000	9,924,000	78,000	.....	10,002,000
1860...	\$18,956,000	5,441,000	13,515,000	70,000	.....	13,585,000
1865...	\$45,961,000	7,231,000	38,730,000	70,000	.....	38,800,000
1870...	\$50,329,000	14,286,000	36,043,000	1,767,000	.....	37,810,000
1875...	\$56,927,000	14,207,000	42,720,000	1,250,000	.....	43,970,000
1880...	\$49,118,000	9,233,000	39,885,000	749,000	.....	40,634,000
1885...	\$57,266,000	9,160,000	48,106,000	1,688,000	.....	49,794,000
1890...	\$60,624,000	8,620,000	52,004,000	2,631,000	.....	54,635,000
1895...	\$72,401,000	13,806,000	58,495,000	3,000,000	.....	61,495,000
1900...	\$100,099,000	10,704,000	89,395,000	8,387,000	.....	97,782,000
1905...	\$110,388,000	1,192,000	109,196,000	9,164,000	.....	118,360,000
1910...	\$157,617,000	.....	157,617,000	8,513,000	\$1,955,000	168,085,000

¹ Report of State Tax Commission, 1924, p. 100.² Annual Report, State Comptroller, 1906, p. 321.³ Report of State Tax Commission, 1910.⁴ Report of State Tax Commission, 1924, p. 103.⁵ Estimated on basis of excise tax collections in New York City.⁶ From annual reports of excise department.

APPENDIX III

EQUATIONS OF STRAIGHT LINES FITTED TO CURVES APPEARING ON CHARTS 9 AND 10

CHART 9

Income.....	Log y = .02031x + 8.470
Total tax burden.....	Log y = .02370 + 7.217
Federal taxes.....	Log y = .02479 + 6.792
Local taxes.....	Log y = .02310x + 6.936
State taxes.....	Log y = .02424x + 6.223
Population.....	Log y = .00752x + 6.492

CHART 10

	1850-1880	1880-1910	1910-1924
Income.....	Log y = .01805x + 8.529	Log y = .01832x + 8.462	Log y = .03449x + 7.517
Total tax burden	Log y = .03314x + 7.167	Log y = .01605x + 7.439	Log y = .08008x + 4.809
Federal taxes....	Log y = .03473x + 6.756	Log y = .0089x + 7.315	Log y = .09509x + 2.042
Local taxes.....	Log y = .02856x + 6.907	Log y = .02039x + 6.957	Log y = .03416x + 6.204
State taxes.....	Log y = .04629x + 5.975	Log y = .01891x + 6.375	Log y = .04793x + 4.61

APPENDIX IV

METHODS USED IN ESTIMATING THE AGGREGATE INCOME OF THE PEOPLE OF NEW YORK STATE

Preliminary Considerations

The income of a state may conceivably mean two things. In the first place it may mean the value of the wealth produced annually within the boundaries of the state. In the second place it may mean the aggregate of the individual incomes received by the inhabitants of the state. In a state in which the entire annual production of wealth inures solely to the inhabitants thereof, and in which the inhabitants have no other income save that arising or having its source within the state, the aggregate income received will necessarily be equal to the total of wealth produced. The income of such a state can be computed in two ways, either by evaluating the state's annual production of wealth, or by adding up the individual incomes of its inhabitants.

Although New York State does not entirely conform to the conditions outlined above, it is nevertheless probable that estimates of New York's income obtained in the two ways mentioned would not differ to any appreciable extent. It is true that New York possesses a large class of wealthy investors who derive considerable amounts of income from investments and business enterprises located outside of the state. This flow of income into the state is, however, probably offset by a very substantial outflow. Thus thousands of individuals partially employed in New York City have their domiciles in the adjacent states of New Jersey and Connecticut. The incomes of these persons are actually produced in New York State, but they do not form a part of the aggregate income of New York residents.

Meaning of Income

Before the income of New York State can be estimated, either by the method of evaluating its annual production or by the method of adding up individual incomes, it is first necessary to settle certain points concerning the nature of income. Economists distinguish between production for sale or exchange and production for use. Production for sale comprises all economic activities which have for their end the production of some salable commodity or the performance of some marketable service. All business pursuits, gainful employments, and the ownership of property for the purpose of profit belong to this category. Production for use comprises those activities which are directed toward the production of utilities not for the purpose of sale, but for the immediate enjoyment of self or family. These activities include the work of housewives, the work a farmer or father performs in raising crops for the consumption of his own family, the work a man performs for himself in mowing his own lawn, dining his alone, or reading to the farmer. The ownership of consumption capital such as houses, automobiles, furniture and clothing, held not for the purpose of gain but because of the services and enjoyments which they yield to its owner, must also be classified in the field of production for use.

There can be no doubt that all commodities produced and services rendered for the purpose of sale or exchange are part of the state's income, and the fact that they are actually sold makes it easy to evaluate them in terms of money. As regards goods produced or services performed for immediate use, on the other hand, there is some difference of opinion. It is generally agreed that the value of crops consumed as food by the farmer and his family form a part of the farmer's income and should be included in estimating the aggregate income of the political unit to which he belongs. Similarly it is generally agreed that the rental value of a house occupied by its owner

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should be considered as a part of the owner's income. In both these cases, the utilities included as income although produced for direct use are, nevertheless, exactly similar to utilities widely produced for sale and they may readily be converted into cash income should the producer so desire.

The case is not so clear as regards other non-gainful activities. The services of housewives cannot be counted as income, if for no other reason than that it would be impossible to evaluate these services. Some authorities include as income the estimated value of the services derived from the ownership of such consumption capital as furniture, pleasure vehicles, and clothing.¹ These services, however, are not customarily exchanged, and any estimate of their value must therefore be purely hypothetical.

For the purpose of determining the taxable capacity of the state, we are interested only in that income which can be converted to the uses of the state. Taxes must be paid in money. It follows that the only income which ought to be measured is that income which can readily be changed into money should the recipient so desire. For the present purpose, therefore, it will be useful to accept the definition of income given by Sir Josiah Stamp, namely, that it is "the money expression of those goods produced and services performed by the inhabitants of a country, which as a fact are generally exchanged for money."² Practically applied, this definition includes as income the value of farm crops consumed by the farmer and his family, and the rental value of homes owned, but it excludes the products of all other non-remunerative activities.

First Estimate of New York's Income

The first systematic attempt at estimating the income of New York State was made by Oswald Knauth of the National Bureau of Economic Research. Mr. Knauth calculated the national income for the years 1910 to 1919 inclusive³ and subsequently he distributed the national income from 1919 by states.⁴ According to this calculation New York State had an income of approximately \$9,074,859,000 in 1919.

Mr. Knauth's estimate was arrived at mainly by the method of adding up the individual incomes of persons gainfully employed. The aggregate income of persons receiving over \$2,000 per annum was obtained from federal income tax statistics which were adjusted for under-reporting and supplemented by estimates of the amount of income exempt from federal taxation. The aggregate income of individuals receiving less than \$2,000 per annum was estimated on the basis of the average number of such persons employed in the various industries and occupations in conjunction with the average annual earnings obtaining in each specific field. Estimates of the number of persons gainfully employed in various occupations were based for the most part on the United States Census of Occupations. Data regarding average earnings were chiefly obtained from census reports and other official documents. The aggregate income of farmers was obtained by the method of computing the value of the net product of agriculture.

Income as computed by Mr. Knauth is, generally speaking, money income except that it includes the estimated value of crops consumed by farmers, the rental value of homes owned, and the net increase in the surplus accounts of corporations, as indicated by the excess of corporate earnings over dividend payments.

More Recent Income Estimates

The National Bureau of Economic Research has recently published new estimates relative to the distribution of the national income by states.⁵ These estimates cover the three years from 1919 to 1921 inclusive. Both

¹ National Bureau of Economic Research, *Income in the Various States*, p. 42.

² Sir Josiah Stamp, *Wealth and Taxable Capacity*, p. 40.

³ Publications of the National Bureau of Economic Research, Inc., No. 2. *Income in the United States, Its Amount and Distribution*.

⁴ Publications of the National Bureau of Economic Research, Inc., No. 3. *Distribution of Income by States*, p. 21.

⁵ Publication No. 7, *Income in the Various States, Its Sources and Distribution 1919, 1920, and 1921*.

the method employed and the concept of income used, differ from those of Mr. Knauth, and the results obtained are, therefore, not comparable. In the new estimates the notion of income has been extended to include the imputed interest on durable consumption goods, such as, clothing, furniture, and motor vehicles. The most important deviation from the idea of income used in the earlier studies of the bureau, however, relates to the omission from the income reckoning of increases or decreases in corporate surplus, and the substitution therefor of estimated gains or losses in the value of property owned.

This latter change makes an enormous difference as regards the year 1921. In that year, corporate dividends far exceeded corporate earnings as a result in a net decrease in surplus, the estimated share of this increase applicable to New York being about \$520,000,000. During the same period, owing to the great increase in security and real estate values, the total value of property owned by residents of the state showed a gain of \$4,659,000,000. The result of the substitution of the estimated gain in property values for the decrease in corporate surplus is, therefore, an increase of more than \$5,000,000,000 in the aggregate income of the state as compared to what it would be on the basis of the concept of income formerly used.

The bureau's new notion of income is undoubtedly valuable for many purposes. For the particular purpose of the present investigation, however, the earlier definition would appear to be more useful. It has already been pointed out that, as a measure of taxable capacity, income should include only those elements which can readily be converted into cash. Neither the imputed interest on consumption goods nor the estimated increases in the value of property, not actually realized by sale, possess this characteristic. As regards estimated increases in property values, this dictum may be disputed. It is obvious, however, that had all security holders attempted to realize on their paper profits at the close of 1921, these profits would have quickly been turned into losses.

King's Estimates of National Income

No prior attempt has apparently ever been made to trace the growth of income in New York State over a considerable period of time. The way has been blazed, however, by the extremely valuable study of Willford I. King, "The Wealth and Income of the People of the United States," which contains estimates of the national income at ten year intervals from 1850 to 1910. In the several publications of the National Bureau of Economic Research which have already been cited, Dr. King has since brought his estimates of the national income up to the year 1921. The greater amount of statistical data available in respect to recent years has enabled him to refine his methods but the procedure followed in his earliest study deserves consideration as offering a fruitful method of estimating income in respect to periods in the past concerning which there is less information.

For years prior to 1910, statistics relating to the size of individual incomes are extremely rare. The various reports of the United States Bureau of the Census, however, contain a considerable fund of information concerning wealth produced. Thus it is possible to obtain from the earlier census reports, estimates of the aggregate value of the products of agriculture, mining, and fishing, the gross value of manufactured products, and the value added by the process of manufacture. There is also some information concerning the earnings of rail and water transportation companies. The census of occupations gives the number of persons employed in the various gainful pursuits, which furnishes a basis for estimating the value of the utilities produced by those engaged in trade, the professions and personal service employments. Most of the census data goes back to the year 1850, and where as in the case of agriculture and transportation, the compilation of certain statistics has been abandoned, other governmental agencies have generally continued the work.

In estimating the income of the people of the United States from 1850 to 1910, Dr. King used the method of computing the aggregate value of wealth or utilities produced and his basic information was derived almost

entirely from census sources. To the value of the products of the extractive industries (agriculture, fishing, and mining) was added the value imparted to these products by the process of manufacture, transportation, and holding for sale. To the resulting total there was then added the estimated value of the direct service of persons (lawyers, doctors, teachers, actors, servants, etc.) and the rental value of residence property. The census reports for the most part subdivide their data by states. There is, therefore, no serious obstacle in the way of imitating Dr. King's methods, for the purpose of estimating the growth of the income of New York State during the period between 1850 and 1910.

Methods Used in Present Study

In arriving at the income figures given in Table 29 of the text, a combination of two methods was necessary. In respect to the years from 1850 to 1910, inclusive, the procedure followed was substantially the same as that employed by Dr. King in making his national estimates. The aggregate income arising from manufacturing, mining, agriculture, and fishing was computed directly from census reports and other official documents. In calculating the total income from trade, transportation, and professional services, shares of the national totals developed by Dr. King were pro-rated to New York State on the basis of New York's proportion of the total number of persons engaged in those pursuits, allowance being made for difference in average wages and income as between New York State and the country as a whole. The income estimate for the year 1919 is that of Mr. Knauth, and all subsequent estimates have been computed according to the methods developed by him which have already been described.

Interpretation of Increase in Money Income

Attention has been called in the text of this report to the large increase in the per capita income of the inhabitants of New York State as between 1850 and 1923. In interpreting this increase it must be remembered that the income figures developed represent only those elements of income arising from activities pursued for a pecuniary gain. They do not include elements of income outside of the sphere of sale or exchange, such as the services of housewives, agreeable surroundings, and other satisfactions and enjoyments which have not as yet been brought under the dollar sign. The increase in average money income, therefore, does not necessarily indicate a corresponding improvement in average welfare. When a woman leaves the home in order to accept gainful employment, the aggregate amount of money income is thereby increased, but assuming that her services in the household were of value, the sum total of human welfare may not be greatly altered. When a farmer specializes on a single crop and purchases his food instead of raising it himself, he does not actually improve his situation to the extent indicated by the increase in his money income. Similarly, when a factory employee works overtime in order to pay another to perform some task which a worker of an earlier generation would have performed himself, he increases his money income but this increase is by no means represents a net gain in welfare. Finally when an individual moves from the country to the city where his services command a higher salary, the money income of the community is increased. If, however, the individual in question is forced to spend the greater part of his additional compensation to purchase things which in the country can be had for the asking, his greater monetary reward becomes largely an illusion. It is apparent that the declining economic importance of the home, greater specialization, and the growing concentration of the population in urban centers, all tend to increase money income without necessarily improving welfare to the same extent.

There is, of course, another side to the question. Our changed mode of working and living has resulted in opportunities and advantages which cannot be paid for in money and which, consequently, are not reflected in statistics of money income. Increased economic specialization, for instance has resulted in a general reduction of the hours of labor, but the value of the resulting leisures is not taken into account by the figures which

appear in Table 29. Moreover, city life affords opportunities for education, entertainment, and cultural development which are not available to the rural dweller. These opportunities are for the most part free and, consequently, they elude measurement by the income statistician.

Enough has been said to indicate that there is no necessary relationship between money income and welfare. The increase in average per capita income in New York State means a real increase in taxable capacity since taxes must be paid in money. The limitations of money income as a measure of other factors, however, must be clearly appreciated.

STATE OF NEW YORK



Tax Exemption in State of New York

A Preliminary Report

BY THE

Special Joint Committee on Taxation and Retrenchment

February 15, 1927

X72:2.7311. N275



**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

OF THE SENATE

SEABURY C. MASTICK, *Chairman*
COURTLANDT NICOLL
PERLEY A. PITCHER
THOMAS I. SHERIDAN
JOHN KNIGHT (ex-officio)
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GERALD G. CASEY

Official Stenographers

JOHN K. MARSHALL
GEORGE W. MUNSON

LETTER OF TRANSMITTAL

FEBRUARY 15, 1927

To the Senate and Assembly of the State of New York:

The report we are submitting to you herewith is a preliminary study of tax exemption. Tax exemption is not a new problem. It has troubled statesmen in all nations throughout history and has been a prominent issue in more than one revolution. We in the United States have not yet faced the question of tax exemption in any aggravated form because we are a new nation. But, under modern conditions, a single decade may produce changes here which in other times and other countries required a century. We cannot, therefore, depend upon our newness to protect us from the inevitable and rapid approach of tax exemption questions which have arisen to vex the older nations. This study is an effort to place before the legislature and the public an impartial story of the present status of tax exemptions in the state of New York, a picture of their growth in recent years, and to gather together the more important suggestions which have been made for dealing with the situation.

This report does not contain a complete picture of the tax system of the state. Those who are interested in the broader questions are referred to our previous reports and to the annual reports of the Tax Commission.* We wish to express our appreciation for the cooperation and extensive expert and clerical assistance which we have received from the State Department of Taxation and Finance. We are especially indebted to Commissioner Mark Graves and to Deputy Commissioner M. S. Howard. The research work and the preparation of this report have been handled chiefly by

*The published reports of the Special Joint Committee on Taxation and Retrenchment are as follows:

Retrenchment in City Government; 1920 Legislative Document 80.

The Tax System of New York State; 1921 Legislative Document 57.

A Critical Survey of the Tax System of the State of New York, with a Statistical Analysis of the Tax Burden on Corporations; 1922 Legislative Document 72.

Retrenchment in County, Town and Village Government, with a Review of the Progress in City Government Since 1920 and a Statistical Analysis of Local Government Costs; 1923 Legislative Document 55.

Forest Taxation, with sections dealing with Public Utility Taxation, The Gasoline Tax, The Bank Tax, and County Salary Standardization; 1924 Legislative Document 91.

State Aid, Local Taxes and Revenues and The Development of the State Tax System; 1925 Legislative Document 97.

State Expenditures, Tax Burdens and Wealth—A Study of the Growth of the Functions of the State Government and the Relation of Total Tax Burden to the Income of the People of the State; 1926 Legislative Document 68.

The Gasoline Tax; 1926 Legislative Document 69.

The Debt of the State of New York, Past, Present and Future; 1926 Legislative Document 70.

Mr. Donald Davenport, who directed the statistical study of real and personal tax exemptions; by Mr. Clarence Heer, who made the study of tax exempt bonds; and Mr. Luther Gulick, who was in general charge of the Committee's investigational work. Comptroller Charles W. Berry of New York City, and Messrs. Jordan and Madigan of the Bureau of Law and Adjustment, rendered us invaluable assistance.

It is our hope that this report may assist in bringing about a thorough consideration of the public policy involved in tax exemptions, so that we may reach a statesmanlike solution of the problem within a decade, before difficulties develop and passion and prejudice arise to warp the final decisions.

(Signed)

SEABURY C. MASTICK,
Chairman.

PERLEY A. PITCHER,
COURTLANDT NICOLL,
WALTER L. PRATT,
Vice-Chairman.

CHARLES A. FREIBERG,
RICHARD B. SMITH.

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CHAPTER I

FINDINGS AND RECOMMENDATIONS

The tax exemption of public property and securities, and of religious, educational, and charitable associations is an inherited policy in New York State. In the past decade, it is true, there have been two new and important kinds of exemption. The first of these was the exemption of certain kinds of personal property with the enactment of the income taxes. But this is to be regarded rather as a change in the method of measuring taxation than as an extension of exemptions. The second change is the temporary exemption of new housing from local taxes which was adopted as a post war emergency measure. With this exception, the general outlines of our exemption policy have stood unaltered from the earliest days of our organized state government.

Changing Conditions

Does this antiquity imply that the policy is unimpeachable? Does its vigorous survival indicate that it is ideally suited to present day conditions? We do not think so. The changes which have taken place since this important public policy came into existence have been so great that we are inclined rather to the thought that the older the policy is, the greater is the need of its re-examination and reconsideration. To mention only a few of the more obvious changes which have taken place, the following may be cited:

The status of the church has been revolutionized. It has been separated from the government and is no longer supported from tax moneys. Its membership is entirely a personal matter and large parts of the population have no religious affiliation where formerly membership was all but universal. Free public education has come into existence. Charities have been secularized, and in considerable measure brought into the field of government work. The provision of improvements such as street paving, sidewalks, sewers, water supplies, and the provision of services like street cleaning and lighting, the removal of wastes, and even police and fire protection, are no longer in the field of individual and private responsibility. They have become almost exclusively governmental functions. In the furnishing of light, water, and transportation government has gone into direct competition with private business in ways that are entirely new since tax exemption of public enterprises was first developed. With the growth and increased density of population, and the development of government functions, especially of education, many small taxing units have been formed during the past fifty years, which serve immeasurably to compli-

cate the problem of exemptions. Economic changes and the ease of travel have changed the situation so that the institutions which serve a community may be located in other districts, and institutions located in a given community may be of no local service. There has been a revolution in the relative burden of local taxation with the years, and also a gradual development of the real estate tax as the one chief source of local tax moneys. During the early days of tax exemption in this state, local government was inexpensive because local government furnished few services, and a larger part of the taxes came from indirect sources and from sources other than real estate. All of these changes have a distinct bearing upon the nature and the amount of tax exemption, and we feel that they make it necessary to consider the policy of exemption anew and in the light of present conditions, in spite of the fact that it is a practice which has come down to us through many generations.

Arguments for Exemption

Theoretical justifications of tax exemption appear to rest in whole or in part on one of the following considerations:

1. Nothing is gained and much useless expenditure for administrative machinery is required if publicly owned property is made subject to taxation. A tax is a compulsory contribution toward the support of the government. Any tax which a government levies upon itself must be passed on to other taxpayers. Exemption merely places it there in the first place and eliminates the intermediate bookkeeping.

2. There are many activities carried on by individuals which are virtually governmental functions, such as the provision of elementary education and the care of the sick, the old, the young, and the poor. These are governmental responsibilities, and wherever they are undertaken by private groups, those groups should be assisted because they are relieving the government of a definite expenditure. Should such organizations be called upon to help support the government when their purpose and effect is to help the government in its own work?

3. There are other activities which seek to elevate mankind and make life more worth while. This is the highest object of the state, and government cannot very well lay a tax upon any instrumentality which is honestly directed to this end. Higher education, art galleries, and religious institutions fall in this class.

4. Tax exemption does not, as a matter of fact, cost the community anything. The exemption by the city of a city park obviously makes not a cent of difference to a single taxpayer. The exemption of a private hospital, which is furnishing free beds for the poor does no taxpayer an injury because those free beds would have to be furnished by the city and this would require tax levies for buildings and for maintenance. And it is recognized that every community must have churches, schools, hospitals, etc., They are just as necessary as streets. They are part of the

mechanism of civilized life and are reflected therefore in the common wealth, a share of which can be enjoyed only through the ownership or use of a parcel of land in that community. Therefore, the private land of the community absorbs and reflects its share of the value of these common services, and the exemption of the real estate used for these community institutions does not, as a matter of fact, eliminate any actual values. The effort to include them would first result in double taxation, and ultimately in the gradual disappearance of the reflected values until an equilibrium was reached at the former level.

Nor would the abolition of exemptions lighten the total tax burden in any way. It would shift the tax burden imperceptibly, in most cases, but the total amount would remain the same.

Comment on These Theories

In this report we have brought together statistical and other material bearing upon the theories stated in the last paragraphs. While we have dealt with the facts and practical results of exemption rather than with hypotheses, it may not be out of place to comment briefly on the theories outlined above.

1. While there is much to be said for the exemption of publicly owned property purely as a matter of administration, this policy overlooks the fact that a large amount of property may be owned by one taxing unit and located in another. Under these conditions there may be an injustice to the taxpayers of a district.

2. It is of course legitimate for government to subsidize private agencies which are discharging governmental functions and thus helping the government to do its work. Such subsidies should be based upon the amount of service rendered and they should be reconsidered frequently in comparison with the service actually performed and with the other work and needs of the city. Tax exemption does give a subsidy, but the trouble is that it is a blind subsidy, controlled by accident. And it is, moreover, a compulsory subsidy which cannot be reviewed and fixed by those who pay it as sound finance demands.

3. The subsidizing of the institutions devoted to human uplift in fields for which government has assumed no general responsibility, presents much the same situation. In addition there are more doubtful questions involved. Should a city subsidize agencies which are performing no governmental function? Agencies which many of the citizens ignore or oppose? Is it consistent with the separation of the church and the state to continue an indirect subsidy for religious institutions? In a democracy, should a community be forced to subsidize property which does not benefit the community in its own estimation?

4. The argument that tax exemption does not cost the community anything is undoubtedly true. It does not, however, offer any very great help in meeting our practical situation. Railroad stations, grocery stores, and banks are just as necessary, surely, as churches and schools. They go to make up the community, too.

Their use is sold with a city lot and is reflected in the lot value. But we do not exempt them. The general character of the population of a section is also reflected in land value, but we do not on that account exempt from taxation blonde college graduates. The argument of reflected values goes too far to be of much practical help. And even if the principle is entirely sound, it is evident that there is, in any case, a difference in the distribution of the burden.

There are of course many other considerations bearing on both sides of the question which could be mentioned. But as has been said above, we do not consider it our province in this report to deal with the theories. We are interested rather in a presentation of the facts as they are to be found in the state of New York. In the following pages of this chapter we are, therefore, summarizing our findings and our recommendations.

SUMMARY OF FINDINGS*Real Estate*

The problem of tax exemption in the state of New York is serious. A study of the facts, however, has led the committee to feel that the situation is not as serious as many have supposed. In the first place, though the amount of tax exempt property is 23.8 per cent of all taxable real estate, an analysis shows that 76.2 per cent of this is made up of publicly owned property. Of the \$3,828,000,000 of real property exempted from state and local taxes in 1925, only \$913,000,000 is made up of private property, such as churches, schools, cemeteries, and other private organizations. In the second place the ratio of tax exempt property to taxable property, excluding the temporarily exempt new buildings in New York City, has decreased gradually since 1917. In other words, taxable property has apparently increased faster in value than has exempt property. It is, therefore, our first conclusion that the situation is not as serious as it at first seemed.

The statistical examination which we have made of governmental costs and tax rates in the cities and towns of the state shows that there is no relation between the amount of tax exempt property in a given city or town, and the cost of government or the local tax rate. In other words, many towns with large amounts of tax exempt property have low costs of government and low tax rates, and many towns with a small amount of exempt property have high tax rates and high costs of government. Tax exemption is thus seen to be an unimportant factor in influencing these local conditions.

As a means of testing this conclusion still further, we selected for special examination, 21 cities, towns, and villages which showed an abnormal amount of tax exempt property. These taxing units were visited by members of the committee's research staff, and an effort was made to find out what the practical effect of the tax exempt property has been upon the finances and life of the community. This study tends to show that tax exemption as a whole does not result in serious injustices to cities, towns, or villages. In all but one case, our investigators concluded that the local benefit exceeded the local costs, though there were a number of other cases in which it was felt there was a justifiable grievance.

A consideration of the kinds of property for which exemption is granted has led us to the conclusion that there are very few classes of exempt property which do not bring a greater benefit to the local community than the burden which they place upon that community for governmental services. The kinds of service required of local governments by exempt real estate are chiefly streets and sewers, and police and fire protection. In almost no cases are schools involved. Water service is paid for in most cases and a portion of street and sewer expenses can generally be assessed. The benefits conferred upon the local community differ with the types of

institutions, and range from direct services rendered to indirect benefits accruing to local merchants or to surrounding property.

Personal Property

Practically all personal property is now tax exempt in accordance with the provisions of law. Even that personal property which is legally taxable is as a matter of fact, however, largely exempted by the assessors. This results in a substantial injustice to individuals and to taxing units.

Tax Exemption of Public Securities

The tax exemption of public securities under the New York State personal income tax law results in a revenue loss of \$2,300,000. Of this total approximately \$628,000 is the loss arising from the exemption of the securities of New York State and its political subdivisions.

The theory that interest rates on public bonds are materially lower because of tax exemption, and lower to the extent of the capitalized value of the exemption, appears to be a fallacy when examined over a period of years and in relation to changes in the state and federal tax systems.

It is evident also that the tax exemption of public securities serves to defeat the purpose of the progressive features of the state personal income tax law and thereby places an unintended burden upon certain income tax classes.

Tax Exemption Bills

If all of the tax exemption bills presented to the legislature during the past three years had been enacted, they would have all but obliterated the state tax system. The sum total of the revenues which would have been lost through the passage of these bills is \$423,780,000. Practically all of these bills were defeated in the legislature. Those enacted into law carried a temporary reduction of revenues totaling \$42,512,000 and permanent reduction totaling \$8,600,000 annually.

The most troublesome bills presented to the legislature are those calling for cancellation and annulment of taxes for individual religious and eleemosynary institutions and corporations. Practically all of these come from New York City. An examination of the bills and the petitions which have been filed and of the provisions of the New York City charter have led us to conclude that a simple amendment to the charter will cover all justifiable cases and that it will then not be necessary for the legislature to devote its time to these matters.

Future Problems

It is impossible to look into the future without realizing that we have only begun to encounter the problems of tax exemption. New exemptions on a large scale are certain to appear if we continue the general trend of our present state policy. We are moving rapidly in the direction of special "authorities" to develop

ports, water power, bridges, and other services, and the demand is already heard that the property acquired by such public agencies be exempt. There is a tendency also toward a gradual increase of public ownership, as in connection with municipal transportation systems. And we can not overlook the plans which are being advanced for the public encouragement of housing, which invariably include some form of tax exemption. The number of religious organizations continues to multiply and new educational and charitable institutions are being organized from time to time. Unquestionably, our present difficulties with tax exemptions are small compared to those which we must face if we continue to follow the lines of our present policy.

Program of Reform

While there have been a considerable number of public and private leaders who have taken occasion to study and criticize tax exemptions, no one has ventured to present a complete practical program of reform for the state of New York. Carefully considered general principles have been enunciated and particular abuses have been attacked, but no specific plan has been outlined upon which it would be possible to secure any general agreement. It has been suggested, for example, that all exemptions be forthwith abolished. But even the most ardent abolitionist realizes that there are almost insuperable practical difficulties in such a program, to say nothing of the public opposition which it would arouse. Who will pay the taxes on cemeteries, for example? And if the taxes are not paid, shall the city sell the lots and exhume the bodies? It has been suggested that private property be left as at present but that all public property be made taxable. Should such a policy be adopted without any consideration of the benefits conferred by public properties? Should the state be asked to pay taxes to a town when a part of a state park lies within that town and gives the town a definite local benefit? It has been suggested that exemptions be confined to the improvements, but that all land shall remain taxable regardless of its use. But here again, what shall be done with cemeteries? It has been urged that a constitutional amendment be adopted abolishing exemptions but requiring each taxing unit to make a subsidy appropriation exactly equivalent to the tax levied and collected from each institution now exempt. This compulsory appropriation would be continued for a period of say ten years, and would then become purely optional. While this would undoubtedly force each institution which is now exempt to justify its value to its community, would it not also force the church into politics and stir up more friction than the tax collections are worth? These suggestions are merely illustrations of various plans which have been brought forward.

RECOMMENDATIONS

Your committee is not at this time prepared to present a final program for dealing with tax exemptions. The problems are much too complicated and public opinion is far too divergent to make a complete program possible or even desirable at this time. We have, nevertheless, reached certain very definite conclusions and are prepared to make a number of specific recommendations with regard to future legislation and policies. These are outlined here and are supported by the material presented in the subsequent chapters of this report.

Real Estate

1. We recommend that there be no further extension of real estate exemptions.

2. If, however, this proves impossible, we urge that any exemption granted be subject to local option and that it be for a limited term of years.

3. We recommend that there be no broadening of the classes of property now exempt on the plea that the new institutions closely resemble others which are now exempt.

4. We do not believe that any public or private property should be exempt from charges for water, or from special assessments for local improvements as is now the practice in some sections of the state.

5. We recommend that the state department of taxation and finance make a special effort to require the assessors to reappraise and list fairly all tax exempt property, as is now provided by section 21 of the tax law. In some tax units large amounts of exempt property, such as the state canal, do not appear at all, and in others it is known that no effort has been made to keep the valuation of exempt property up to date. It has been suggested that the department of taxation and finance be empowered to make an appraisal of exempt property throughout the state. The proposal has much merit. In any case we believe that the valuation of state owned property should be furnished to the assessors by the state departments acting through some single department.

6. We recommend also that the listing of exempt property be made to show separately the value of land and the value of improvements. This is essential in the development of information for the guidance of the state in the preparation of any new policy of tax exemptions, and will require little additional labor on the part of the assessors.

Personal Property

1. We are thoroughly convinced that intangible personal property should not be taxed under a property tax and that the income tax is the only satisfactory method of reaching this class of property in New York State.

2. We feel, also, that tangible personal property should be abandoned as a tax base.

Tax Exempt Securities

1. We recommend that all future state and local bond issues be made subject to the New York State income tax.
2. We recommend the amendment of section 190 of the tax law so that it will not apply to future state bonds.
3. We reaffirm our indorsement of the federal constitutional amendment providing for the reciprocal taxability of state and federal bonds.

Tax Exempt Bills

1. We recommend that section 221-a of the New York City charter be amended so that New York City can itself dispose of legitimate tax cancellation cases and so that the legislature will no longer have to deal with such claims.
2. If tax annulment bills are to continue to come before the legislature, we recommend that they contain more specific information with regard to the property, levies, amounts involved, dates, and tax roll references.

Consideration of Future Policy

1. In our opinion, what is most needed at the present time is general public consideration and discussion of the problems involved in tax exemptions. No progress can be made without a public understanding of the facts and of the proposed changes of public policy.
2. We request those who are particularly interested in the question of tax exemptions to let us have the benefit of their thoughts and observations. If there are particular evidences of injustice arising under our present laws, we shall be pleased to learn of the facts.

CHAPTER II

TAX EXEMPT REAL PROPERTY IN NEW YORK STATE

In 1925 the assessed value of tax exempt real property in New York State amounted to four billion six hundred thirty-three million dollars. This was roughly one-fifth of the assessed value of all real property in the State. The amount of exempt property has increased steadily since 1900 and at present shows no signs of slackening in its rate of growth. As real property forms the most important source of State and local revenues¹ the importance of a study of tax exemptions is readily apparent. Not only does exemption deprive the government of income but it throws an additional burden upon the property that remains to be taxed. Moreover in certain parts of the State the exemptions form so great a part of the total that the local government is hard pressed to find revenue enough to provide the necessary governmental services.

Growth of Exemptions

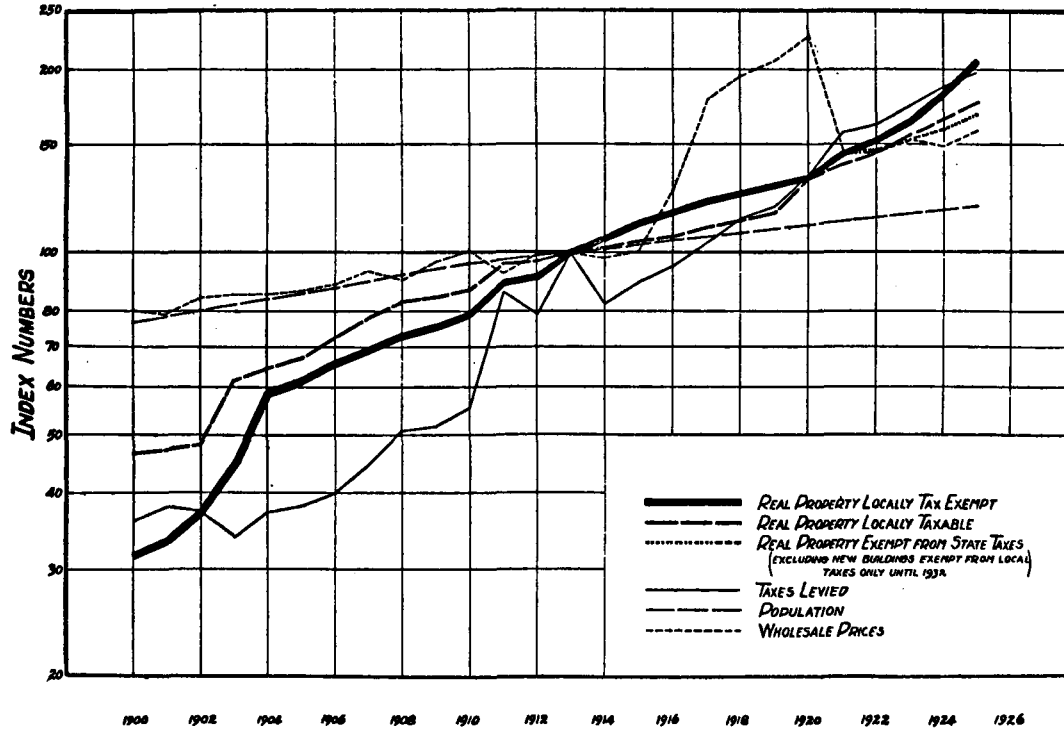
The significance of tax exempt real property in New York State can only be appreciated when its growth is compared, over a period of years, with the increases in population, the value of real estate subject to taxation, the amount of taxes levied and the general level of prices. The basic material for this comparison is presented in Table I, covering the period from 1900 to 1925 inclusive. It records the growth of each of the above mentioned items and in addition contains a column (6) which shows the relation between the assessed values of tax exempt real property and taxable real property.

Attention should be called to the fact that certain classes of property are exempt from all taxes while others are exempt from local taxes only. This is the case with "New Buildings" which now amounts to over 800 million dollars in assessed value. Section 4-b of the Tax Law was passed to relieve the housing shortage that became apparent after the war. It permitted localities to exempt from local taxes only until 1932 new buildings intended for residential purposes. Thus it is apparent that the problem of tax exemption can be observed from two angles; from the State's point of view and from the point of view of the localities.²

¹ Taxes levied on real property provide about three-fourths of the revenues collected by state and local governments. In 1925 over 540 million dollars were levied on real property.

² Property purchased with pension money is exempt for all purposes except for local schools and roads. The amount so exempted is relatively negligible and no notice is here taken of it.

CHART I



Comparison of Increases in Tax Exempt Real Property, Taxable Real Property, Population, Aggregate Taxes Levied, and Wholesale Prices, 1900-1925

In Table I the local point of view is taken because local taxes are much more important than State and county taxes levied on real property.

The figures of Table I are more easily interpreted in the form of relative index numbers which are presented in Table II. In constructing these the year 1913 was taken as the base and made equal to 100 per cent in all cases. These data are plotted in Chart I on ratio paper from which it is possible to compare the various items and to observe their rates of growth. They enable us to see for example that there are distinct upward trends in all five curves but that on the average throughout the period the assessed value of locally tax exempt real property has increased more rapidly than the assessed value of real property that is taxable by the localities. In fact the total amount of tax exempt real property as reported by the State Tax Commission shows a larger rate of increase in 1925 over 1913 than even the amount of general property taxes levied.

The State and the Localities

However, the situation does not appear quite so acute from the State's point of view or from the point of view of those counties in which "New Buildings" are not exempt.¹ For the last four or five years property exempt from State taxes has not increased as rapidly as has the assessed value of that which is subject to State taxes.

Exemptions and Taxes

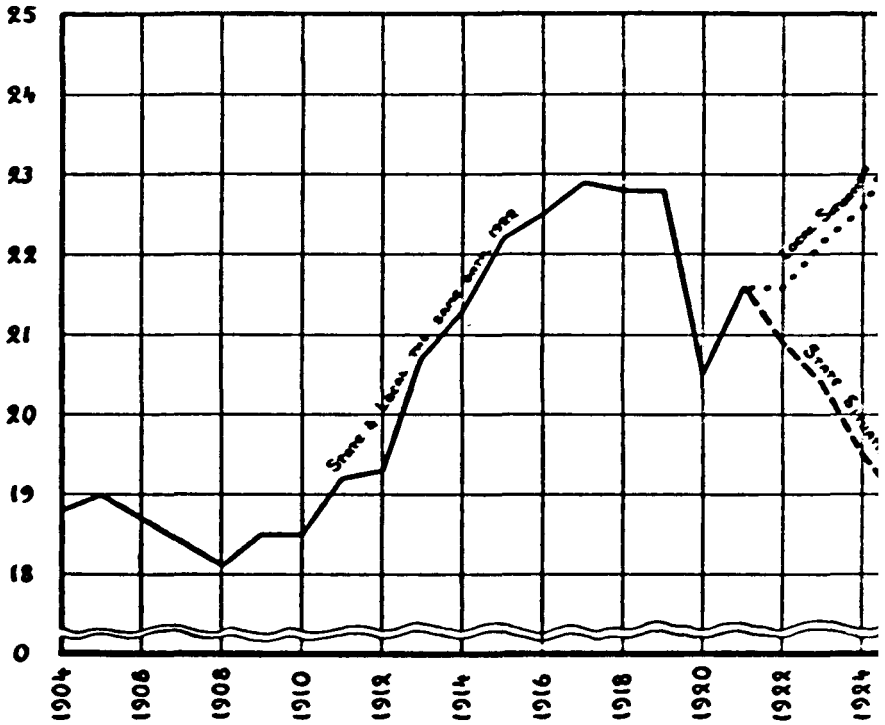
It is interesting to see that next to the curve of locally tax exempt real property the aggregate taxes levied has had the greatest rise. The smallest increase was recorded by the growth of population (only 18 per cent since 1913). The index of wholesale prices in 1925 was about 59 per cent above the 1913 level. The sharp rise that has occurred since 1919 in the aggregate taxes levied on general property reflects the net effect of an increased population for which a greater measure of governmental service is being performed at greater prices than were formerly paid. The increase in the value of tax exempt real property means that this increased cost of government must be borne to a larger and larger extent by the real property that remains subject to taxation.

Assessed and True Values

In interpreting these figures it should be remembered that the accuracy of the assessment of tax exempt real property is subject to some question. Although the requirements of the law in respect to the method of assessment are the same for the two classes of property, there are two reasons to question their absolute accuracy. On the one hand, as exempt property pays no tax anyway, there is not the same incentive to discover its true value as in the case with

¹ "New buildings" are exempt in only four counties of the state outside of New York City.

CHART II
PER CENT EXEMPT



Changes in the Ratio of the Assessed Value of Real Estate that is Exempt from Taxes to the Assessed Value of Real Estate that is Subject to Taxes 1904-1925

other real property. On the other hand, as no tax payments are involved, there is no reason for the owners of tax exempt property to protest at valuations in excess of the real value. In the absence of other evidence we shall have to assume that the two tendencies counterbalance each other.

Prices.

In a state in which the population is growing it is to be expected that the value of taxable property and the value of tax exempt property would increase. Moreover in a period of increasing prices these values would eventually tend to reflect the decreased purchasing power of the dollar. However this last influence would presumably affect exempt and taxed real property to the same extent. Therefore the ratio of the one to the other should reveal any significant changes that have taken place with respect to the relative amount of real property that is exempt from taxation.

Taxable and Exempt Property Compared

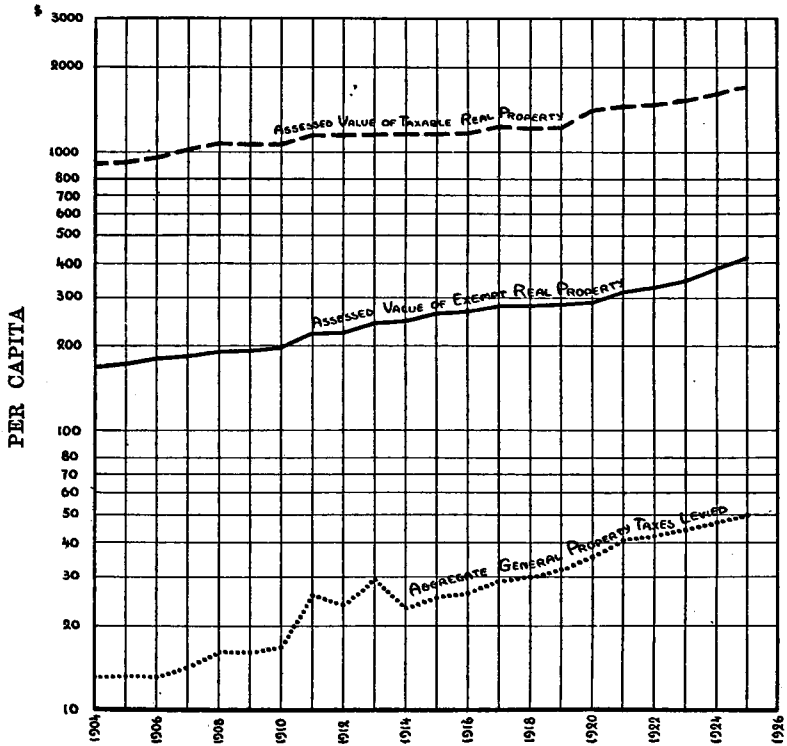
Such a ratio has been calculated and is presented in Table I, column 6, and plotted in Chart II. After a slight drop from 1905 to 1908 it shows a distinct upward trend from 1908 to 1917. After a drop in 1920 the curve showing the local situation shows that a second rise took place from 1920 to the present time. However the growth in the last four years is largely due to the increase in new buildings exempt from local taxation in the five counties of New York City, and in Clinton, Delaware, Dutchess and Onondaga counties. In 1925 the value of this class of property amounted to 805 million dollars, all but one million of which was located in Greater New York City.

In considering exempt real property from the point of view of State revenues however, this amount is excluded (as it is not exempt from State taxes) and the ratio shows a very decided tendency to drop since 1921. In fact it is now almost as low as it was in 1906. As this property returns to a full taxable status in 1932 the dotted curve from 1921 to 1925 would seem to reflect the long-run situation more accurately than the heavy line. On the other hand, from the point of view of present local revenues it is logical to include new buildings (exempt until 1932) in the exempt property and to exclude it from the property subject to taxation. When this is done the local situation appears quite the reverse from that of the State. From 1920, this percentage relationship between exempt and taxed real property has been steadily increasing, and has never been so high as it is now. At the present time almost one-fourth as much real property is exempt as is locally taxed; while less than one-fifth as much real property is exempt as is taxed by the State.

Per Capita Figures

Another interesting picture is that afforded by the comparison of the trends on a per capita basis, of exempt real property, taxable real property and the total general property taxes levied. The

CHART III



Changes in the Per Capita Value of Aggregate Taxes Levied, Exempt Real Property, and Taxable Real Property in New York State 1904-1925

figures for this study are presented in Table III and plotted on ratio paper in Chart III.

The trend in each instance is practically a straight line. This indicates that the rates of growth have been almost constant. The trend in the assessed value of tax exempt real property is increasing more rapidly than that of taxable property but less rapidly than that of the taxes levied on general property.

In view of the frequent requests that are made to grant tax exemption as a special form of assistance to some more or less worthy cause, it is important that we face this situation with a knowledge of the facts.

Classification of Exempt Property

What property is exempt? In what use is it employed and where is it located? What proportion of real property is exempt in the various towns and cities throughout the State? Is there any relationship between large percentages of tax exempt property and a high per capita tax burden? These and other questions suggest themselves. In an attempt to answer them the following tables and charts have been constructed.

Ownership

Table IV shows the distribution of tax exempt real property according to ownership. For purposes of comparison three years are given, 1905, 1920 and 1925. Owing to the creation of a new class of exemptions in 1922, namely "New Buildings" (exempt for local purposes but taxed for State purposes), two columns are presented for the last year, one showing the situation as it affects State revenues and one showing it as it affects local revenues.

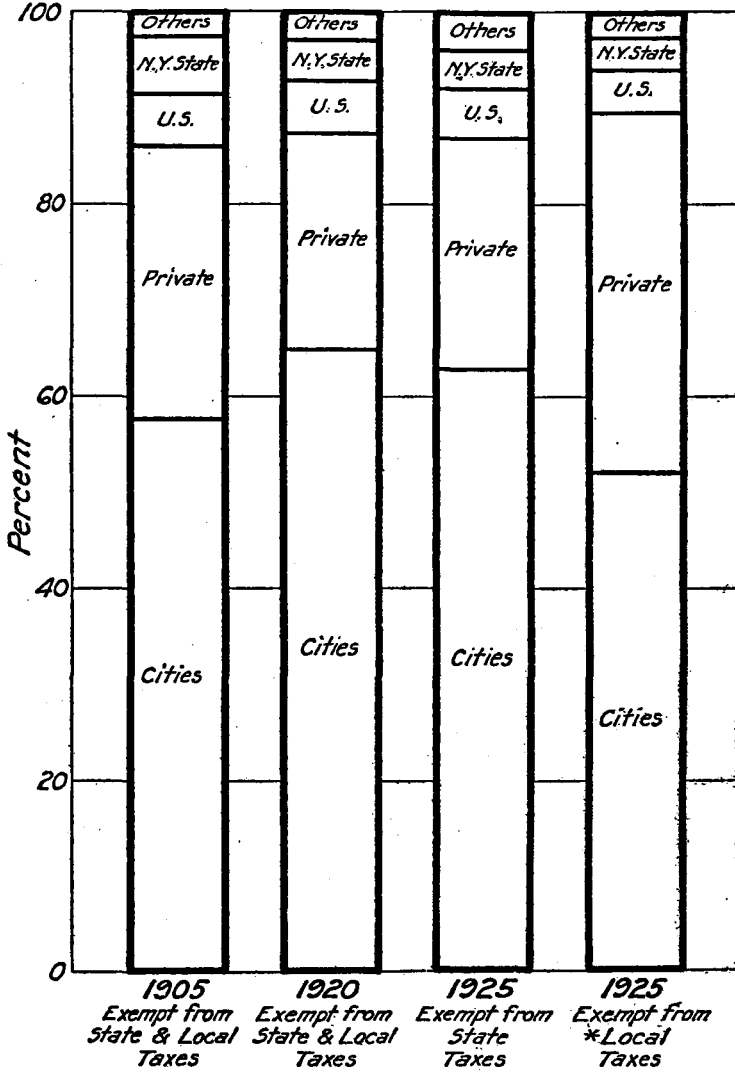
It is evident very little change has taken place in the relative importance of the various classes of ownership. Cities own the largest share of real property exempt from taxation and private owners control the next largest portion. The inclusion of 805 million dollars worth of new building (exempt from local but not from State taxes) in the privately owned class increases this share to 37.1 per cent and has a tendency to make the other shares relatively smaller. However in 1932 this will return to a full taxable status so the privately owned class is only temporarily increased.

Use

Table V shows the manner in which tax exempt real property of New York State is used. Two years, 1920 and 1925 are given for comparison. Because of section 4-b of the Tax Law which permits the local exemption of new buildings but does not exempt them from State taxation two columns are given for 1925, showing the situation (1) for the State purposes and (2) for local purposes.

It is clear that there has been little change from 1920 to 1925 in the relative importance of the different classes of property as viewed from the standpoint of the State. That used for educational purposes has increased slightly while that used for public

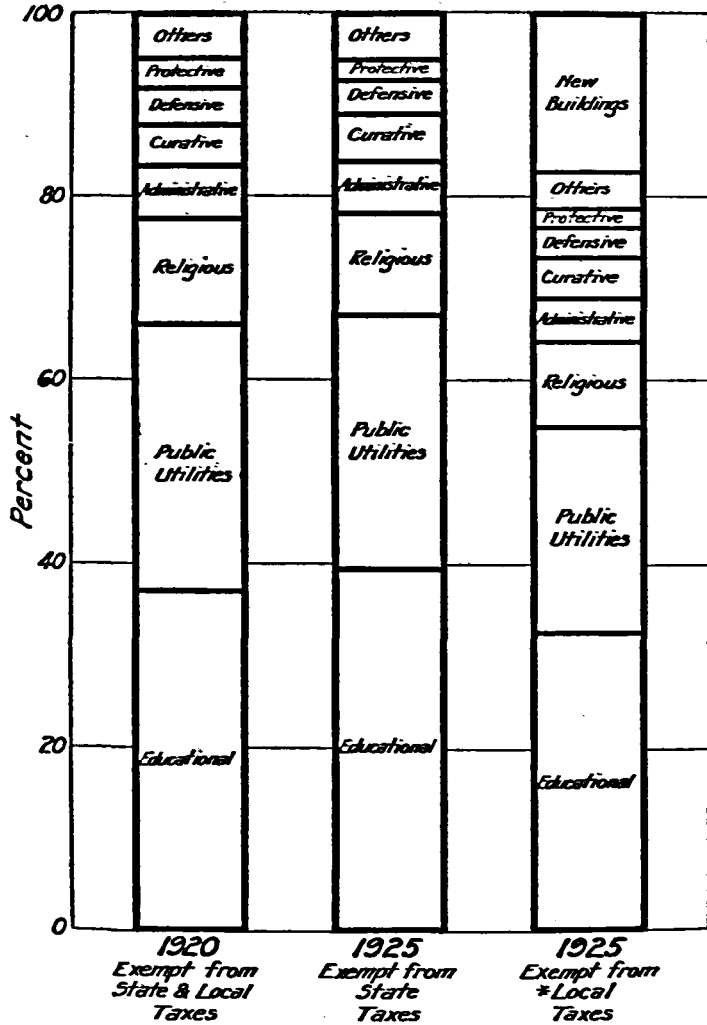
CHART IV



*Includes \$804,606,410 real property exempt from local taxes only until 1932, Section 4-b tax law.

Changes in the Ownership of Exempt Real Property in New York State 1905-1925

CHART V



*Includes \$909,606,410 real property exempt from local taxes only until 1932, Section 4-b tax law.

Changes in the Use of Exempt Real Property in New York State 1920-1925

utilities has decreased a little. The other classes remain practically constant.

However the passage of section 4-b of the Tax Law has changed the situation with respect to the distribution of real property exempt from local taxation very materially. "New Buildings" appears in 1925 as 17.4 per cent of the total real property exemptions. The percentages that other classes of exempt property bear to the total are reduced proportionally.¹

¹ "New Buildings" located outside of New York City amount to slightly less than one million dollars. "New Buildings" in New York City are assessed at about 804 million dollars (1925).

We have followed the classification of exempt real property used by the State Tax Department. It is as follows:

Educational

- Universities, colleges and professional schools other than State normal schools.
- State normal schools and colleges for training of teachers.
- Public schools.
- Schools other than public schools.
- Schools for deaf, dumb and blind.
- Schools for feeble-minded.
- Libraries.
- History and art (includes property of patriotic societies).
- Parks, playgrounds and gardens.

Agricultural

- Exhibition buildings and grounds of agricultural societies.

Religious

- Buildings and grounds used as places for religious worship.
- Property of religious corporations occupied by officiating clergymen.
- Property owned by clergymen.
- Moral and mental improvement.

Fraternal and Benevolent

- Fraternal.
- Benevolent.

Correctional

- Correctional institutions.

Charitable

- Homes for children.
- Homes for veteran soldiers and sailors.

Curative

- General hospitals and dispensaries.
- Hospitals for insane.
- Tuberculosis hospitals.
- Hospitals for contagious diseases.
- Hospitals for convalescents.
- Maternity hospitals.
- Hospitals for children (includes day nurseries).
- Hospitals for other special diseases.

Protective

- Fire.
- Police.
- Jails, penitentiaries and other places for punishment of crime.
- Lighthouses.

Location

Table VI shows that about three-fourths of the locally exempt real property in the State is located in New York City. Fourteen and one-tenth per cent is located in other cities and only 7 per cent in the towns. The distribution of real property exempt from State taxes is slightly different due to the 805 million dollars worth of "New Buildings" all but one million of which is located in New York City.

According to the State Equalization Table for 1926 New York City contained 60 per cent of the "Full value of real property at rate of equalization," that is, of the real property subject to the general property tax. According to Table VI in 1925 (the latest figures available) it contained 78.9 per cent of the locally tax exempt property and 74.4 per cent of the property exempt from state taxes.¹

Four tables have been constructed to show the location of tax exempt real property. Table VII gives the actual amounts found in New York City, other cities, and in towns classified according to ownership. It also gives a percentage distribution of these values showing for each class of ownership the relative amounts located in New York City, other cities, and in towns. Table VII-a gives a different analysis based on the same figures. It shows how the exempt real property is distributed among the various owners in New York City, other cities and in towns.

Defensive

- Armories.
- Military reservations, forts, army, posts, rifle ranges.
- Arsenals, storehouses and army and navy administration buildings.

Public Utilities

- Water systems.
- Lighting systems.
- Sewerage systems and disposal plants.
- Public baths.
- Public markets.
- Bridges, docks and ferries.
- Subways.
- Canals.

Administrative Buildings

- Post-office buildings.
- Courthouse and administration buildings and grounds.

Miscellaneous

- Cemeteries.
- Fish hatcheries and game farms.
- Indian reservations.
- Reforested lands.
- Property purchased with pension money.
- New buildings (pursuant to section 4-b, Tax Law).

¹This is based upon assessed valuations. No attempt has been made to "equalize" the exempt real property. "Equalizing" the exempt real property would tend to decrease the percentage located in New York City.

The same sort of analysis of the uses to which exempt real property is put is presented in Tables VIII and VIII-a. The actual figures for the individual cities are given in Tables XV to XVIII inclusive.

One or two points in these tables are worth special attention. Because of the tremendous importance of parks and playgrounds in New York City it was deemed wise to separate this item from the educational class in which it is found. When this separation is made it shows that about 58 per cent of all of the educational property, exclusive of parks, is located in New York City, 28 per cent in other cities and 14 per cent in the towns. Of the value of parks and playgrounds 93.6 per cent is found in New York City, while only 5.8 per cent occurs in other cities and .6 of 1 per cent in the towns. As might be expected all exempt agricultural property is located outside of Greater New York, 77.2 per cent of it being in the towns and the remainder in the smaller cities. The distribution of religious property is practically the same as is the case with educational property. Of fraternal and benevolent exempt property 68.2 per cent is found in New York City, 21.4 per cent in other cities and 10.4 per cent in the towns. The bulk of the property classified as correctional is found in the towns and smaller cities, only 24.2 per cent being located in New York City. Forty-seven and four-tenths per cent of the charitable exempt property is found in New York City, 22.2 per cent in other cities, while 30.4 per cent occurs in the towns. The distribution of curative and protective exempt property runs almost parallel with that observed in fraternal and benevolent property, about two-thirds of each class occurring in New York City, while one-quarter to one-fifth is found in other cities and slightly more than one-tenth in the towns. About 74.8 per cent of the defensive exempt property is found in New York City, 13.5 per cent in other cities and 11.7 per cent in the towns. All but 15 per cent of the property classified as public utilities is found in New York City, while 9.8 per cent occurs in other cities and 5.2 per cent in the towns. The great bulk of administrative buildings is found in the cities, 54.6 per cent in New York City, 40 per cent in other cities, and only 5.4 per cent in the towns. Because of the great importance in New York City of new buildings exempt from taxation pursuant to section 4-b of the Tax Law, they have been separated from the miscellaneous class in which they are reported. Miscellaneous, exclusive of new buildings, is distributed as follows: 51.6 per cent in New York City, 16.9 per cent in other cities, and 31.5 per cent in the towns. While 99.9 per cent of the value of new buildings is found within New York City only .1 of 1 per cent is found in other cities and nothing in the towns.

Table VIII-a has been constructed showing the percentage distribution of tax exempt real property in New York City, other cities and in towns according to use in 1925. In this table 100 per cent represents the total value of exempt property reported under each heading. Here again separate columns are given for

New York City and for other cities in which the items of parks and playgrounds and of new buildings have been excluded for the sake of comparison. It seems unfair in this table to include these two items when such a preponderant share of them is found in New York City. When they are excluded educational exempt property is seen to be far less important in New York City than in other cities or in the towns. Agricultural exempt property is relatively negligible in any jurisdiction. Religious exempt property is less important in New York City than in either the other cities or the towns. Fraternal and benevolent property is of approximately equal importance in the three classes of jurisdictions. Correctional institutions are less important in New York City than in other cities and less important in other cities than in the towns. In respect to charitable property it appears that this item is about twice as important in the towns as it is in New York City, and even less important in other cities. Exempt real property classified as curative amounts to 8.1 per cent in towns as a whole, to slightly less than that in other cities and to only 4.9 per cent in New York City. Protective property is of about equal importance in the three classes of jurisdictions, while defensive property is about the same importance in New York City as in the towns, but of slightly less importance in the other cities. Public utilities bulk very large in New York City, amounting to 44.1 per cent of the total (exclusive of parks and new buildings). This class of property is of equal importance in towns and in other cities amounting to 16.9 per cent in the towns and 15.4 per cent in other cities. Administrative buildings are more than twice as important in other cities as they are in New York City and four times as important as they are in the towns where they amount to 3.2 per cent of the total. Miscellaneous exempt real property excluding new buildings amounts to only 2.8 per cent in New York City and also in other cities, while in the towns this class of property is practically four times as great. This is undoubtedly due to the character of the property included under this heading. Cemeteries, fish hatcheries and game farms, Indian Reservations and reforested lands would be found mainly outside of the urban areas. The only item included under this head that is found in the cities is that of property purchased with pension money and this amounts to only \$10,000,000 for the State as a whole.

CITIES

It is readily apparent that from the point of view of size the tax exempt real property located in the cities deserves first attention. Table IX presents the basic facts. It gives the population of each city from the 1925 census, the assessed value of tax exempt and of taxable real property in 1925, and the ratio of the one to the other.

The cities of the State exhibit a certain degree of uniformity in the ratio of exempt to taxable real property. All but 10 of the 59 cities have ratios that vary between 5 per cent and 30 per cent,

with a marked concentration between 10 per cent and 15 per cent. The three that have ratios below 5 per cent are Glen Cove and Long Beach in Nassau county, and Lackawanna in Erie county. Details concerning the seven cities in which the ratio is in excess of 30 per cent are to be found in footnotes at the bottom of Table X. In every case part of the explanation appears in the presence of some exceptional institution of State wide benefit such as an insane asylum, an arsenal or a university.

When an examination is made of the per capita assessed value of tax exempt real property the variation is found to be much wider, ranging from \$25 to \$718. Part of this is undoubtedly due to the different practices with respect to the rate at which property is assessed. Even so the distribution is such as to enable one to point out decided exceptions such as Albany, Ithaca, New York City, Saratoga Springs, White Plains and Yonkers, where the explanation is found as before in the exceptional circumstances noted at the bottom of Table XI.

Population and the Ratio of Exempt to Taxable

In seeking to understand the variation that is observable in the ratios of the assessed value of tax exempt real property to taxable real property it is natural to inquire into the effect of population. Does the ratio increase or decrease in size with increases or decreases in the size of the units compared? In other words can the size of the city account for the differences in the ratios?

This was the objective in the construction of Table XII. The only observation that can be made from it is that the larger cities seem to vary less widely than do the smaller ones. The central tendencies in all classes according to size are not widely different. However, the scatter is very wide and shows that there is no very direct natural rule governing the two variables. The identity of the exceptional cases is given in the footnotes. Reference to Table X provides the explanation of their position.

With the same object in view, Table XIII was constructed to see if the per capita assessed value of tax exempt real property could be explained by the size of the cities in which they were reported.

This table likewise leads to no very definite conclusion. The variation is wide. All that can be said is that while there are some small cities with a high per capita assessment of exempt property there are no large cities (over 40,000 in population) with per capita exempt values under \$125 and only three in excess of \$300. The explanations of the exceptional cities are given at the bottom of the table. It has been suggested that it was worth while for a city to attract quasi-governmental institutions for, even though they were tax exempt, they tended to increase the value of other property. Table XIV was constructed to see what evidence there was of such a relationship. To eliminate the influence of the size of the municipality in question the two variables were put on a per capita basis.

Here the correlation is more marked but is far from being significant. The dispersion is still very great but the tendency is for high values for per capita taxable property to be associated with high per capita values of exempt real property. Part of this is probably due to the fact that while exempt and taxable property are probably assessed at the same rate (with reference to their true value) the rates of assessment vary greatly from city to city. This could tend to boost both figures where property was assessed at a high rate and to decrease both where the rate is low.

Effect of Exempt Real Property upon City Tax Rates

One of the questions that it was desired to answer was whether or not tax exempt real property were related to the tax rate paid by taxable property. If the presence of exempt property affects the cost of government to any appreciable extent then we should expect to find high tax rates in cities with large percentages of exempt property and low tax rates in cities with small percentages of exempt property.

To determine this, Table XIII-A was constructed. Obviously, because of the various rates at which different municipalities assess their real property, the actual tax rate reported had to be corrected in each case to reflect the rate at which property would be taxed if real property were assessed at its true value. This correction was made by multiplying the actual tax rate by the ratio at which each municipality assesses its taxable property, thus obtaining what we have termed the "true tax rate."

Table XIV shows that there is practically no indication of any relationship between these two variables. High tax rates must be explained upon other grounds than the presence of a large proportion of exempt real property and conversely, there is no warrant in assuming that a large amount of exempt property results in a high tax rate in the cities of New York State.

Ownership

Tables XV and XVI show the distribution of tax exempt real property in the cities of New York State according to ownership. Table XV presents the actual assessed values in each city controlled by each class of owner. Table XVI is based on the previous table and gives the same information in percentages. The total for each city is 100 per cent.

Use

Tables XVII and XVIII show how the tax exempt real property in each city of New York State is distributed according to use. Table XVII gives the absolute amounts while Table XVIII presents the same information in percentage form.

TOWNS

It is impossible in this report to present all of the information available bearing on tax exempt real property located in the towns of New York State. The exempt property located outside

of the cities amounts to only 323 millions, 7 per cent of the total. However, some of it is found in each of the 932 towns in the State. Moreover it is in the towns that the greatest hardship is likely to occur by an excess of tax exempt property.

The information for all of the towns has been condensed into the tables that follow. These reveal the general situation without giving the identity of any but the exceptional towns. The original material for each town is in the hands of the committee and is open to inspection.

The great diversity of conditions is revealed in the wide range of the ratios of exempt real property to taxable real property. While the great majority of towns have ratios under 15 per cent, two cases¹ were found with ratios over 400 per cent. In all, 26 towns have ratios that exceed 50 per cent. In comparing this table with Table X which shows the same data for cities it is at once apparent that the average for towns is less than that for cities but that there are no cities with ratios as large as those recorded by some towns. Cities are much more uniform in this respect than are the towns. It is in the exceptional towns that the greatest difficulty arises.

This last statement finds corroboration in the data presented in Table XX showing per capita value of tax exempt real property in the towns of the State. While most of the towns fall below \$100 there are 213 cases in excess of that amount, 20 of which have values above \$500 and one town has a value of \$2,640. Again it is the exceptional town that stands out, a small town with a large hospital, prison, military reservation, etc.

Comparison with Table XI, giving the same information for cities, shows that the tendency is for distinctly higher per capita values in cities than in the towns.

An attempt was also made to determine if there were any relation between the size of a town and the per capita value of the tax exempt real property located in it. Table XXI shows what evidence there is of such a relationship. The dispersion in both variables is so great that it can not be said that there is any direct connection between the two.

As in the case of cities (see Table XIV) there is some slight evidence of a relationship between per capita taxable and per capita exempt real property. Low values of both variables and high values of both variables are found together but the scatter is great.

Effect of Tax Exempt Real Property upon Town Tax Rates

It has sometimes been claimed that a large amount of exempt property in a town contributed so much to the governmental costs of a town that it necessitated an exceptionally high tax rate. If this contention were generally true in the towns of New York State then we should expect to find high tax rates associated with large percentages of exempt property and vice versa. To ascer-

¹ Highlands, Orange County, 426.3%; Dannemora, Clinton County, 438.6%.

tain the situation the true tax rates* were correlated with the percentage ratios of exempt to taxable real property in the 932 towns in the state. The results appear in Table.

This table shows that while there may be five or ten towns in which high percentages of exempt property are found associated with high tax rates, the situation is not at all general. In fact there are more cases where high percentages of exempt property are found connected with lower than average tax rates. On the other hand a wide range of tax rates is found where the percentage of exempt property is relatively negligible and a wide range of percentage ratios of exempt property is found where the tax rates are in the neighborhood of the average.

Therefore it seems clear that the amounts of tax exempt real property in the towns of New York State have very little if anything to do with the true rates at which their taxable property is taxed.

Ownership

Is there a typical way in which the exempt real property of a town is distributed as to ownership and use? An analysis of the records of all of the towns in New York State is the basis of Tables XXIII and XXIV.

This analysis shows that only 11 towns reported exempt property owned by cities, 46 reported exempt property owned by the United States, 127 reported exempt property owned by counties and 194 reported exempt property owned by the State. With a total of 932 towns in the State, these cases appear as exceptions. No central tendency appears in any of the classes mentioned. It is noticeable that some of the percentages reported are relatively large.

On the other hand there were 713 towns reporting town owned property, 295 reporting village owned property, 888 reporting property owned by school districts and 892 reporting privately owned exempt property. Wide variations in each class show that there is little uniformity in the relative importance of the different classes of property in these towns. The one exception appears to be the property owned by school districts.

Under these circumstances it is difficult to establish a criterion to use as a standard of comparison. The best that can be suggested for general use is the approximate limits within which the middle 50 per cent of the towns vary in each class. This eliminates from consideration the lowest 25 per cent and the highest 25 per cent in each case and focusses attention upon the relative importance of each class of exempt real property in the cases that appear most typical throughout the State. The measure is provided by the range between what are called the two quartile points.

* The "true tax rate" was obtained by multiplying the actual tax rate used by the ratio at which real property is assessed in each case. It represents the tax rate that would be employed if real property were assessed at its full value.

Such measures are given at the bottom of Tables XXIII and XXIV. They are based upon the total number of towns (932) and not upon the number reporting specified classes of exempt property.

Use

As in the case of ownership, a distribution of the towns with respect to the relative importance of the uses to which exempt real property is put has been calculated and is presented in Table XXIV. Property used in agricultural, fraternal and benevolent, correctional, charitable, curative and defensive purposes, is found in less than a quarter of the towns and therefore might be classed as exceptional. On the other hand about one-third of the towns report protective and a majority report educational, religious, public utility, administrative, and miscellaneous exempt real property. The limits within which the middle 50 per cent of the towns fall may be taken as a rough standard of the way in which the exempt property of the typical town is distributed.

TABLE I
 ASSESSED VALUE OF REAL PROPERTY EXEMPT FROM TAXATION
 COMPARED WITH ASSESSED VALUE OF REAL PROPERTY SUBJECT
 TO TAXATION, POPULATION, AGGREGATE GENERAL PROPERTY
 TAXES LEVIED AND WHOLESALE PRICES. NEW YORK STATE,
 1900-1925

YEAR	Assessed value of tax exempt real property (millions)	Assessed value of real property subject to tax (millions)	Popula- tion (thousands)	Aggregate general property taxes levied (millions)	Index number of wholesale prices 1913= 100%	Percentage ratio of tax exempt real prop- erty to taxable real property
	(1)	(2)	(3)	(4)	(5)	(6)
1900.....	a\$723	\$5,093	7,269	\$100.1	80.5	a14.2
1901.....	a762	5,169	7,429	105.7	79.3	a14.7
1902.....	a853	5,298	7,588	104.1	84.4	a16.1
1903.....	a1,008	6,750	7,748	95.0	85.5	a14.9
1904.....	1,328	7,051	7,908	103.7	85.6	18.8
1905.....	1,389	7,313	8,067	106.4	86.2	19.0
1906.....	1,484	7,933	8,277	111.3	88.6	18.7
1907.....	1,571	8,553	8,486	122.8	93.5	18.4
1908.....	1,647	9,117	8,695	140.0	90.1	18.1
1909.....	1,714	9,267	8,904	144.1	96.9	18.5
1910.....	1,788	9,639	9,114	153.3	100.9	18.5
1911.....	2,028	10,562	9,228	239.5	93.0	19.2
1912.....	2,064	10,684	9,343	221.5	99.1	19.3
1913.....	2,271	10,960	9,458	278.2	100.0	20.7
1914.....	2,377	11,146	9,573	229.3	98.1	21.3
1915.....	2,522	11,336	9,688	249.3	100.8	22.2
1916.....	2,607	11,606	9,827	265.2	126.8	22.5
1917.....	2,748	12,007	9,966	289.1	177.2	22.9
1918.....	2,810	12,322	10,106	313.2	194.3	22.8
1919.....	2,881	12,625	10,245	328.8	206.4	22.8
1920.....	2,997	14,596	10,385	368.4	226.2	20.5
1921.....	3,285	15,225	10,540	439.0	146.9	21.6
1922.....	b3,431	b15,873	10,696	452.2	148.8	b21.6
1923.....	b3,731	b16,789	10,851	482.7	153.7	b22.2
1924.....	b4,111	b18,125	11,007	518.2	149.7	b22.6
1925.....	b4,633	b19,483	11,162	549.3	158.7	b23.8

Sources and Notes:

- (1) (2) (4) (6) Annual Reports of N. Y. State Tax Commission.
 (3) Federal Census, 1900, 1910, 1920. Intervening years estimated by State Comptroller. N. Y. State Census 1925. 1921-1924 by interpolation.
 (5) U. S. Bureau of Labor Statistics.

(a) Tax exempt real property figures are for cities only until 1904.

(b) Section 4-b of the Tax Law permits the exemption of "new buildings planned for dwelling purposes exclusively, except hotels" from local taxation only until 1932. The values of such property are reported as follows:

1922.....	\$83,711,450
1923.....	248,582,610
1924.....	482,502,565
1925.....	804,606,410

These values are included in column (1) but excluded from column (2).
 Only nine counties report exemptions under this classification.

TABLE II
 INDEX NUMBERS SHOWING RELATIVE INCREASES IN TAX EXEMPT
 REAL PROPERTY, TAXABLE REAL PROPERTY, POPULATION,
 AGGREGATE GENERAL PROPERTY TAXES LEVIED AND WHOLE-
 SALE PRICES. NEW YORK STATE, 1900-1925. (Based on Table I)
 1913 = 100%

YEAR	Tax exempt real property	Taxable real property	Popula- tion	Total taxes levied	Wholesale prices
	(1)	(2)	(3)	(4)	(5)
1900.....	31.8	46.5	76.9	36.0	80.5
1901.....	33.6	47.2	78.5	38.0	79.3
1902.....	37.4	48.3	80.2	37.4	84.4
1903.....	44.4	61.6	81.9	34.1	85.5
1904.....	58.5	64.3	83.6	37.3	85.6
1905.....	61.2	66.7	85.3	38.3	86.2
1906.....	65.3	72.4	87.5	40.0	88.6
1907.....	69.2	78.0	89.7	44.8	93.5
1908.....	72.5	83.2	91.9	51.0	90.1
1909.....	75.5	84.6	94.1	51.8	96.9
1910.....	78.7	87.9	96.4	55.8	100.9
1911.....	89.3	96.4	97.6	86.1	93.0
1912.....	91.0	97.5	98.8	79.6	99.1
1913.....	100.0	100.0	100.0	100.0	100.0
1914.....	104.8	101.7	101.2	82.4	98.1
1915.....	111.2	103.4	102.4	89.6	100.8
1916.....	114.9	105.9	103.9	95.3	126.8
1917.....	121.1	109.6	105.4	103.9	177.2
1918.....	123.8	112.4	106.9	112.6	194.3
1919.....	127.0	115.2	108.3	118.2	206.4
1920.....	132.0	133.2	109.8	132.4	226.2
1921.....	144.6	138.9	111.4	157.8	146.9
1922.....	b151.1	b144.8	113.1	162.6	148.8
1923.....	b164.3	b153.2	114.7	173.5	153.7
1924.....	b181.0	b165.4	116.4	186.3	149.7
1925.....	b204.0	b177.8	118.0	197.4	158.7

b See footnote "b" of Table I.

TABLE III
 PER CAPITA VALUE OF REAL PROPERTY EXEMPT FROM LOCAL
 TAXATION, OF REAL PROPERTY SUBJECT TO LOCAL TAXATION
 AND TOTAL GENERAL PROPERTY TAXES LEVIED, 1904-1925¹

YEAR	PER CAPITA		
	Assessed value of locally tax exempt real property	Assessed value of real property subject to local taxation	Total general property taxes levied
1904.....	\$168	\$892	\$13 11
1905.....	172	907	13 19
1906.....	179	958	13 45
1907.....	185	1,008	14 47
1908.....	189	1,049	16 10
1909.....	192	1,041	16 18
1910.....	196	1,058	16 82
1911.....	220	1,145	25 95
1912.....	221	1,144	23 70
1913.....	240	1,159	29 41
1914.....	248	1,164	23 95
1915.....	260	1,170	25 74
1916.....	265	1,181	26 99
1917.....	276	1,205	29 01
1918.....	278	1,219	30 99
1919.....	281	1,232	32 09
1920.....	289	1,405	35 48
1921.....	312	1,445	41 65
1922.....	321	1,484	42 28
1923.....	344	1,547	44 49
1924.....	373	1,647	47 07
1925.....	415	1,745	49 21

¹ Based on Table I.

TABLE IV
OWNERSHIP OF TAX EXEMPT REAL PROPERTY IN NEW YORK STATE, 1905, 1920 AND 1925.
Amounts and Percentages

OWNER	ASSESSED VALUE IN MILLIONS				PERCENTAGE OF TOTAL			
	1905 Exempt from state and local	1920 Exempt from state and local	1925 ^a Exempt from local taxes	1925 ^b Exempt from state taxes	1905 Exempt from state and local	1920 Exempt from state and local	1925 ^a Exempt from local taxes	1925 ^b Exempt from state taxes
Cities.....	\$800	\$1,941	\$2,416	\$2,416	57.6	64.8	52.1	63.0
Private owners.....	394	675	1,718 ^a	913 ^b	28.4	22.5	37.1 ^a	23.8 ^b
United States.....	78	162	200	200	5.6	5.4	4.3	5.3
New York State.....	82	129	155	155	5.9	4.3	3.4	4.1
Villages and school districts.....	7	42	76	76	.5	1.4	1.6	2.0
Counties.....	13	32	45	45	.9	1.1	1.0	1.2
Towns.....	15	16	23	23	1.1	.5	.5	.6
Total.....	\$1,389	\$2,997	\$4,633	\$3,828	100.	100.	100.	100.

Source: Annual Reports of the New York State Tax Commission.

^a Includes \$804,606,410 new buildings exempt (pursuant to Section 4-b of the Tax Law) from local taxes only until 1932.

^b Excludes \$804,606,410 new buildings which are subject to the State General Property Tax.

TABLE V
USE OF TAX EXEMPT REAL PROPERTY IN NEW YORK STATE, 1920, 1925
AMOUNTS AND PERCENTAGES

Use	ASSESSED VALUE IN MILLIONS			PERCENTAGES OF TOTAL		
	1920 Exempt from state and local	1925 Exempt from local taxes	1925b Exempt from state taxes	1920 Exempt from state and local	1925 Exempt from local taxes	1925b Exempt from state taxes
Educational.....	\$1,111	\$1,517	\$1,517	37.1	32.8	39.6
Public utilities.....	872	1,035	1,035	29.1	22.3	27.1
Religious.....	353	433	433	11.8	9.3	11.3
Administration buildings.....	181	213	213	6.0	4.6	5.6
Curative.....	126	188	188	4.2	4.1	4.9
Defensive.....	120	149	149	4.0	3.2	3.9
Protective.....	80	81	81	2.7	1.8	2.1
Fraternal and benevolent.....	36	42	42	1.2	.9	1.1
Charitable.....	33	59	59	1.1	1.3	1.5
Agricultural.....	1	2	2	.....	.....	.....
Miscellaneous.....	83	108	108	2.8	2.3	2.8
New buildings.....	.....	a805	.....	.....	a17.4	.....
Total.....	\$2,996	\$4,633	\$3,827	100	100	100

Source: Annual Reports of the New York State Tax Commission.
 a New buildings pursuant to Section 4-b of the Tax Law exempt from local taxes but subject to state taxes.
 b New buildings are not included in this total.

TABLE VI
LOCATION OF TAX EXEMPT REAL PROPERTY IN NEW YORK STATE, 1925.
(Amounts and Percentages Based on Assessed Values)
Exempt from Local Taxes

LOCATION	ASSESSED VALUE (millions)	PER CENT
New York City.....	\$3,654	78.9
Other cities.....	656	14.1
Towns.....	323	7.0
Total.....	\$4,633	100
Exempt from State Taxes		
New York City.....	\$2,850	74.4
Other cities.....	655	17.1
Towns.....	323	8.5
Total.....	\$3,828	100

TABLE VII-a

DISTRIBUTION OF TAX EXEMPT REAL PROPERTY IN THE STATE OF NEW YORK LOCATED IN NEW YORK CITY, OTHER CITIES, AND IN TOWNS, ACCORDING TO OWNERSHIP, 1925

OWNER	New York City %	New York City ^a %	Other Cities %	Towns %
United States.....	4.1	5.2	4.7	6.5
New York State.....	0.5	0.7	12.8	15.5
Counties.....			4.3	5.3
Cities.....	58.3	74.8	42.9	1.8
Towns.....			b.....	7.0
Villages.....				5.0
School districts.....			b.....	18.4
Private.....	37.1	19.3 ^a	35.3	40.5
Total.....	100.	100.	100.	100.

^a Excluding 804 million dollars worth of "New Buildings."

^b Less than 0.1 of 1%.

TABLE VII
DISTRIBUTION OF TAX EXEMPT REAL PROPERTY IN THE STATE OF NEW YORK LOCATED IN NEW YORK CITY, OTHER CITIES, AND IN TOWNS, ACCORDING TO OWNERSHIP IN, 1925

OWNER	ASSESSED VALUE (in thousands)				PERCENTAGE DISTRIBUTION			
	Total Tax Exempt Real Property	Located in New York City	Located in Other Cities	Located in Towns	Located in New York City	Located in Other Cities	Located in Towns	Total
United States.....	\$200,454	\$148,901	\$30,575	\$20,978	74.4	15.2	10.4	100.
New York State.....	155,324	21,050	84,004	50,270	13.5	54.1	32.4	100.
Counties.....	45,009	.....	28,046	16,963	.....	62.3	37.7	100.
Cities.....	2,416,009	2,128,766	281,284	5,959	88.2	11.6	0.2	100.
Towns.....	22,515	.....	30	22,485	.....	0.1	99.9	100.
Villages.....	16,079	.....	.....	16,079	.....	.....	100.0	100.
School Districts.....	59,699	.....	2	59,697	.....	.....	100.0	100.
Private ownership.....	1,717,935	1,355,008 ^a	231,894	131,033	78.9	13.5	7.6	100.
Total.....	\$4,633,024	\$3,653,725	\$655,835	\$323,464	78.9	14.1	7.0	100.

^a Includes 804 million dollars of "New Buildings."

TABLE VIII
DISTRIBUTION OF TAX EXEMPT REAL PROPERTY IN THE STATE OF NEW YORK LOCATED IN NEW YORK CITY, OTHER CITIES, AND IN TOWNS, ACCORDING TO USE IN 1925

Use	ASSESSED VALUE IN THOUSANDS OF DOLLARS				PERCENTAGE DISTRIBUTION			
	Total Tax Exempt Real Property	Located in New York City	Located in Other Cities	Located in Towns	Located in New York City	Located in Other Cities	Located in Towns	Total
Educational (exclusive of parks).....	\$603,230	\$350,071	\$168,683	\$84,476	58.0	28.0	14.0	100.
Parks.....	913,712	855,596	52,748	5,368	93.6	5.8	0.6	100.
Agricultural.....	1,939	.....	443	1,496	.....	22.8	77.2	100.
Religion.....	433,182	258,934	117,800	56,448	59.8	27.2	13.0	100.
Fraternal and Benevolent.....	41,843	28,510	8,959	4,374	68.2	21.4	10.4	100.
Correctional.....	16,806	4,074	5,464	7,268	24.2	32.5	43.3	100.
Charitable.....	42,032	19,901	9,324	12,807	47.4	22.2	30.4	100.
Curative.....	188,438	115,030	47,134	26,274	61.0	25.0	14.0	100.
Protective.....	81,400	54,643	18,696	8,151	67.1	22.9	10.0	100.
Defensive.....	149,459	111,874	20,189	17,398	74.8	13.5	11.7	100.
Public Utility.....	1,035,032	879,377	101,059	54,596	85.0	9.8	5.2	100.
Administrative.....	213,186	116,306	86,129	10,751	54.6	40.0	5.4	100.
Miscellaneous (exclusive of new buildings).....	108,099	55,784	18,298	34,019	51.6	16.9	31.5	100.
New buildings.....	804,606	803,625	939	42	99.9	0.1	.....	100.
Total.....	\$4,633,024	\$3,653,725	\$655,833^a	\$323,466^a	78.9	14.1	7.0	100.

^a Individual figures were taken to the nearest thousand, hence a slight discrepancy between these totals and those given in Table VII.

TABLE VIII-a

DISTRIBUTION OF TAX EXEMPT REAL PROPERTY IN THE STATE OF NEW YORK LOCATED IN NEW YORK CITY, OTHER CITIES, AND IN TOWNS, ACCORDING TO USE, 1925

Use	New York City a	Other Cities a	New York City b	Other Cities b	Towns c
	%	%	%	%	%
Educational (exclusive of Parks).....	9.6	25.8	17.5	28.0	27.8
Parks.....	23.4	8.0	.....	.....	.....
Agricultural.....	.....	0.1	.....	0.1	0.5
Religious.....	7.1	17.9	13.0	19.6	17.4
Fraternal & Benevolent.....	0.8	1.4	1.4	1.5	1.3
Correctional.....	0.1	0.8	0.2	0.9	2.2
Charitable.....	0.5	1.4	2.0	1.5	4.0
Curative.....	3.1	7.2	4.9	7.8	8.1
Protective.....	1.5	2.9	2.7	3.1	2.5
Defensive.....	3.1	3.1	5.6	3.4	5.4
Public Utility.....	24.1	15.4	44.1	16.8	16.9
Administrative.....	3.2	13.1	5.8	14.3	3.2
Miscellaneous (exclusive of New Buildings).....	1.5	2.8	2.8	3.0	10.5
New Buildings.....	22.0	0.1	.....	.....	.....
Total.....	100.	100.	100.	100.	100.

a Including New Buildings and Parks.

b Excluding New Buildings and Parks.

c New Buildings and Parks in towns are negligible.

TABLE IX

ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY, ASSESSED VALUE OF REAL PROPERTY SUBJECT TO TAXATION, RATIO OF EXEMPT REAL PROPERTY TO TAXABLE REAL PROPERTY, AND THE POPULATION OF THE CITIES OF NEW YORK STATE, 1925.

City	County	Population 1925	ASSESSED VALUE REAL PROPERTY		Ratio of tax exempt to taxable (4) ÷ (5) per cent
			Tax exempt locally (in thousands)	Taxable locally (in thousands)	
(1)	(2)	(3)	(4)	(5)	(6)
Albany.....	Albany.....	117,820	\$75,911	\$ 156,952	49.4
Amsterdam.....	Montgomery.....	35,260	3,824	29,891	12.8
Auburn.....	Cayuga.....	35,677	5,804	27,830	20.9
Batavia.....	Genesee.....	15,628	3,563	14,759	24.1
Beacon.....	Dutchess.....	11,621	2,257	10,193	22.1
Binghamton.....	Broome.....	71,915	20,522	113,731	18.0
Buffalo.....	Erie.....	538,016	139,667	795,011	17.6
Catskill.....	Ontario.....	7,686	1,873	8,535	22.0
Cohoes.....	Albany.....	23,345	1,915	21,450	8.9
Corning.....	Steuben.....	15,722	2,106	14,006	15.0

TABLE IX — (Continued)

CITY	County	Popu- lation 1925	ASSESSED VALUE REAL PROPERTY		Ratio of tax exempt to taxable (4) ÷ (5) (in per cent)
			Tax exempt locally (in thousands) (4)	Taxable locally (in thousands) (5)	
(1)	(2)	(3)	(4)	(5)	(6)
Cortland.....	Cortland.....	13,879	2,316	12,084	19.2
Dunkirk.....	Chautauqua.....	19,912	1,504	14,948	10.1
Elmira.....	Chemung.....	48,359	11,747	44,924	26.1
Fulton.....	Oswego.....	12,571	2,537	14,708	17.2
Geneva.....	Ontario.....	15,908	2,515	18,023	14.0
Glen Cove.....	Nassau.....	10,822	430	10,948	3.9
Glens Falls.....	Warren.....	17,851	2,728	15,136	18.0
Gloversville.....	Fulton.....	22,110	3,131	22,330	14.0
Hornell.....	Steuben.....	15,784	2,009	9,766	20.6
Hudson.....	Columbia.....	11,755	2,875	7,845	36.6
Ithaca.....	Tompkins.....	18,948	13,609	22,330	60.9
Jamestown.....	Chautauqua.....	43,414	4,765	59,003	8.1
Johnstown.....	Fulton.....	10,712	791	8,074	9.8
Kingston.....	Ulster.....	28,099	2,948	21,562	13.7
Lackawanna.....	Erie.....	20,196	931	20,151	4.6
Little Falls.....	Herkimer.....	12,428	1,019	11,552	8.8
Lockport.....	Niagara.....	21,676	1,453	19,907	7.3
Long Beach.....	Nassau.....	2,891	474	17,319	2.7
Mechanicville.....	Saratoga.....	8,514	816	5,253	15.5
Middletown.....	Orange.....	20,412	4,651	24,814	18.7
Mount Vernon.....	Westchester.....	50,382	13,110	119,151	11.0
Newburgh.....	Orange.....	30,419	4,496	37,737	11.9
New Rochelle.....	Westchester.....	44,222	14,760	125,721	11.7
New York.....		5,873,356	3,653,724	13,893,284	27.9
Niagara Falls.....	Niagara.....	57,033	16,671	121,614	13.7
No. Tonawanda.....	Niagara.....	17,356	2,152	21,311	10.1
Norwich.....	Chenango.....	8,345	581	4,928	11.8
Ogdensburg.....	St. Lawrence.....	17,047	2,293	6,626	34.6
Olean.....	Cattaraugus.....	21,332	3,805	18,650	20.4
Oneida.....	Madison.....	10,656	815	7,235	11.3
Oneonta.....	Otsego.....	12,057	1,665	8,994	18.5
Oswego.....	Oswego.....	22,369	7,115	17,256	41.2
Plattsburgh.....	Clinton.....	11,552	2,536	4,896	51.8
Port Jervis.....	Orange.....	10,507	1,503	10,300	14.6
Poughkeepsie.....	Dutchess.....	35,670	5,744	44,749	12.8
Rensselaer.....	Rensselaer.....	11,394	1,044	\$9,492	11.0
Rochester.....	Monroe.....	316,786	58,089	469,987	12.4
Rome.....	Oneida.....	30,328	5,767	27,100	21.3
Salamanca.....	Cattaraugus.....	9,878	670	6,264	10.7
Saratoga Sp'gs.....	Saratoga.....	13,884	6,844	35,187	19.4
Schenectady.....	Schenectady.....	92,786	19,751	175,973	11.2
Sherrill a.....	Oneida.....				
Syracuse.....	Onondaga.....	182,003	41,216	261,339	15.8
Tonawanda.....	Erie.....	11,292	1,802	15,772	11.4
Troy.....	Rensselaer.....	72,223	17,721	65,904	26.9
Utica.....	Oneida.....	101,604	12,689	125,378	10.1
Watertown.....	Jefferson.....	32,836	11,510	43,854	26.2
Watervliet.....	Albany.....	16,158	5,038	10,180	49.5
White Plains.....	Westchester.....	27,428	18,339	83,099	22.1
Yonkers.....	Westchester.....	113,647	57,411	245,573	23.4

Sources: (3) N. Y. State Census, (4) (5) N. Y. State Tax Commission.
a Sherrill not reported separately.

TABLE X
CITIES OF NEW YORK STATE CLASSIFIED ACCORDING TO THE RATIO OF THEIR TAX EXEMPT REAL PROPERTY TO THEIR REAL PROPERTY SUBJECT TO TAXATION, 1925

(Based on assessed valuations)

Ratio of tax exempt real property to taxable real property %	Number of cities falling in each class
0 to 4.99.....	3
5 to 9.99.....	5
10 to 14.99.....	20
15 to 19.99.....	11
20 to 24.99.....	10
25 to 29.99.....	3
30 to 34.99.....	a 1
35 to 39.99.....	b 1
40 to 44.99.....	c 1
45 to 49.99.....	d 2
50 to 54.99.....	e 1
55 to 59.99.....	0
60 to 64.99.....	f 1
Total number of cities.....	<u>g 59</u>

a Ogdensburg, 34.6%, Hospital for the Insane.

b Hudson, 36.6% Correctional institution.

c Oswego, 41.2%, State Normal, Lighthouse, Military Reservation and Canal.

d Albany, 48.4%, State Capital; Watervliet, 49.5%, Arsenal.

e Plattsburg, 51.8%, State Normal and Military Reservation.

f Ithaca, 60.9%, Cornell University.

g City of Sherrill (population 2,082) not included, not reported separately.

TABLE XI

CITIES OF NEW YORK STATE CLASSIFIED ACCORDING TO THEIR PER CAPITA ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY, 1925

Per capita assessed value of tax exempt real property	Number of cities in each class
\$0- 24.99.....	0
25- 49.99.....	2
50- 74.99.....	4
75- 99.99.....	6
100-124.99.....	4
125-149.99.....	8
150-174.99.....	8
175-199.99.....	3
200-224.99.....	3
225-249.99.....	7
250-274.99.....	2
275-299.99.....	2
300-324.99.....	2
325-349.99.....	1
350-374.99.....	1
375-399.99.....	0
400 and over.....	a 6
Total.....	<u>59</u>

a Albany, \$644, State Capital.

Ithaca, \$718, Cornell University.

New York City, \$622, Central Park, subways, new buildings.

Saratoga Springs, \$493, parks and new buildings.

White Plains, \$669, hospitals for the insane and convalescents, court house and administration buildings.

Yonkers, \$505, parks and water system.

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
TAXABLE REAL PROPERTY IN THE CITIES OF NEW YORK
(Sherrill and New York)

PERCENT- AGE	POPULATION											
	0 to 9,999	10,000 to 19,999	20,000 to 29,999	30,000 to 39,999	40,000 to 49,999	50,000 to 59,999	60,000 to 69,999	70,000 to 79,999	80,000 to 89,999	90,000 to 99,999	100,000 to 109,999	110,000 to 119,999
Ratio of Tax Exempt Real Property to Taxable Real Property (in Percent)												
0-2.9	1											
3-5.9		1	1									
6-8.9			2		1							
9-11.9	2	6		1	1	1				1	1	
12-14.9		2	2	2		1						
15-17.9	1	3										
18-20.9		5	2	1				1				
21-23.9	1		1	1								1
24-26.9		1	1	1	1			1				
27-29.9												
30-32.9												
33-35.9		e 1										
36-38.9		d 1										
39-41.9			e 1									
42-44.9												
45-47.9												
48-50.9		g 1										f 1
51-53.9		h 1										
54-56.9												
57-59.9												
60-63.9		i 1										

Exceptional cases:
 a Rochester, population 316,786.
 b Buffalo, population 538,016.
 c Ogdensburg. (See note, Table X.)
 d Hudson. (See note, Table IX.)

XII

POPULATION AND THE RATIO OF TAX EXEMPT REAL PROPERTY TO STATE, 1925. (BASED ON ASSESSED VALUATIONS)

City not included)

POPULATION												
120,000	130,000	140,000	150,000	160,000	170,000	180,000	190,000	200,000	210,000	220,000	230,000	240,000
to	to	to	to	to	to	to	to	to	to	to	to	and
120,999	139,999	149,999	159,999	169,999	179,999	189,999	199,999	209,999	219,999	229,999	239,999	over
												a
												b
						1						1

* Oswego. (See note, Table X.)
 † Albany. (See note, Table X.)
 ‡ Watervliet. (See note, Table X.)
 § Plattsburg. (See note, Table X.)
 † Ithaca. (See note, Table X.)

TABLE
 CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
 TAXABLE REAL PROPERTY IN THE
 (Sherrill and New York

PERCENT- AGE	POPULATION											
	0 to 9,999	10,000 to 19,999	20,000 to 29,999	30,000 to 39,999	40,000 to 49,999	50,000 to 59,999	60,000 to 69,999	70,000 to 79,999	80,000 to 89,999	90,000 to 99,999	100,000 to 109,999	110,000 to 119,999
0-24.99												
25-49.99		1	1									
50-74.99	2	1	1									
75-99.99	1	4	1									
100-124.99		1	1	1	1							
125-149.99		5	1	1							1	
150-174.99	1	5		2								
175-199.99			1	1								
200-224.99		2								1		
225-249.99	1	2	1		1			1				
250-274.99						1						
275-299.99						1		1				
300-324.99		1	1									
325-349.99					1							
350-374.99				1								
375-399.99												
400-424.99												
425-449.99												
450-474.99												
475-499.99		a	1									
500-524.99												d
525 and over		b	1	c								e

Exceptional cases with suggested reasons:
 a Saratoga Springs, parks and new buildings.
 b Ithaca, Cornell University.
 c White Plains, hospitals for the insane and for convalescents.
 d Yonkers, parks and water system.

TABLE

CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
AND THE TRUE TAX RATE IN THE CITIES OF NEW YORK STATE

	PERCENTAGE RATIO OF EXCESS										
	0 to 1.9	2 to 2.9	4 to 5.9	6 to 7.9	8 to 9.9	10 to 11.9	12 to 13.9	14 to 15.9	16 to 17.9	18 to 19.9	20 to 21.9
.0200-.0219			1			1	1				1
.0220-.0239						1		1			
.0240-.0259					1			1			
.0260-.0279					2	1	2	1	1	2	1
.0280-.0299					2	2				2	2
.0300-.0319				1	1	3		2			
.0320-.0339						1					
.0340-.0359		1					2				
.0360-.0379								1	1		
.0380-.0399						1				1	
.0400-.0419		1				2	1				
.0420-.0439											
.0440-.0459											
.0460-.0479											
.0480-.0499											
.0500-.0519											
.0520 and over										c 1	

^a Ithaca, Tompkins County, population 18,948, ratio 60.9%, true tax rate .0264 (College).

^b Plattsburg, Clinton County, population 11,552, ratio 51.8%, true tax rate .0360 (Military reservation).

**XIII-A
THE PERCENTAGE RATIO OF EXEMPT TO TAXABLE REAL PROPERTY
IN 1925 (EXCLUDING SHERRILL AND NEW YORK CITY)^d**

TO TAXABLE REAL PROPERTY

22 to 23.9	24 to 25.9	26 to 27.9	28 to 29.9	30 to 31.9	32 to 33.9	34 to 35.9	36 to 37.9	38 to 39.9	40 to 41.9	42 to 43.9	44 to 45.9	46 to 47.9	48 to 49.9	50 and over
1														
1						1								
1		1												1
1			1										1	
		1											1	1
	1	1								1				
							1							

^c Sherstoga Springs, Sherstoga County, population 13,634, ratio 19.4%, true tax rate .0607 (e).
^d Information of a comparable nature lacking.

TABLE

CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
PER CAPITA ASSESSED VALUE OF TAX EXEMPT REAL
(Sherrill and New York)

		PER CAPITA ASSESSED VALUE											
		\$300 to \$399	\$400 to \$499	\$500 to \$599	\$600 to \$699	\$700 to \$799	\$800 to \$899	\$900 to \$999	\$1,000 to \$1,099	\$1,100 to \$1,199	\$1,200 to \$1,299	\$1,300 to \$1,399	\$1,400 to \$1,499
Per Capita Assessed Value of Tax Exempt Real Property	\$0-\$24.99								2				
	25-49.99												
	50-74.99			2		1		1					
	75-99.99				2	1	1	2					
	100-124.99				1	1	1				1	1	
	125-149.99	1			1	1	1	1	1		2		
	150-174.99					1	3			1	1		1
	175-199.99						2						1
	200-224.99		1							1			
	225-249.99				1								1
	250-274.99							3		1	1		1
	275-299.99												
	300-324.99				1	1							
	325-349.99												
	350-374.99											1	
	375-399.99												
	400-424.99												
	425-449.99												
	450-474.99												
	475-499.99												
500-524.99													
525 and over									a 1		b 1		

Exceptional cases with suggested reasons:
 a Ithaca. Cornell University.
 b Albany. State Capitol.
 c Yonkers. Parks and water system.

XIV

PER CAPITA ASSESSED VALUE OF TAXABLE REAL PROPERTY AND
PROPERTY IN THE CITIES OF NEW YORK STATE, 1925

City are not included)

OF TAXABLE REAL PROPERTY

\$1,500 to \$1,599	\$1,600 to \$1,699	\$1,700 to \$1,799	\$1,800 to \$1,899	\$1,900 to \$1,999	\$2,000 to \$2,099	\$2,100 to \$2,199	\$2,200 to \$2,299	\$2,300 to \$2,399	\$2,400 to \$2,499	\$2,500 to \$2,599	\$2,600 to \$2,699	\$2,700 and over
.....												
.....												
.....												
.....												f 1
.....			1									
.....	1						1		1			
.....												g 1
.....												
.....												
.....												
.....							e 1				d 1	
.....												e 1

d Saratoga Springs. Parks and new buildings.
e White Plains. Hospitals for the insane and convalescents.
f Long Beach. Assessed value of taxable real property, \$5,991 per capita.
g New Rochelle. Assessed value of taxable real property, \$2,843 per capita.

TABLE XV

ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY IN THE CITIES
OF NEW YORK STATE, CLASSIFIED BY OWNERSHIP, 1925

(In thousands)

City	U. S.	N. Y. State	County	City	Private owner- ship	Total
Albany	\$986	\$39,655	\$2,572	\$16,732	\$15,966	\$75,911
Amsterdam	80	279		1,548	1,917	3,824
Auburn	188	1,656	256	1,358	2,347	5,804
Batavia	90	600	125	1,520	1,228	3,563
Beacon		1,100		301	856	2,257
Binghamton	350	2,628	2,000	10,040	5,504	20,523
Buffalo	14,157	7,441	1,941	72,463	43,665	139,668
Canandaigua	100	1	270	522	985	1,878
Cohoes	46	89		1,619	161	1,916
Corning	70		55	1,037	944	2,106
Cortland	70	306	406	592	942	2,317
Dunkirk	82	15		916	490	1,503
Elmira	250	3,580	311	3,777	3,830	11,748
Fulton	100	5		1,796	636	2,537
Geneva	114	484		563	1,354	2,516
Glen Cove				163	267	430
Glens Falls	114	55		1,679	830	2,728
Gloversville	75	50		1,548	1,458	3,132
Hornell	90	100	50	968	801	2,009
Hudson	75	960	227	794	819	2,875
Ithaca	240	1,572	97	1,944	9,756	13,609
Jamestown	156	70		2,505	2,034	4,765
Johnstown	100	25	100	223	343	791
Kingston	85	121	224	924	1,594	2,948
Lackawanna	3			358	570	931
Little Falls	30			535	454	1,019
Lockport	100	21	195	640	498	1,454
Long Beach				401	73	474
Mechanicville				426	390	816
Middletown	120	2,112	23	888	1,508	4,651
Mount Vernon	165	94	799	7,172	4,830	13,110
Newburgh	124	365	187	1,369	2,451	4,496
New Rochelle	2,155		608	7,382	4,615	14,760
New York	148,901	21,050		2,128,766	1,355,008	3,653,724
Niagara Falls	160	4,224		9,750	2,537	16,671
North Tonawanda	100	11		1,340	702	2,153
Norwich			99	263	219	581
Ogdensburg	83	1,060		669	451	2,293
Olean	68	170		2,506	1,062	3,806
Oneida	5		1	349	453	815
Oneonta	95	327		695	543	1,665
Oswego	1,457	1,494	330	2,200	1,585	7,116
Plattsburgh	810	150	95	636	845	2,536
Port Jervis	75			563	865	1,503
Poughkeepsie	180	99	200	2,235	3,030	5,744
Rensselaer		64		356	624	1,044
Rochester	1,288	2,557	2,462	22,380	29,402	58,089
Rome	60	2,248	955	1,364	1,141	5,767
Salamanca	50			402	218	670
Saratoga Springs	175	1,412		2,200	3,057	6,844

TABLE XV—Concluded

CITY	U. S.	N. Y. State	County	City	Private ownership	Total
Schenectady.....	\$182	\$626	\$1,110	\$9,136	\$8,697	\$19,751
Sherrill.....						
Syracuse.....	658	1,690	1,980	20,786	16,097	41,211
Tonawanda.....		175		1,232	396	1,803
Troy.....	594	1,144	1,025	3,878	11,080	17,721
Utica.....	528	1,342	860	3,995	5,964	12,689
Watertown.....	206	200	670	5,950	4,484	11,510
Watervliet.....	3,186	911		315	626	5,038
White Plains.....		250	4,167	3,123	10,799	18,339
Yonkers.....	300	466	3,596	40,258	12,791	57,411
Total, excluding N. Y. C.....	\$30,575	\$84,004	\$28,046	\$281,284	\$231,894	<i>a b</i> \$655,833
Total, including N. Y. C.....	\$179,476	\$105,054	\$28,046	\$2,410,050	\$1,586,902	<i>a b</i> \$4,309,557

a This includes 30 thousand dollars reported owned by towns.

b This includes 2 thousand dollars reported owned by school districts.

TABLE XVI

ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY IN THE CITIES
OF NEW YORK STATE, CLASSIFIED BY OWNERSHIP, 1925

(Percentages)

CITY	Total amount of tax exempt real property (in thousands)	PER CENT. OF THE TOTAL OWNED BY:					
		U. S.	N. Y. State	County	City	Private owners	Total
Albany.....	\$75,911	1.30	52.24	3.39	22.04	21.03	100
Amsterdam.....	3,824	2.09	7.28		40.49	50.14	100
Auburn.....	5,804	3.24	28.53	4.41	23.39	40.43	100
Batavia.....	3,563	2.53	16.84	3.57	42.66	34.47	100
Beacon.....	2,257		48.74		13.33	37.93	100
Binghamton.....	20,522	1.70	12.81	9.75	48.92	26.82	100
Buffalo.....	139,667	10.14	5.33	1.39	51.88	31.26	100
Canandaigua.....	1,878	5.32	.05	14.37	27.79	52.46	100
Cohoes.....	1,915	2.40	4.64		84.53	8.43	100
Corning.....	2,106	3.32		2.61	49.24	44.83	100
Cortland.....	2,316	3.02	13.21	17.53	25.57	40.67	100
Dunkirk.....	1,504	5.48	1.00		60.94	32.58	100
Elmira.....	11,747	2.13	30.48	2.64	32.15	32.60	100
Fulton.....	2,537	3.94	.20		70.78	25.08	100
Geneva.....	2,515	4.53	19.22		22.40	53.85	100
Glen Cove.....	430				37.94	62.06	100
Glens Falls.....	2,728	4.18	2.01		61.55	32.26	100

TABLE XVI—*Concluded*

CITY	Total amount of tax exempt real property (in thousands)	PER CENT. OF THE TOTAL OWNED BY:					
		U. S.	N. Y. State	County	City	Private owners	Total
Gloversville.....	\$3,131	2.40	1.60	.....	49.45	46.56	100
Hornell.....	2,009	4.48	4.98	2.49	48.19	39.86	100
Hudson.....	2,875	2.61	33.40	7.90	27.62	28.48	100
Ithaca.....	13,609	1.76	11.55	.72	14.28	71.69	100
Jamestown.....	4,765	3.28	1.46	.....	52.57	42.68	100
Johnstown.....	791	12.63	3.16	12.66	28.13	43.41	100
Kingston.....	2,948	2.88	4.10	7.62	31.33	54.07	100
Lackawanna.....	931	.32	.....	.....	38.45	61.23	100
Little Falls.....	1,019	2.94	.....	.....	52.51	44.55	100
Lockport.....	1,453	6.88	1.43	13.39	44.05	34.25	100
Long Beach.....	474	.....	.....	.....	84.63	15.37	100
Mechanicville.....	816	.....	.....	.....	52.21	47.79	100
Middletown.....	4,651	2.58	45.41	.48	19.10	32.43	100
Mount Vernon.....	13,110	1.26	.71	6.10	54.71	37.22	100
Newburgh.....	4,496	2.76	8.11	4.16	30.45	54.52	100
New Rochelle.....	14,760	14.60	.....	4.12	50.01	31.27	100
New York.....	3,653,724	4.08	.58	.....	58.26	37.09	100
Niagara Falls.....	16,671	.96	25.34	.....	58.49	15.22	100
No. Tonawanda.....	2,152	4.65	.49	.....	62.25	32.62	100
Norwich.....	581	.....	.....	17.04	45.28	37.68	100
Ogdensburg.....	2,293	3.60	46.23	.....	29.19	19.67	b100
Olean.....	3,805	1.79	4.47	.....	65.84	27.90	100
Oneida.....	815	.64	.....	.07	42.80	56.19	c100
Oneonta.....	1,665	5.71	19.65	.....	41.73	32.91	100
Oswego.....	7,115	20.47	21.00	5.35	30.92	22.27	100
Plattsburg.....	2,536	31.94	5.91	3.75	25.09	33.32	100
Port Jervis.....	1,503	4.99	.....	.....	37.47	57.54	100
Poughkeepsie.....	5,744	3.13	1.73	3.48	38.91	52.75	100
Rensselaer.....	1,044	.....	6.10	.....	34.10	59.80	100
Rochester.....	58,089	2.22	4.40	4.24	38.53	50.61	100
Rome.....	5,767	1.04	38.97	16.56	23.65	19.78	100
Salamanca.....	670	7.46	.....	.....	60.00	32.54	100
Saratoga Springs.....	6,844	2.56	20.63	.....	32.15	44.67	100
Schenectady.....	19,751	.92	3.17	5.62	46.26	44.03	100
Sherrill a.....	.....	.....	.....	.....	.....	.....	.....
Syracuse.....	41,216	1.60	4.10	4.80	50.44	39.06	100
Tonawanda.....	1,802	.....	9.71	.....	68.35	21.95	100
Troy.....	17,721	3.35	6.45	5.78	21.88	62.53	100
Utica.....	12,689	4.16	10.57	6.78	31.49	47.00	100
Watertown.....	11,510	1.79	1.74	5.82	51.69	38.95	100
Watervliet.....	5,038	63.23	18.08	.....	6.26	12.42	100
White Plains.....	18,339	.....	1.36	22.72	17.03	58.89	100
Yonkers.....	57,411	.52	.81	6.26	70.12	22.28	100

a Not reported separately.

b Includes 1.31% reported owned by towns.

c Includes 0.29% reported owned by school districts.

TABLE XVII
ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY IN THE CITIES OF NEW YORK STATE,
CLASSIFIED BY USE, 1925
(In thousands)

CITIES	Educa- tional	Agri- cultural	Religious	Fraternal and Benevo- lent	Correc- tional	Chari- table	Curative	Protective	Defensive	Public Utilities	Admini- strative	Mis- cellaneous
Albany.....	\$13,471	8.....	\$9,431	\$420	\$400	\$739	\$2,522	\$1,082	\$500	\$4,375	\$42,187	\$294
Amsterdam.....	1,392	.....	1,390	90	.....	30	381	87	100	847	85	30
Auburn.....	1,497	.....	1,302	14	.....	24	152	1,442	276	429	493	173
Batavia.....	1,366	300	639	.....	.....	10	170	78	.....	750	210	150
Beacon.....	343	.....	308	.....	.....	.....	1,135	85	.....	.....	66	511
Binghamton.....	5,002	.....	4,423	77	.....	360	3,270	378	375	3,978	2,735	123
Buffalo.....	50,566	.....	23,951	1,795	300	1,089	9,224	7,237	8,054	24,911	6,707	5,685
Cannondagus.....	372	35	450	20	.....	.....	150	80	.....	100	370	285
Cattaraugus.....	390	.....	78	5	.....	.....	14	27	30	938	375	33
Corning.....	676	.....	652	.....	.....	7	192	12	.....	128	188	61
Cortland.....	555	22	453	10	.....	5	110	67	.....	307	497	288
Dunkirk.....	622	17	338	2	.....	33	54	70	.....	266	62	40
Elmira.....	2,657	.....	1,073	210	3,500	97	573	214	80	1,000	699	745
Fulton.....	865	.....	474	.....	.....	.....	75	9	.....	904	123	87
Geneva.....	987	.....	591	16	.....	2	38	11	80	.....	665	76
Glen Cove.....	197	.....	208	.....	.....	5	1	2	.....	.....	11	6
Glens Falls.....	894	.....	570	8	.....	28	190	29	54	537	255	174
Gloversville.....	668	.....	726	138	.....	.....	273	154	50	495	141	217
Hornell.....	935	.....	507	30	.....	8	50	40	100	.....	158	180
Hudson.....	371	.....	410	165	900	30	150	58	60	312	334	84
Ithaca.....	10,727	80	843	56	.....	17	255	86	.....	931	489	175
Jamestown.....	1,973	.....	1,439	50	.....	51	241	45	62	441	278	189
Johnstown.....	323	.....	251	29	.....	.....	.....	38	.....	.....	180	64
Kingston.....	687	.....	1,051	67	.....	.....	133	50	105	.....	418	221
Lackawanna.....	217	.....	170	.....	125	141	100	18	.....	80	80	21
Little Falls.....	397	.....	319	63	.....	.....	25	4	.....	.....	184	27
Lookport.....	540	.....	246	118	.....	4	101	71	.....	.....	295	79
Long Beach.....	108	.....	67	.....	.....	.....	3	6	.....	170	120	2
Mechanicville.....	320	.....	390	.....	.....	.....	.....	16	.....	60	30	.....
Middletown.....	519	.....	944	.....	.....	23	2,046	71	112	.....	233	463

TABLE XVII—Continued

Cities	Educa-tional	Agri-cultural	Religious	Fraternal and Benevo-lent	Correc-tional	Charita-ble	Curative	Protective	Defensive	Public Utilities	Admini-strative	Mis-cellaneous
Mount Vernon.....	\$5,476	\$.....	\$2,570	\$389	\$.....	\$1,000	\$618	387	\$94	\$1,903	629	\$46
Newburgh.....	1,265	.....	1,837	81	.....	95	253	79	165	40	459	223
New Rochelle.....	7,498	.....	3,234	137	.....	.....	585	304	2,000	291	602	108
New York.....	1,205,667	.....	258,934	28,510	4,074	19,901	115,030	54,643	111,874	879,377	116,306	859,409
Niagara Falls.....	9,772	.....	869	4	.....	.....	298	250	100	4,346	744	288
No. Tonawanda.....	898	.....	415	.....	.....	.....	65	48	.....	543	133	51
Norwich.....	248	7	133	6	.....	.....	30	28	.....	.....	105	27
Ogdensburg.....	333	.....	170	20	.....	80	1,074	10	.....	311	201	34
Olean.....	1,283	.....	557	3	.....	.....	200	21	60	1,376	111	85
Oneida.....	311	.....	283	25	.....	.....	64	14	.....	63	15	59
Oneonta.....	671	35	250	.....	.....	.....	110	.....	75	250	163	111
Oswego.....	1,430	.....	1,191	48	.....	120	130	841	590	1,968	710	88
Plattsburg.....	640	10	470	130	.....	.....	124	4	750	260	237	12
Port Jervis.....	625	.....	453	4	.....	44	75	31	.....	17	98	257
Poughkeepsie.....	2,174	.....	1,724	177	.....	55	701	167	60	111	545	41
Rensselaer.....	245	.....	543	.....	.....	.....	.....	53	11	51	19	24
Rochester.....	23,482	.....	14,891	541	.....	1,042	5,206	1,790	546	3,296	5,739	1,567
Rome.....	2,424	17	775	17	.....	535	403	20	.....	1,111	241	224
Salamanca.....	244	.....	128	.....	.....	.....	12	.....	.....	200	50	36
Saratoga Springs.....	3,655	.....	974	25	.....	97	400	35	120	180	753	605
Schenectady.....	9,434	.....	5,356	90	.....	415	585	335	218	1,397	1,115	812
Sherrill.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Syracuse.....	16,721	.....	7,922	354	.....	464	1,154	722	678	7,433	3,857	1,904
Tonawanda.....	507	.....	229	.....	.....	.....	.....	21	150	813	37	45
Troy.....	7,425	.....	3,489	402	140	679	1,378	629	428	959	1,618	576
Utica.....	3,695	.....	2,933	1,125	.....	498	2,049	301	100	59	1,556	373
Watertown.....	3,584	70	2,774	343	.....	142	657	316	200	1,954	1,290	179
Watervliet.....	192	.....	554	.....	.....	.....	.....	23	3,186	924	107	52
White Plains.....	3,339	.....	2,467	.....	.....	62	7,798	246	185	95	3,830	246
Yonkers.....	13,753	.....	6,094	1,665	.....	1,255	1,610	497	250	29,153	2,401	704
Total excl. of New York City.....	\$221,431	\$443	\$117,800	\$8,959	\$5,464	\$9,324	\$47,134	\$18,696	\$20,189	\$101,059	\$86,129	\$19,220
Total incl. of New York City.....	1,427,096	443	376,734	37,469	9,538	29,225	162,164	73,339	132,063	980,436	202,435	878,629

TABLE XVIII
 ASSESSED VALUE OF TAX EXEMPT REAL PROPERTY IN THE CITIES OF NEW YORK STATE,
 CLASSIFIED BY USE, 1925
 (In percentages)

City	Total amount of tax exempt real property (in thousands)	PERCENT OF THE TOTAL CLASSIFIED AS FOLLOWS:												Total	
		Educational	Agricultural	Religious	Fraternal and Benevolent	Correctional	Charitable	Cura-tive	Pro-protective	Defensive	Public Utility	Administrative	Miscellaneous		
Albany.....	\$75,911	17.75	.....	12.42	.55	.53	.97	3.32	1.43	.66	6.42	55.57	.37	100
Amsterdam.....	3,824	36.14	.....	36.24	2.34	.....	.78	7.35	2.28	2.62	9.07	2.23	.94	100
Auburn.....	5,804	25.80	.....	22.43	.25	.....	.41	2.62	24.83	4.76	7.39	8.49	3.02	100
Batavia.....	3,563	38.06	5.61	17.93	.....	.....	.28	4.77	2.19	.....	21.05	5.90	4.21	100
Beacon.....	2,257	10.70	.....	11.89	.....	.....	.....	50.29	1.55	.....	.....	2.92	22.65	100
Binghamton.....	20,522	24.38	.....	21.55	.37	.....	1.27	15.93	1.25	1.83	19.38	13.33	.61	100
Buffalo.....	139,667	38.20	.....	17.15	1.29	.29	.78	6.60	5.18	5.77	17.84	4.34	4.07	100
Canandaigua.....	1,878	19.80	1.86	23.96	1.08	.....	.....	7.99	4.79	.....	5.32	20.02	15.19	100
Cohoes.....	1,915	19.82	.....	3.99	.24	.....	.....	.71	1.41	2.61	48.87	19.61	2.75	100
Corning.....	2,106	41.60	.....	30.98	.....	.....	.34	8.65	.55	.....	6.08	8.92	2.90	100
Cortland.....	2,316	23.96	.95	19.55	.43	.....	.35	4.75	2.89	.....	13.24	21.46	12.42	100
Dunkirk.....	1,504	41.33	1.13	22.48	.16	.....	2.21	3.61	5.28	.....	17.00	4.11	2.69	100
Elmira.....	11,747	22.61	.....	16.79	1.78	29.79	.83	4.88	1.82	.68	8.51	5.95	6.34	100
Fulton.....	2,537	34.10	.....	18.69	.....	.....	.....	2.96	.35	.....	35.62	4.85	3.44	100
Geneva.....	2,515	39.23	.....	23.48	.64	.....	.09	3.49	.43	3.18	.....	26.44	3.04	100
Glen Cove.....	430	45.78	.....	48.36	.....	.....	1.16	.23	.56	.....	.....	2.47	1.43	100
Glens Falls.....	2,728	32.41	.....	20.89	.29	.....	1.03	6.95	1.04	1.98	19.65	9.35	6.38	100
Hogersville.....	3,131	30.69	.....	23.20	4.09	.....	.....	8.72	4.91	1.60	15.49	4.49	6.92	100
Hornell.....	2,009	46.55	.....	25.28	1.50	.....	.41	2.49	1.99	4.98	.....	7.87	8.95	100
Hudson.....	2,875	12.92	.....	14.27	5.74	31.31	1.04	5.22	2.02	4.09	10.84	11.62	2.94	100
Ithaca.....	13,609	78.82	.22	6.20	.41	.....	.12	1.87	.63	.....	6.84	3.59	1.29	100
Jamestown.....	4,765	41.33	.....	30.14	1.05	.....	1.07	5.05	.95	1.30	9.25	5.83	3.93	100
Johnstown.....	791	23.75	.....	31.63	3.67	.....	.....	4.80	.....	.27	22.77	8.06	.....	100
Kingstown.....	2,948	23.32	35.64	2.27	4.51	6.07	1.70	3.56	55	15.88	7.50	100
Lackawanna.....	931	23.30	.....	18.21	.....	13.42	15.14	10.74	1.98	.....	8.60	6.44	2.27	100

TAXATION AND RETIREMENT

TABLE XVIII—Continued

CITY	Total amount of tax exempt real property (in thousands)	PERCENT OF THE TOTAL CLASSIFIED AS FOLLOWS											Total		
		Educational	Agricultural	Religious	Fraternal and Benevolent	Correctional	Charitable	Cura-tive	Pro-protective	Defensive	Public Utility	Admin-istrative		Miscel-laneous	
Little Falls	1,019	39.00		31.28	6.20			2.45	.39			18.02	2.65	100	
Lockport	1,453	37.16		16.93	8.11		.28	6.82	4.85			20.33	5.43	100	
Long Beach	474	22.21		14.21				.74	1.27			35.85	25.31	100	
Mechanioville	816	39.22		47.79					1.96			7.35	3.68	100	
Middletown	4,651	17.62		20.29			.48	44.00	1.54	2.41			5.00	8.67	100
Mount Vernon	13,110	41.77		19.60	2.96		7.63	4.71	2.95	.71	14.51	4.80	.35	100	
Newburgh	4,496	28.14		40.86	1.80		2.11	5.61	1.76	3.67	.88	10.20	4.96	100	
New Rochelle	14,760	50.80		21.91	.93			3.97	2.06	13.55	1.97	4.08	.73	100	
New York	3,653,724	33.00		7.09	.78	.11		3.15	1.50	3.06	24.07	3.18	23.52	100	
Niagara Falls	16,671	58.82		5.21	0.02			1.79	1.50	.60	26.07	4.46	1.73	100	
No. Tonawanda	2,152	41.72		19.27				3.02	2.21		25.25	6.18	2.36	100	
Norwich	531	42.64	1.22	22.83	.95			5.16	4.48			18.13	4.59	100	
Ogdensburg	2,293	14.51		7.41	.87		3.50	46.85	.44	2.62	13.63	8.76	1.46	100	
Olean	3,805	33.72		14.62	0.07			5.26	.56	4.47	36.16	2.92	2.22	100	
Oneida	815	38.21		32.29	3.07			7.84	1.74		7.73	1.89	7.23	100	
Oneonta	1,665	40.32	2.10	15.02				6.60		4.51	15.02	9.80	6.64	100	
Oswego	7,115	20.10		16.73	.67		1.69	1.83	11.82	8.29	27.66	9.98	1.24	100	
Plattsburg	2,636	21.29	.38	18.53	5.13			4.90	.16	29.57	10.25	9.33	.45	100	
Port Jervis	1,603	34.92		30.13	.23		2.91	4.99	2.06		1.13	6.54	17.09	100	
Poughkeepsie	5,744	37.85		30.01	3.07		.96	12.20	2.72	1.04	1.94	9.49	.71	100	
Rensselaer	1,044	33.00		51.96					5.04	1.03	4.88	1.81	2.28	100	
Rochester	58,089	40.42		25.62	.93		1.79	8.96	3.08	.94	5.67	9.88	2.70	100	
Rome	5,767	42.03	.29	13.44	.29		9.28	6.99	.34		19.26	4.18	3.89	100	
Salamanca	670	36.40		19.12				1.79	.03		29.84	7.46	5.36	100	
Saratoga Springs	6,844	53.41		14.23	.37		1.41	5.84	.51	1.75	2.63	11.00	8.84	100	

Schenectady.....	19.751	47.76	.....	27.12	.45	.....	2.10	2.96	1.70	1.08	7.07	5.64	4.11	100
Sherrilla.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Syracuse.....	41.210	40.58	.....	19.22	.86	.....	1.13	2.80	1.75	1.64	18.04	9.36	4.62	100
Tonawanda.....	1,802	28.10	.....	12.73	.....	.....	.....	1.17	8.32	45.10	2.08	2.49	2.49	100
Troy.....	17,721	41.90	.....	19.69	2.27	.79	3.83	7.78	3.55	2.41	5.41	9.13	3.25	100
Utica.....	12,689	29.12	.....	23.11	8.86	.....	3.93	16.15	2.37	.79	.46	12.27	2.94	100
Watertown.....	11,510	81.14	.61	24.10	2.98	.....	1.24	5.71	2.75	1.74	16.98	11.21	1.55	100
Watervliet.....	5,038	3.81	.....	10.99	.....	.....	.....	.46	.....	63.24	18.34	2.13	1.03	100
White Plains.....	18,339	18.21	.....	13.45	.....	.....	.34	42.38	1.89	1.01	.52	20.88	1.34	100
Yonkers.....	57,411	24.01	.....	10.62	2.90	.....	2.19	2.80	.87	.43	50.78	4.18	1.22	100

a Not reported separately.

TABLE XIX

TOWNS OF NEW YORK STATE CLASSIFIED ACCORDING TO THE RATIO OF THEIR TAX EXEMPT REAL PROPERTY TO THEIR REAL PROPERTY SUBJECT TO TAXATION, 1925

(Based on assessed valuations)

Ratio of tax exempt real property to taxable real property %	Number of towns falling in each class
0 to 4.99.....	335
5 to 9.99.....	296
10 to 14.99.....	148
15 to 19.99.....	62
20 to 24.99.....	27
25 to 29.99.....	10
30 to 34.99.....	10
35 to 39.99.....	8
40 to 44.99.....	8
45 to 49.99.....	2
50 to 54.99.....	5
55 to 59.99.....	4
60 to 64.99.....	2
65 to 69.99.....	1
70 to 79.99.....	1
80 to 89.99.....	6
90 to 99.99.....	1
100 and over.....	a6
Total.....	932

a Exceptions:

Town	County	Popula- tion	Ratio	Possible explanation
Dannemora...	Clinton.....	4,540	438%	State Penitentiary
Gaines.....	Orleans.....	1,862	133%	Bridges, docks and ferries
Highlands.....	Orange.....	4,157	426%	West Point Military Reservation
Macedon.....	Wayne.....	2,387	119%	Canals
Providence.....	Saratoga.....	436	101%	Tuberculosis Hospital
Waterford....	Saratoga.....	5,644	178%	Canals

TABLE XX
TOWNS OF NEW YORK STATE CLASSIFIED ACCORDING TO PER CAPITA
VALUE OF TAX EXEMPT REAL PROPERTY, 1925

Per capita value of exempt real property	Number of towns reporting speci- fied amounts
\$0- \$9.99.....	15
10- 19.99.....	104
20- 29.99.....	116
30- 39.99.....	106
40- 49.99.....	101
50- 59.99.....	74
60- 69.99.....	82
70- 79.99.....	51
80- 89.99.....	38
90- 99.99.....	32
100-109.99.....	29
110-119.99.....	25
120-129.99.....	15
130-139.99.....	15
140-149.99.....	12
150-199.99.....	47
200-299.99.....	32
300-399.99.....	10
400-499.99.....	8
500 and over.....	20
Total.....	932

a Exceptions:

Town	County	Popula- tion	Per capita value exempt real property	Possible explanation
Alfred.....	Allegany.....	1,314	\$575	University
Amity.....	Allegany.....	1,876	610	Administrative buildings
Collins.....	Erie.....	4,479	534	Hospital for the insane
Colonie.....	Albany.....	13,249	578	Cemeteries
Courtland.....	Westchester.....	24,748	550	Water system
Dannemora.....	Clinton.....	4,540	573	State penitentiary
Fishkill.....	Dutchess.....	3,157	639	Government owned hospital
Gaines.....	Orleans.....	1,862	1,289	Bridges, docks and ferries
Highlands.....	Orange.....	4,157	2,642	West Point Military Reser- vation
Hounsfield.....	Jefferson.....	2,361	663	Arsenal
Lewiston.....	Niagara.....	3,062	556	University and School for the Deaf
Macedon.....	Wayne.....	2,387	1,583	Canal
Poughkeepsie.....	Dutchess.....	12,661	649	Vassar College and hospital for the insane
Providence.....	Saratoga.....	436	541	Tuberculosis hospital
Rush.....	Monroe.....	2,024	578	Correctional institution
Somers.....	Westchester.....	1,393	513	Correctional institution
South Valley.....	Cattaraugus.....	322	553	Indian reservation
Waterford.....	Saratoga.....	5,644	961	Canal
Watertown.....	Jefferson.....	1,265	531	Cemeteries
Yorktown.....	Westchester.....	2,385	643	Parks, water system, bridges, docks and ferries

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
PROPERTY IN THE TOWNS OF

	POPULATION												
	0 to \$249	\$250 to \$299	\$500 to \$749	\$750 to \$999	\$1,000 to \$1,249	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$1,999	\$2,000 to \$2,249	\$2,250 to \$2,499	\$2,500 to \$2,749	\$2,750 to \$2,999	
Per Capita Assessed Value of Tax Exempt Real Property													
0- \$9.99			3	2	2	1	2		2	1		1	
10- 19.99	1	8	18	21	11	12	7	6	6	8	3	4	
20- 29.99		9	14	18	17	9	9	3	4	7	5	1	
30- 39.99	1	2	12	11	14	16	13	5	9	2	3	2	
40- 49.99	2	4	17	12	6	18	7	8	6	4	2	2	
50- 59.99		3	4	10	10	11	6	5	1	3	2	2	
60- 69.99	1	2	9	6	8	4	5	7	7	7	3	1	
70- 79.99	1	1	4	4	5	3	2	2	4	2	1	1	
80- 89.99		2		2	5	7	2	2	3	3		2	
90- 99.99			3	1									
100-109.99			1	1		5	1	4	4	2	2	1	
110-119.99	1		1	2	2	6	2	2	2	3		1	
120-129.99					2	1			1		1	1	
130-139.99				2	1		1	4	1				
140-149.99				1	1			1	1		1	1	
150-159.99						3							
160-169.99			1	2	1		1		1	1		1	
170-179.99						1	2		2	1		2	
180-189.99							1		1				
190-199.99					1					1			
200-209.99							1				1		
210 and over		1	4	3	4	2	2	3	3	4	1	2	

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
EXEMPT REAL PROPERTY IN THE TOWNS OF NEW YORK

	PER CAPITA TAXABLE											
	0 to \$99	\$100 to \$199	\$200 to \$299	\$300 to \$399	\$400 to \$499	\$500 to \$599	\$600 to \$699	\$700 to \$799	\$800 to \$899	\$900 to \$999	\$1,000 to \$1,099	\$1,100 to \$1,199
Per Capita Exempt Real Property												
0- \$9.99		3	3	3	1	2	1					5
10- 19.99		1	5	10	12	13	17	14	10	7	4	7
20- 29.99		1	2	8	11	17	21	14	12	7	5	4
30- 39.99			4	5	6	9	18	20	14	6	3	7
40- 49.99			1	6	11	14	15	9	17	10	7	3
50- 59.99				3	9	8	14	7	9	7	4	4
60- 69.99			1	1	3	10	6	13	10	7	4	9
70- 79.99		1	1	1	2	3	12	10	5	3	3	1
80- 89.99					1	4	3	6	8	2	6	
90- 99.99				1		2	5	3	3	7	2	2
100-109.99					2	4	4	5	6	2	2	
110-119.99						2	3	2	2	3	2	2
120-129.99			1		1	1	2		3	1		2
130-139.99						2			4	1	2	
140-149.99				1			1		1	3	1	2
150-159.99							2		2	4		2
160-169.99					2	1	1	1		2	1	1
170-179.99					1			4		2		1
180-189.99								1	1			1
190-199.99						1		2			1	
200-209.99				1						2	1	1
210 and over		1		1	2	6	9	9	4	5	6	3

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
PROPERTY IN THE TOWNS OF

	POPULATION											
	0 to \$249	\$250 to \$299	\$500 to \$749	\$750 to \$999	\$1,000 to \$1,249	\$1,250 to \$1,499	\$1,500 to \$1,749	\$1,750 to \$1,999	\$2,000 to \$2,249	\$2,250 to \$2,499	\$2,500 to \$2,749	\$2,750 to \$2,999
	Per Capita Assessed Value of Tax Exempt Real Property											
0- \$9.99.....			3	2	2	1	2		2	1		1
10- 19.99.....	1	8	15	21	11	12	7	6	6	3	3	1
20- 29.99.....		9	14	18	17	9	9	3	4	7	5	4
30- 39.99.....	1	2	12	11	14	16	13	5	9	2	3	2
40- 49.99.....	2	4	17	12	6	18	7	8	6	4	2	2
50- 59.99.....		3	4	10	10	11	6	5	1	3	2	2
60- 69.99.....	1	2	9	6	8	4	5	7	7	7	3	1
70- 79.99.....	1	1	4	4	5	3	2	2	4	2	1	1
80- 89.99.....			2	2	5	7	2	2	3	3		2
90- 99.99.....		3	1	1		5	1	4	4	2	2	1
100-109.99.....		1	1	1	2	6	2	2	2	3		
110-119.99.....	1		1	2	1	3	3	1	3	1		1
120-129.99.....					2	1			1		1	1
130-139.99.....				2	1		1	4	1			
140-149.99.....				1	1		1	1	1		1	1
150-159.99.....						3			1	1		
160-169.99.....			1	2	1		1					1
170-179.99.....						1	2		2	1		2
180-189.99.....							1		1			
190-199.99.....					1					1		
200-209.99.....							1				1	
210 and over.....		1	4	3	4	2	2	3	3	4	1	2

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
EXEMPT REAL PROPERTY IN THE TOWNS OF NEW YORK

	PER CAPITA TAXABLE											
	0 to \$99	\$100 to \$199	\$200 to \$299	\$300 to \$399	\$400 to \$499	\$500 to \$599	\$600 to \$699	\$700 to \$799	\$800 to \$899	\$900 to \$999	\$1,000 to \$1,099	\$1,100 to \$1,199
	Per Capita Exempt Real Property											
0- \$9.99.....		3	3	3	1	2	1					5
10- 19.99.....		1	5	10	12	13	17	14	10	7	4	5
20- 29.99.....		1	2	8	11	17	21	14	12	7	5	4
30- 39.99.....			4	5	6	9	18	20	14	6	3	7
40- 49.99.....			1	6	11	14	15	9	17	10	7	3
50- 59.99.....				3	9	8	14	7	9	7	4	4
60- 69.99.....			1	1	3	10	6	13	10	7	4	9
70- 79.99.....		1	1	1	2	3	12	10	5	3	3	1
80- 89.99.....					2	4	3	6	8	2	6	
90- 99.99.....				1		2	5	3	3	7	3	2
100-109.99.....					2	2	4	5	6	2	3	
110-119.99.....						2	3	2	2	3	2	2
120-129.99.....			1		1	1	2		3	1		
130-139.99.....						2			4	1	3	2
140-149.99.....				1			1		1	3	1	2
150-159.99.....							2		2	4		2
160-169.99.....					2	1	1	1		2	1	1
170-179.99.....					1			4		2		1
180-189.99.....								1	1			1
190-199.99.....						1		2			1	1
200-209.99.....				1						2	1	1
210 and over.....		1		1	2	6	9	9	4	5	6	3

XXI
POPULATION AND PER CAPITA VALUE OF TAX EXEMPT REAL PROP-
NEW YORK STATE, 1925

POPULATION												
\$3,000 to \$3,499	\$3,500 to \$3,999	\$4,000 to \$4,499	\$4,500 to \$4,999	\$5,000 to \$5,499	\$5,500 to \$5,999	\$6,000 to \$6,499	\$6,500 to \$6,999	\$7,000 to \$7,999	\$8,000 to \$8,999	\$9,000 to \$9,999	\$10,000 to \$10,999	\$11,000 and over
3	1						1					
5	2	1										
	3	2	1			2	1	1				2
3	4	1		1			2	1			1	
4	2		1			1	2	2	1	2		1
3	5	3	2			1		1	1			
5	6	1	1	1			1			2	1	3
4	2	2	4	2		4		1	1	1		
2	2	1	1	1				1	1		1	1
1	1		2	1			1					2
4		1				1	1	1				2
			1			2		1	1		2	2
1	1	1	1		1			2		1		1
1	1				1				1	1		
1	1		1				1			1		2
	1	1		2	1			2				1
2	1	1	1			1					1	1
1	1	1				1					1	1
			2	1		1						
1			1				1					
6	1	5		5	2	2		3	1	1	1	11

XXII
PER CAPITA TAXABLE REAL PROPERTY AND PER CAPITA TAX
STATE, 1925. (BASED ON ASSESSED VALUATIONS)

REAL PROPERTY												
\$1,200 to \$1,299	\$1,300 to \$1,399	\$1,400 to \$1,499	\$1,500 to \$1,599	\$1,600 to \$1,699	\$1,700 to \$1,799	\$1,800 to \$1,899	\$1,900 to \$1,999	\$2,000 to \$2,099	\$2,100 to \$2,199	\$2,200 to \$2,299	\$2,300 to \$2,399	\$2,400 and over
1												
2	1	2		1								2
	4	3	2	1				1				1
2	3	1	1	1	1	1		1				2
1	2	2		1		1		1				1
2	3		1	1			1					
3	3	2	1	1	1	1	1	1	1			3
4	1	1	1	1	1	1						1
1	1	1	2	1	1			1			1	
1		1										
2		1		1	1	1			1			1
1	1				1							3
	2	1		1								1
	1											
1		1	1	1	1							1
		1	2		1	1						1
			1									
				1								
4	3	3	2	2	1	2	2				1	1

TABLE
CROSS-CLASSIFICATION TABLE SHOWING THE RELATION BETWEEN
AND THE TRUE TAX RATE IN THE

	PERCENTAGE RATIO OF EXEMPT										
	0 to 1.9	2 to 3.9	4 to 5.9	6 to 7.9	8 to 9.9	10 to 11.9	12 to 13.9	14 to 15.9	16 to 17.9	18 to 19.9	20 to 21.9
.0080-.0099.....										1	
.0100-.0119.....			1								
.0120-.0139.....	4	1	1	2	1		1				
.0140-.0159.....	6	10	5	3	1	1		2	1		1
.0160-.0179.....	8	15	12	7	1	2		2			
.0180-.0199.....	7	13	17	11	4	2		3	4	3	
.0200-.0219.....	6	16	24	10	11	6	2		1	1	
.0220-.0239.....	2	26	27	5	7	4	5	4	2	1	
.0240-.0259.....	8	21	21	15	16	9	6	3			
.0260-.0279.....	4	15	10	10	15	5	5	2	3	1	1
.0280-.0299.....	5	12	21	15	4	12	3	6	4	2	1
.0300-.0319.....	4	11	7	9	5	9	4	3	3		1
.0320-.0339.....	1	8	13	6	10	6	5	1	2		
.0340-.0359.....	3	7	7	10	3	6	1	3	1	2	2
.0360-.0379.....		3	9	2	2	3	3	4	2		1
.0380-.0399.....	1	3	8	4	1	4	1		2	2	1
.0400-.0419.....	2	4	3	1	2	5	1	1	3		
.0420-.0439.....		2		2	2	3	3	2			
.0440-.0459.....	1	1		3	1	3	1	1	2		
.0460-.0479.....		2	1						1		
.0480-.0499.....		1	1		1						1
.0500-.0519.....									1		
.0520 and over.....		3	2	1	1	3		1	1		

TABLE XXIV

DISTRIBUTION OF THE TAX EXEMPT REAL PROPERTY IN THE TOWNS OF NEW YORK STATE ACCORDING TO USE FREQUENCY TABLES SHOWING THE NUMBER OF TOWNS WITH SPECIFIED PERCENTAGES OF THEIR TAX EXEMPT REAL PROPERTY USED IN VARIOUS WAYS, 1925

(The total tax exempt real property in each town equals 100%)

PER CENT OF TAX EXEMPT REAL PROPERTY	Educa-tional	Agricul-tural	Relig-i-ous	Fra-ternal and Bene-volent	Correc-tional	Char-i-table	Cura-tive	Pro-protective	Defen-sive	Public Utilities	Admini-strative	Miscel-laneous
0 to 0.99.....	4	8	8	29	2	12	12	120	2	13	184	46
1 to 1.99.....	10	10	6	26	0	12	11	84	1	14	108	59
2 to 2.99.....	9	5	14	9	2	6	9	28	1	14	48	55
3 to 3.99.....	7	7	12	7	1	3	4	23	4	11	60	70
4 to 4.99.....	10	3	9	6	0	5	3	17	2	12	29	60
5 to 5.99.....	12	5	13	3	1	4	5	9	2	11	33	45
6 to 6.99.....	7	0	14	3	0	1	3	4	1	17	21	39
7 to 7.99.....	11	2	25	3	0	4	1	4	1	13	13	40
8 to 8.99.....	21	2	18	3	0	6	1	4	2	14	19	39
9 to 9.99.....	18	1	23	0	0	3	1	3	0	12	20	26
10 to 14.99.....	121	5	97	11	1	9	4	1	2	60	28	120
15 to 19.99.....	122	2	113	8	3	9	3	3	0	55	15	72
20 to 24.99.....	126	1	105	0	1	3	3	3	0	60	11	55
25 to 29.99.....	104	1	104	2	0	2	6	1	1	55	3	43
30 to 34.99.....	82	1	85	0	0	9	0	2	0	61	3	24
35 to 39.99.....	59	0	76	0	0	5	0	0	1	39	6	10
40 to 44.99.....	48	0	60	0	0	1	3	0	1	33	0	13
45 to 49.99.....	44	0	41	0	1	3	3	1	0	34	1	13
50 to 59.99.....	47	0	57	0	0	3	6	1	0	51	1	24
60 to 60.99.....	37	0	29	0	2	3	2	0	0	32	2	16
70 to 79.99.....	21	0	8	0	2	3	5	1	0	13	0	18
80 to 89.99.....	7	0	2	0	0	1	4	1	2	2	0	5
90 to 99.99.....	1	0	2	0	1	1	5	0	1	5	0	1
Total number of towns reporting exempt property under each heading.....	928	53	921	108	18	108	96	310	25	631	556	890
Limits within which the middle 50 per cent of all towns fall:												
Lower limit.....	14.9	0	14.8	0	0	0	0	0	0	0	0	3.3
Upper limit.....	37.6	0	42.2	0	0	0	0	0.6	0	33.0	3.6	13.5

THE EFFECT OF EXEMPTION UPON INDIVIDUAL COMMUNITIES

Thus far in our study we have dealt with exemptions in the large and with exemptions from a statistical point of view. The question naturally arises, what is the practical situation in specific cities, towns, and villages? What are the ordinary facts that the average citizen can see and discover in his own community? What is the situation, especially, in those districts which appear from our statistical study to be suffering from extensive tax exemptions? Though the time at the disposal of the committee has been limited, we have endeavored to gather some specific material bearing on these points. On the basis of the statistical study we have selected 21 exceptional towns, villages, and cities. These show either an abnormally high per capita valuation of exempt property or an extraordinary ratio of exempt to taxable property. These units were visited by members of our research staff and an effort was made through the examination of assessment rolls and through conferences with public officials and private citizens, to gather whatever information was available with regard to the effect of a tax exempt property upon the government and life of the community. The answers to these questions are brought together in the following pages.

Benefits and Costs Classified

Before passing to a summarization of the material drawn from the field investigation, it may be well to present the general basis of classification which has been followed. It is based upon that used by the department of taxation and finance. From our study it seems that certain general conclusions may be drawn with regard to the main classes of property. Certain kinds confer a distinct local benefit, others are for the service of the state or nation and confer little local benefit. In some cases a given kind of property entails a very distinct local burden, in other cases an institution takes care of itself and throws little or no burden upon the community. In the following table these factors are shown in a general way arranged in accordance with the classification which we are utilizing in this part of our study.

The benefit classifications assigned in Table No. XXV must be recognized as purely hypothetical. They are based upon a general appraisal of the situation and appear to be in conformity with the conditions as we have found them in the 21 cities, towns, and villages visited by our investigators. There are of course individual exceptions, and there is room for a difference of opinion at many points. Certain of these considerations are mentioned in the following paragraphs in which each one of the major classifications is taken up in order.

Educational

It has been suggested that the only cases in which injustice is apt to be done is where a locality is denied the power to tax local

property that is used to perform other than local functions and from which no local benefit results. Such, for example, might be the case with a university or a college located in a small town. Higher education is a function of the State. It benefits primarily the State and nation. Nevertheless, an examination of the situation in a college town reveals that the economic benefit derived by the community is very great. Even the smallest towns would gladly welcome the organization of a college or university in their midst. The same is true with a state normal school, and also to a certain extent with schools for the deaf, dumb, and blind, and for the feeble-minded. Local tradesmen prosper from trade of this sort.

Local parks and playgrounds, libraries and property devoted to the interests of history and art are primarily matters of local interest, local service and local benefit. In the case of city playgrounds it has been asserted at times that the playground was a detriment to the immediate locality. An examination of the land value map in New York City does not seem to indicate that this is the fact, however. It appears rather that this is an argument used to forestall special assessments rather than one to prevent the establishment of playgrounds. A playground which is improperly placed, or improperly developed may of course be a distinct local detriment.

In most communities private schools are to be classified just as the public schools are. They are conducted locally for local benefit. Under such conditions, a private school may be a very real asset to the community. Every local child in the private school will represent an annual saving to the taxpayers of from fifty to over one hundred dollars depending on the costs of the local public schools. There are, however, private schools which do not fall in this category. In one of the towns studied by the committee it appeared that the community gained little and was put to some expense by the presence of a private school. In this case the private school considers itself "exclusive," charges an annual tuition of seventeen hundred dollars, buys all of its supplies in New York City, and boards all of its students and teachers within its own tax exempt properties. Neither the students nor the teachers patronize the local merchants. The school property is located in the heart of the town, it is supplied with paved streets and sidewalks, and receives police and fire protection from the town. In this case it is apparent that the local costs exceed the local benefit. In some of these private schools there is an element of profit to the owners and directors of the schools, usually received in the form of high salaries and other services. It appears, however, that most of the private schools are not in this category as they do not pay abnormally high salaries and are conducted at a loss, which is covered by special gifts and endowments.

Agricultural

This class consists of the property of agricultural societies devoted to the exhibition of agricultural products, etc. The county

TABLE XXV

TAX EXEMPT REAL PROPERTY IN NEW YORK STATE CLASSIFIED ACCORDING TO ITS USE WITH ESTIMATE AS TO WHETHER THE FUNCTIONS PERFORMED AND THE BENEFITS RECEIVED ARE PRIMARILY LOCAL, STATE, OR NATIONAL IN CHARACTER

	Governmental units primarily responsible for the function	Governmental units receiving benefit	Extent of local governmental service used
Educational			
Universities.....	State.....	Local, state.....	Much
State Normal.....	State.....	State, local.....	Much
Public schools.....	Local.....	Local, state.....	Much
Schools other than public schools.....	Local.....	Local, state.....	Much
Schools for deaf, dumb and blind.....	State.....	Local, state.....	Much
Schools for Feeble-minded.....	State.....	State, local.....	Much
Libraries.....	Local.....	Local.....	Much
History and art.....	Local.....	Local, state.....	Much
Parks and playgrounds			
Local.....	Local.....	Local.....	Little
State.....	State.....	Local, state.....	Little
Agricultural			
Exhibition grounds.....	Local.....	Local, state.....	Little
Religious			
Places of worship.....	Local.....	Local.....	Much
Property occupied by clergy.....	Local.....	Local.....	Much
Property owned by clergy.....	Local.....	Local.....	Much
Moral and mental improvement.....	Local.....	Local.....	Much
Fraternal and benevolent			
Fraternal.....	Local.....	Local.....	Much
Benevolent.....	Local.....	Local.....	Much
Correctional			
Correctional institutions.....	State.....	State, local.....	Much
Charitable			
County, city, town and village homes.....	Local.....	Local.....	Much
Homes for children.....	Local.....	Local.....	Much
Homes for veterans.....	Nation.....	Local, state, nation.....	Much
Curative			
General hospitals.....	Local.....	Local.....	Much
Hospitals for insane.....	State, local.....	Local, state.....	Much
Tuberculosis hospitals.....	State, local.....	Local, state.....	Much
Hospitals for contagious diseases.....	State, local.....	Local, state.....	Much
Hospitals for convalescent.....	State, local.....	Local, state.....	Much
Maternity hospitals.....	Local.....	Local.....	Much
Hospitals for children.....	Local.....	Local.....	Much
Hospitals for other special diseases.....	Local.....	Local.....	Much
Protective			
Fire.....	Local.....	Local.....	Much
Police.....	Local.....	Local, state.....	Much
Jails, penitentiaries.....	State, local.....	State, local.....	Much
Light houses.....	Nation, state.....	State, nation.....	Little

TABLE XXV — Continued

TAX EXEMPT REAL PROPERTY IN NEW YORK STATE CLASSIFIED ACCORDING TO ITS USE WITH ESTIMATE AS TO WHETHER THE FUNCTIONS PERFORMED AND THE BENEFITS RECEIVED ARE PRIMARILY LOCAL, STATE, OR NATIONAL IN CHARACTER

	Governmental units primarily responsible for the function	Governmental units receiving benefit	Extent of local governmental service used
Defensive			
Armories.....	State, local...	Local, state, nation.....	Much
Military reservation.....	Nation.....	Local, nation.....	Little
Arsenals.....	Nation.....	Nation.....	Little
Public utilities¹			
Water systems.....	Local.....	Local.....	Little
Lighting systems.....	Local.....	Local.....	Much
Sewerage systems.....	Local.....	Local.....	Little
Public baths.....	Local.....	Local.....	Much
Public markets.....	Local.....	Local.....	Much
Bridges, docks and ferries.....	Local.....	Local.....	Much
Subways.....	Local.....	Local.....	Little
Canals.....	State.....	Local, state.....	Little
Administrative buildings			
Post offices.....	Nation.....	Local, nation.....	Little
City and county government buildings.....	Local.....	Local.....	Little
State government administrative bldgs.....	State.....	State, local.....	Little
United States government buildings.....	Nation.....	Nation, local.....	Little
Miscellaneous			
Cemeteries.....	Local.....	Local.....	Little
Fish hatcheries.....	State.....	State.....	Little
Indian reservations.....	State.....	State.....	Little
Reforested lands.....	State.....	State.....	Little
Property purchased with pensions.....	State.....	State.....	Much
New buildings.....	Local.....	Local.....	Much

¹ Under some conditions tax exempt property of this kind may be located outside of the jurisdiction which is responsible for the function.

fair grounds are used for a purpose that is county wide in character. It entails some expense upon the locality but is not without a distinct local benefit.

Religious

The exemption of the property of churches and the clergy as well as of societies organized for moral and mental improvement seems to be one of purely local concern and benefit. Except where some denomination takes up a disproportionate share of a municipality's taxable property, it does not appear that injustice is done.

Fraternal and Benevolent

The foregoing remarks apply with equal force to this property. The encouragement of such societies is a function entirely local. The benefit is likewise restricted.

Correctional and Charitable

One town was studied in which a considerable portion of the exempt property consisted of a correctional institution. This was the town of Charlton, in Saratoga County. An industrial school for wayward boys is carried on the assessment rolls there at \$50,000. The town is entirely rural, with no villages and only a few small hamlets. It is put practically to no expense because of the presence of the institution and, if anything, benefits by it because of its local purchases. The same thing may be said of homes for the aged, the poverty stricken, children, and veterans. Argyle, in Washington County, has a poor farm carried on the rolls at \$50,000. The farm lies three or four miles outside of the village. It serves the whole county. Supplies are purchased within the county. "It costs the town practically nothing and brings it a little trade." The local benefit in all probability more than pays for the loss in revenue, especially as the value of the unimproved land would be a very small part of the assessed value of the institution.

Curative

Practically all of the curative institutions, although of benefit to the entire surrounding county, are of more particular benefit to the municipality in which they are located. In Cambridge, Washington County, for example, the general impression was that the Mary McClellan Hospital located there was "a fine thing for the town" and that "it brings in quite a little business to the town." It serves a radius of 25 miles. Employment is offered local inhabitants.

Some question may be raised concerning the location of hospitals for tuberculosis and contagious diseases. These, however, are not as a rule found in populous sections, but are situated in sparsely settled areas where they can be of no harm to contiguous property. For example, Providence, in Saratoga County, a small town containing only 436 inhabitants, has an endowed institution for the

care of tubercular patients. The municipality has been put to little, if any, expense because of this hospital and if anything "it has been a blessing to the town."

Protective

When it comes to protective institutions the matter is not quite so clear. Of course, fire and police protection are local functions from which the benefit is primarily local, and no question arises here; but in the matter of state penitentiaries the functions and benefits are largely state matters. The local benefit is not particularly great and in some cases a definite harm may be observed in decreased property values. On the other hand, the locality is rarely put to any additional expense because of such an institution. The Great Meadows jail, located in Fort Ann, Washington County, for example, is about five or six miles outside of the village. There are only a few scattered houses near the jail. About 70 men are employed from the outside and the jail does all of its own road work, policing, etc. The inmates spend approximately \$600 a week for candy, chewing gum, etc., locally.

Defensive

Exempt property classified under the head of "defensive" offers a somewhat different situation. The armories present a peculiar problem. Theoretically, they should be classed with the state or federal functions, for these units have the primary military responsibility, but as a matter of fact, it is probably more honest to class them also under the county and local groups because they are erected to serve local social needs as well as military requirements. The benefit of an armory may, therefore, be classed as primarily local. An armory entails some local expense. It requires streets, water, sewers, and police and fire protection. It has no bearing on school costs. Military reservations, such as that at West Point, are built to serve a national need and result in a benefit to the nation primarily. However, little extra expense is caused the localities in which they are found. Indeed, it is hard to conceive how West Point could be considered as anything but a distinct asset to the locality.

Arsenals, on the other hand, have a somewhat different effect. During the war these institutions were a distinct benefit to their localities. In peace times when they are shut down their value is not so clear. The armory at Watervliet, Albany County, may be an exception. It is so located that it cuts the town in two. It employs approximately 150 men, of which possibly 50 live in the city, the others coming from neighboring towns. The particular objection in Watervliet to the loss of revenue from this government owned property is not so much due to the presence of the arsenal itself as it is to a rather special circumstance. During the war, the government purchased two pieces of adjoining property for a possible extension of the arsenal. This took off of the tax rolls about \$400,000 worth of property. Subsequently, this land

was resold to private parties for residential use. It was sold on a ten year payment plan, whereby the government retains title to the land until paid for. The result is that the community loses the revenue from this land for ten years, and at the same time has to meet school, road, fire, police, and water expenses necessitated by the residents of this property. This is obviously an unfair proposition, and has resulted in an almost unanimous opinion that "Watervliet would be a whole lot better off without the arsenal."

Public Utilities

With respect to public utilities, the situation is fairly clear. The provision of water, lighting, and sewerage systems are local functions from which the benefit is primarily local. The same thing is true of public baths and public markets. Exempting them from taxes works a hardship on no one. The erection and maintenance of bridges, docks, and ferries are county or state functions, except in New York City, but their local benefit is considerable. Moreover, although they represent a large value, the municipalities have not been deprived of any property which they formerly taxed.

Subways are found only in New York City, and do not raise any difficulty because both the function and the benefits are local in character. Canal maintenance is a state function and the benefit is state wide. Even in Waterford, Saratoga County, where the value of the canal property is exceptionally great, due to the location of the locks, it can not be said that the community suffers because of the presence of so much exempt property. The value of this property was created largely by the improvements, hence the locality lost very little in taxable value. On the other hand, the local benefit is considerable. The locks provide employment for over 100 expert lock tenders who live in the vicinity. The canal entails practically no expense to the community.

Administrative Buildings

Administrative buildings offer no particular difficulties because in general their functions as well as their benefits are local in character. The exceptions, if any, are to be found where the buildings belong to a superior political unit and are located in a small or poor city or town. The only serious case in the state of New York is Albany, in which are concentrated the buildings of the state capitol. While there has been some suggestion locally that the state properties in Albany should not be tax exempt, it can hardly be denied that the city of Albany owes not a little of its growth, welfare, and prosperity to the fact that the state capitol is located there. The exempt state property does place some burden on the city for police and fire protection, and for streets. It does not add to the school burden. In return, it brings to the city a large group of comparatively well paid public servants, who live in taxpaying homes, patronize local merchants, and go to make up the community. Albany has better stores, hotels, theatres, news-

papers, and public buildings because it is the capital city. It appears, therefore, that there are substantial local benefits derived from the state administrative buildings.

Miscellaneous

Under this classification, we have such properties as cemeteries, fish hatcheries, Indian reservations, reforested lands, property purchased with pension money, and new buildings. Cemeteries are primarily local in function and in benefit. The only difficulty arises from the fact that in some places the valuation of cemetery property is exceptionally great because of the demands placed upon it by adjoining localities. In Colonie, Albany County, for example, there is a valuation of exempt property of \$578 per capita. Ninety-three per cent of this is cemetery property. This high valuation exists because the neighboring cities of Albany and Watervliet bury their dead in Colonie. While there has been some criticism with regard to the exempt status of cemeteries, it is to be noted that most cemeteries were exempted at a time when the land itself was worth very little and that the cemetery places very little burden upon the community in which it is for governmental services. It imposes no school burden, requires no fire protection, and very little police service. Streets and storm sewers are necessary, but these may be assessed against the property, as cemeteries are not generally exempt from special assessments. It would seem, therefore, that the cemeteries are not a serious exemption problem. The single exception to this rule is the frankly commercial cemetery, which is not entitled to exemption under the provisions of the tax law. These cases must be sought out by the local assessors and placed upon the tax rolls. Where a reasonable doubt exists, the property should be listed for taxation and the owners made to submit proof of their exempt status.

With the exception of "new buildings," which serve a local purpose and benefit, the remaining classes of property included under this "miscellaneous" heading exist because of state functions for which the benefit is largely state wide. It is difficult to say without making a more extensive investigation, just what the situation is in each case. However, it seems safe to surmise that the localities are put to no great additional expense because of them, and that the loss in taxes because of their presence is comparatively slight.

Few Injured Communities

From this we are led to conclude that the general situation with respect to tax exempt real property is anything but alarming. Very little substantial injustice is done the localities because of the presence of exempt institutions. The harm is usually more apparent than real. A tax assessor is apt to look with envy upon a piece of exempt property and to compare the exempt total with the taxable total. In the majority of the cases, the locality profits

measurably because of the exempt property. In some cases, it owes its entire prosperity to the exemption in question. Where there is no local benefit, some measure of relief should be given.

In our study of individual communities we have found only one in which tax exemption produces a palpable injustice. This arises from the sale by the United States government of land to private individuals on the ten-year purchase plan.

CHAPTER III

PERSONAL PROPERTY EXEMPTIONS

The situation with respect to the assessment and exemption of personal property is too familiar to need elaboration here. It is well known that, although the law requires tangible personal property, with certain specified exemptions, to be assessed at the full value thereof, only a small portion of this property is ever entered upon the tax rolls. In fact only \$265,122,506¹ worth of personal property was assessed in whole of New York State in 1925. Moreover, the percentage of personal property that escapes taxation becomes greater and greater each year. This is shown by the percentage ratio between personal property and the total assessed value of general property. This ratio has been decreasing throughout the State since about 1860. At one time it was as much as 25 per cent, now it is only 1.29 per cent. That is in 1925 for every \$100 worth of general property assessed there was only \$1.29 worth of personal property.

Inequalities and Injustice

In addition because of the different attitudes adopted by different assessors toward the assessment of personal property great injustice is done certain municipalities. Those municipalities in which an attempt is made to carry out the law in assessing personal property are penalized. They pay a larger share of the State and county taxes than neighboring municipalities in which personal property goes scot free. These inequalities are shown by the ratios of personal property to general property. In 1924 the counties had a range of from 0.03 per cent to 2.22 per cent in this. On a per capita basis the inequalities appear even greater.

Among the Counties

From Table I it can be seen that the per capita value of tangible personal property assessed for tax purposes in the different counties of New York State varies from \$0.30 to \$44.10. There are 27 counties in which this value is less than \$5 and 30 counties in which it is between \$5 and \$15. In only one case, New York City, is this value greater. In New York City it amounts to \$44.10.

Moreover, great disparity appears between counties of approximately the same size. For example, consider Cortland and Greene, two counties with approximately the same population and approximately the same real property assessment. However \$108,255 worth of personal property was assessed in Greene county and only \$8,575 in Cortland roughly one-twelfth as much. Or take two adjacent counties, Lewis and Herkimer. In 1925 Herkimer had over twice as many inhabitants as Lewis and about four times as

¹ State Equalization Table for the year 1926. For the year 1925 the State Tax Commission reports \$288,216,301 in personal property.

much real property. However, Lewis assessed more than twice as much personal property as Herkimer did.

Among the Cities

Among the cities the disparity is quite as striking. Sixteen of the 59 cities assessed no personal property at all in 1925. Seven others assessed less than a dollar per capita. On the other hand there were four with personal property in excess of \$15 per capita: Canadaigua, \$15.83; Oswego, \$18.77; Glen Cove, \$25.99; and New York City, \$44.10.

Cities of approximately the same size vary greatly in the amounts of personalty assessed. For example, Amsterdam and Auburn both have populations of approximately 35,000. Amsterdam assessed \$341,000 of personal property, while Auburn did not assess any. Again, comparing Gloversville and Cohoes, two cities of 23,000 and 22,000 inhabitants respectively, we find an assessment of \$6 per capita in Gloversville and nothing at all in Cohoes. The city of Poughkeepsie with over \$44,000,000 worth of real property did not assess a dollar's worth of personal property and the city of Rochester assessed only \$310,000, or a per capita value of personal property of 98 cents.

Among the Towns

The inequalities in different towns are quite as great as those found in cities. In Allegany county, for example, where the per capita assessed personal property for the entire county was \$12.57 in 1925, there were eight towns that failed to report any personal property at all. There were eight, however, that assessed amounts in excess of \$10 per capita.

The situation in Steuben county also reveals striking inequalities among the towns. Here, the average for the county as a whole amounted to \$3.55 per capita. However, there are thirteen towns that did not assess any personal property and only six towns where the assessment exceeded \$5 per capita. In no case in this county is the assessed personal property greater than \$11 per capita.

Many such examples can be pointed out. No relationship whatever appears to exist between the amount of personal property assessed and the population or the real property in towns, cities or counties.

Systematic Inequality

These figures are enough to indicate what has long been accepted by tax authorities, namely, that the personal property tax is not a just tax. It violates two of the primary canons of taxation, that a tax should apply with *uniformity* and *equality* throughout the jurisdiction. The personal property tax is assessed on some properties and not on others, in some towns and not in others, in some cities and not in others. There is no uniformity in this. Personal property that is assessed pays not only its share of the county and State taxes but in addition the share of the personal property that is located in municipalities where personalty escapes taxation. No equality can be seen in this situation. It puts a premium upon dishonesty and makes law-breakers of the tax assessors.

TABLE I
ASSESSMENT OF PERSONAL PROPERTY IN THE COUNTIES OF NEW
YORK STATE, 1925

COUNTY	Population	ASSESSED VALUES		Percentage ratio of personal to real property	Per capita assessed value of personal property
		Personal property (in thousands)	Real property (in millions)		
Albany.....	197,138	\$1,404	\$227	.62	\$7 10
Allegany.....	36,815	465	45	1.03	12 60
Broome.....	135,060	742	166	.45	5 50
Cattaraugus.....	73,778	429	57	.75	5 90
Cayuga.....	65,344	120	54	.22	1 80
Chautauqua.....	128,100	198	132	.15	1 60
Chemung.....	72,292	670	59	1.14	9 30
Chenango.....	35,610	245	24	1.02	6 90
Clinton.....	46,145	118	15	.79	2 60
Columbia.....	42,726	120	33	.36	2 80
Cortland.....	31,051	9	24	.04	30
Delaware.....	43,452	303	39	.78	7 00
Dutchess.....	99,028	602	101	.60	6 10
Erie.....	693,616	7,895	1,035	.76	11 40
Essex.....	32,042	202	24	.84	6 30
Franklin.....	45,915	303	25	1.21	6 60
Fulton.....	46,028	223	37	.60	4 90
Genesee.....	43,420	317	47	.67	7 30
Greene.....	28,207	108	19	.57	3 80
Hamilton.....	4,242	2	6	.03	50
Herkimer.....	66,708	151	70	.22	2 30
Jefferson.....	85,776	694	92	.75	8 10
Lewis.....	24,713	345	18	1.92	14 00
Livingston.....	39,264	425	40	1.06	10 80
Madison.....	40,807	547	30	1.82	13 40
Monroe.....	392,174	435	570	.08	1 10
Montgomery.....	61,385	423	51	.83	6 90
Nassau.....	207,640	2,612	249	1.05	12 60
New York (Greater).....	5,873,356	258,988	13,893	1.86	44 10
Niagara.....	133,437	44	217	.02	30
Oneida.....	196,486	423	205	.21	2 20
Onondaga.....	267,009	467	333	.14	1 70
Ontario.....	55,240	374	66	.56	6 80
Orange.....	125,629	1,042	151	.69	8 30
Orleans.....	30,692	53	33	.16	1 70
Oswego.....	71,404	653	54	1.21	9 10
Otsego.....	47,404	452	41	1.10	9 50
Putnam.....	12,500	77	21	.37	6 20
Rensselaer.....	118,429	32	101	.03	30
Rockland.....	56,479	21	45	.05	40
Saint Lawrence.....	91,806	688	60	1.15	7 50
Saratoga.....	65,606	136	70	.19	2 10
Schenectady.....	116,708	299	191	.16	2 60
Schoharie.....	21,565	207	18	1.15	9 60
Schuyler.....	13,456	92	13	.71	6 80
Seneca.....	25,363	174	23	.76	6 90
Steuben.....	82,175	292	57	.51	3 60

TABLE I—(Concluded)

COUNTY	Population	ASSESSED VALUES		Percentage ratio of personal property to real property	Per capita assessed value of personal property
		Personal property (in thousands)	Real property (in millions)		
Suffolk.....	143,031	\$482	\$162	.30	\$3 40
Sullivan.....	40,192	86	10	.86	2 10
Tioga.....	26,111	117	17	.69	4 50
Tompkins.....	39,559	73	40	.18	1 80
Ulster.....	83,052	164	48	.34	2 00
Warren.....	34,070	96	29	.33	2 80
Washington.....	46,661	283	26	1.09	6 10
Wayne.....	51,785	247	47	.53	4 80
Westchester.....	425,798	1,708	985	.17	4 00
Wyoming.....	30,827	187	29	.64	6 10
Yates.....	17,668	157	14	1.12	8 90

TABLE II

COUNTIES OF NEW YORK STATE CLASSIFIED ACCORDING TO PER CAPITA ASSESSED VALUE OF PERSONAL PROPERTY IN 1925

PER CAPITA AMOUNTS ASSESSED	Number of counties reporting specified amounts
\$0 to \$0 99.....	4
1 00 to 1 99.....	7
2 00 to 2 99.....	8
3 00 to 3 99.....	3
4 00 to 4 99.....	4
5 00 to 5 99.....	3
6 00 to 6 99.....	12
7 00 to 7 99.....	3
8 00 to 8 99.....	3
9 00 to 9 99.....	4
10 00 to 10 99.....	1
11 00 to 11 99.....	1
12 00 to 12 99.....	2
13 00 to 13 99.....	2
14 00 to 14 99.....	0
44 00 to 45 99.....	a1
Total number of counties.....	58

a New York city.

TABLE III
CITIES OF NEW YORK STATE CLASSIFIED ACCORDING TO PER CAPITA
ASSESSED VALUE OF PERSONAL PROPERTY IN 1925

PER CAPITA AMOUNTS ASSESSED	Number of counties in which specified amounts were assessed
\$0 to \$0 99.....	*23
1 00 to 1 99.....	2
2 00 to 2 99.....	3
3 00 to 3 99.....	5
4 00 to 4 99.....	1
5 00 to 5 99.....	6
6 00 to 6 99.....	3
7 00 to 7 99.....	3
8 00 to 8 99.....	0
9 00 to 9 99.....	5
10 00 to 10 99.....	1
11 00 to 11 99.....	1
12 00 to 12 99.....	0
13 00 to 13 99.....	2
14 00 to 14 99.....	0
15 00 and over.....	†4
Total number of cities.....	59

* 16 cities did not assess any personal property.

† Canandaigua..... \$15 83
 Oswego..... 18 77
 Glen Cove..... 25 99
 New York City..... 44 10

TABLE IV
TOWNS OF ALLEGANY COUNTY CLASSIFIED ACCORDING TO PER
CAPITA ASSESSED VALUE OF PERSONAL PROPERTY IN 1925

PER CAPITA AMOUNTS ASSESSED	Number of towns in which specified amounts were assessed
\$0 to \$0 99.....	*10
1 00 to 1 99.....	0
2 00 to 2 99.....	1
3 00 to 3 99.....	2
4 00 to 4 99.....	3
5 00 to 5 99.....	1
6 00 to 6 99.....	2
7 00 to 7 99.....	1
8 00 to 8 99.....	1
9 00 to 9 99.....	0
10 00 to 10 99.....	2
11 00 and over.....	6
Total number of towns.....	29

* 8 towns did not assess any personal property at all.

TABLE V
TOWNS OF STEUBEN COUNTY CLASSIFIED ACCORDING TO PER CAPITA
ASSESSED VALUE OF PERSONAL PROPERTY IN 1925

PER CAPITA AMOUNTS ASSESSED	Number of towns in which specified amounts were assessed
\$0 to \$0 99.....	*15
1 00 to 1 99.....	2
2 00 to 2 99.....	4
3 00 to 3 99.....	2
4 00 to 4 99.....	3
5 00 to 5 99.....	2
6 00 to 6 99.....	1
7 00 to 7 99.....	1
8 00 to 8 99.....	0
9 00 to 9 99.....	1
0 00 to 10 99.....	1
1	
Total.....	32

* 13 of these did not assess any personal property at all.

CHAPTER IV

THE PROBLEM OF TAX EXEMPT SECURITIES IN NEW YORK STATE

No form of tax exemption has aroused so much political controversy during the last six or seven years as the immunity afforded under the federal income tax law to owners of federal, state, and municipal bonds. Opposition to the exemption privilege accorded these securities has been voiced, not only by prominent individuals, but by influential groups and associations.

The problem of the tax free government bond has been presented to the public as primarily a national issue having to do with the justice and efficiency of the federal income tax. New York State has a vital interest in the proper determination of this national issue. Its citizens contribute more than a third of the total yield of the federal income tax, and if the exemption of income derived from government bonds is unfair, New York State is one of the chief victims of this unfairness. This circumstance, however, should not be permitted to obscure the fact that New York State has a problem in relation to tax exempt securities which concerns its own revenue system. It is this aspect of the subject which your committee proposes to consider in this chapter.

Taxability of Government Bonds Under New York Law

For the sake of convenience in designation, government bonds may be divided into four general classes, as follows: Class I, federal securities. This class may be divided into two subclasses, viz., Class I-a, securities wholly exempt from the federal income tax, and Class I-b, securities which enjoy only partial exemption. The wholly exempt securities comprise obligations of the United States issued prior to the World War, 3½ per cent liberty bonds, and securities issued under the provisions of the federal farm loan act. The partially exempt securities consist principally of liberty bonds, treasury notes, and certificates of indebtedness. Class II comprises the obligations of the state of New York, and those of its agencies, such as the Port of New York Authority. Class III comprises bonds issued by political subdivisions of New York State, viz., bonds of municipalities, towns, villages, counties, and school districts, located in New York State. Class IV comprises bonds issued by states other than New York, together with the bonds of their political subdivisions.*

Ad Valorem Taxes

There are two ways in which a bond may be taxed. It may be taxed on its capital value under some form of property levy, or it may be reached through the imposition of an income tax on the

* For amount of bonds of each class outstanding as at December 31, 1924, see Appendix I.

interest which it yields. The bonds of New York State or of any civil division thereof are specifically exempted from property taxation under section 4 of the tax law.* The law does not state that United States securities are exempt, but this has been established in numerous judicial decisions. The element of special privilege which formerly attached to the above exemptions was nullified as far as property taxation is concerned by the passage of the state personal income tax law in 1919, when all forms of intangible personalty were removed from the field of the general property tax.† As the law now stands, no class of government bonds is subject to ad valorem taxation in New York State.‡ This exemption, however, is enjoyed in common with all other intangible personal property and requires no further discussion here.

Corporation Taxes

New York has several varieties of taxes on income. It levies a graduated tax on personal incomes. It imposes franchise taxes on business corporations, state banks, trust companies, financial corporations, and national banking associations.§ All of the above mentioned franchise taxes are measured by the amount of the corporate income and are, in effect if not in theory, taxes on income. To what extent do these taxes reach interest income derived from government securities?

As regards taxes measured by corporate income, government bonds enjoy no exemption whatever under the New York law. Thus, the definition of taxable income applicable to the franchise tax on business corporations provides that "the term entire net income means the total net income received on stocks and all interest received from federal, state, municipal, and other bonds."¶ Similarly, the law providing for the franchise taxes on state banks, trust companies, financial corporations, and national banking associations specifies that gross income shall include "all interest received from federal, state, municipal, or other bonds."|| The practice of the state government in refusing to exclude, from taxable corporate income, interest received from government bonds is in striking contrast to the practice of the federal government. In determining taxable income for the purpose of the federal income tax on corporations, interest received on all four classes of government bonds previously enumerated is exempt.

Credit for Purchase of State Bonds

Although corporations must include in their taxable income for state purposes all interest received from government bonds, nevertheless, corporate ownership of certain limited issues of New York State bonds carries with it a definite tax privilege. Section 190

* Tax Law, Sec. 4, subd. 6.

† Tax Law, Sec. 352.

‡ Tax Law, Sec. 4-a, Laws 1926, Chap. 286. See also Tax Law, Sec. 205, as amended by Chap. 286, Laws 1926.

§ Tax Law, Arts. 9-A, 9-B and 9-C. Laws 1926, Chap. 286.

¶ Laws 1926, Chap. 286, sec. 33.

|| Laws 1926, Chap. 286, Secs. 219-y and 219 w. w.

of the tax law, as amended by chapter 286 of the Laws of 1926, provides in effect that insurance companies, savings banks, business corporations, state banks, trust companies, financial corporations, and national banking associations, owning New York State securities upon which the interest rate does not exceed 3 per cent shall be allowed an annual credit equal to 1 per cent of the par value of such bonds, to be applied against franchise taxes payable by such corporations to the state.

The original purpose of this somewhat unusual provision was to facilitate the sale of certain issues of state bonds which had been authorized on the basis of a 3 per cent interest rate, but which were not marketable at that rate. In order to circumvent the legal restriction which forbade the bonds being sold at a discount, the interest rate was in effect raised to 4 per cent by the device of the tax credit. The constitutionality of this particular device has never been put to a test. There are outstanding at the present time \$21,000,000 of 3 per cent state bonds, none of which becomes due before January 1, 1956.* Presumably most of these bonds are held by corporations entitled to claim the credit.

The Personal Income Tax

The federal income tax law, applicable to individual incomes, exempts from taxation interest derived from all classes of government bonds enumerated at the beginning of this section, with the exception of Class I-b securities, which are free from the normal tax but enjoy only a limited exemption from the surtaxes. The exemptions allowed under the New York State personal income tax law are not quite so comprehensive. Interest received from federal securities, including farm loan bonds, and interest received from bonds of the state of New York and its political subdivisions is exempt from state taxation. On the other hand, interest derived from the bonds of states other than New York or from bonds of the subdivisions of such states is taxable.†

Taxable Status Summarized

The taxable status of government bonds under the New York State tax laws may be summarized as follows: in common with all other classes of intangible personalty, they are exempt from both state and local ad valorem taxation. Interest received from government bonds by corporations subject to a franchise tax based on corporate income must be included in the tax return on the same basis as interest received from any other source. It is only under the personal income tax law that interest from government securities is accorded any exemption, and this privilege is limited to interest from federal securities, bonds of New York State and the bonds of subdivisions of the State. In other words, the only tax exempt securities under the New York State tax laws are federal bonds, bonds of New York State, and bonds of subdivisions of New York State, where such bonds are owned by private individuals or by partnerships.

* Figures obtained from office of state comptroller.

† Tax Law, Art. 16, Sec. 359.

The Cost of Tax Exempt Securities to New York State

By approximately how much is the yield of the state personal income tax reduced through the exemption of interest received from federal, state and local bonds? In order to answer this question it is necessary first of all to obtain an estimate of the total volume of exempt bonds owned by taxable individuals and partnerships in New York State, together with the aggregate amount of interest received from such bonds. Secondly, since the New York State income tax is graduated, it is necessary to ascertain the respective amounts of exempt interest applicable to the various income brackets.

Accurate Estimate Impossible

This task is by no means simple. It is easy enough to obtain the aggregate amount of the various classes of government bonds outstanding. The owners of these bonds, however, are scattered over the entire United States as well as abroad. They include not only taxable individuals, but those whose incomes are below the exemption limit. Moreover, a large proportion of government bonds are owned by corporations, and, as has been seen, interest from government bonds owned by corporations is not exempt from taxation in New York State. Other large blocks of government securities are held in public investment and trust funds or are owned by nontaxable organizations such as educational institutions, labor unions, building and loan associations, religious foundations, and charitable institutions. Very little information is available concerning the respective amounts of bonds held by these several classes of owners. Moreover, even where such information is available, it has significance for only a limited period of time. In view of the above considerations, it will be readily appreciated that, at best, it is possible to make only a rough estimate of the revenue loss incident to tax exempt securities in New York State.

The methods used by the committee in arriving at the estimates given in the present report are explained in Appendix II. It is sufficient to state here that these estimates are based chiefly on data relative to government securities owned and tax free interest received, as compiled by the United States treasury department from federal income tax returns.* They refer to the calendar year 1924, which is the latest year for which published information is available. Table I presents the final results of the detailed calculations found in Appendix II. It shows by income classes the estimated volume of government bonds exempt from the New York State income tax, the corresponding amounts of tax exempt interest and the resulting gross loss of revenue to the State.

Present Cost of Exemption

It will be noted that there are estimated to be nearly two and one-third billion dollars of tax exempt securities in New York State. Somewhat more than a quarter of these securities comprise issues of New York State and its subordinate political units.

* Treasury Department, United States Internal Revenue, *Statistics of Income from Returns for 1924*, pp. 12 and 337.

TABLE I
ESTIMATED VOLUME OF GOVERNMENT SECURITIES EXEMPT FROM
NEW YORK STATE INCOME TAX, AMOUNT OF EXEMPT INTEREST
AND RESULTING LOSS OF REVENUE, CALENDAR YEAR 1924¹

TYPE OF BOND	INCOME CLASS			Total
	\$2,500 to \$10,000	\$10,000 to \$50,000	\$50,000 and over	
(000 omitted)				
VOLUME OF EXEMPT SECURITIES				
Federal bonds.....	\$291,222	\$519,905	\$880,410	\$1,691,537
New York State and subdivisions	36,858	147,431	430,006	614,295
Total.....	\$328,080	\$667,336	\$1,310,416	\$2,305,832
AMOUNT OF EXEMPT INTEREST				
Federal bonds.....	\$10,485	\$22,534	\$37,406	\$70,425
New York State and subdivisions	1,428	5,712	16,660	23,800
Total.....	\$11,913	\$28,246	\$54,066	\$94,225
ESTIMATED LOSS OF REVENUE				
Federal bonds.....	\$104	\$450	\$1,122	\$1,676
New York State and subdivisions	14	114	500	628
Total.....	\$118	\$564	\$1,622	\$2,304

¹ For derivation of these estimates, see Appendix II.

The remainder consists of federal bonds, either direct obligations of the federal government, or farm loan bonds. The total amount of interest exempt from the New York State personal income tax is in the neighborhood of \$94,000,000 per annum. This exemption is estimated to involve a gross annual revenue loss of \$2,300,000. The exemption of interest from the bonds of New York State and its subdivisions reduces the yield of the state income tax by about \$630,000 per annum. The reduction in yield, attributable to the exemption of interest on federal bonds is estimated to be about \$1,670,000 per annum. It will be noted that more than half of the aggregate volume of tax exempt securities owned by residents of New York State are held by individuals with incomes of \$50,000 or more.

Future Cost More Significant

The figures just given relative to the apparent loss of state revenue in respect of tax exempt securities outstanding at the present time, have significance merely as showing what a policy of tax exemption may ultimately involve. If any damage has been done, it is irremediable as regards existing issues of tax exempt

bonds, since it would probably involve a breach of contract to attempt to tax them at the present juncture.* If the state is to change its policy, such a change can be made effective only in respect of future issues of bonds. It is, therefore, important to obtain some idea of how much is likely to be gained through the withdrawal of the exemption privilege as regards future security issues.

It is obvious that such a measure would not be productive of much immediate revenue. How much time would have to elapse before any considerable revenue could be realized would depend entirely upon the volume of new governmental financing. Barring unforeseen eventualities, such as another war, the general tendency in federal finance during the next decade will be for a reduction rather than for an expansion of indebtedness. Probably the only new federal issues which can be counted on with any degree of certainty are federal farm loan bonds. The indebtedness of the state and its subordinate political units, however, is expanding rapidly. At the rate at which state and municipal bonds have been authorized and marketed during the last six years, it is estimated that in ten years' time a volume of new securities will have been issued equal in amount to the issues outstanding in December 1924.†

Probable Yield of Tax on Exempt Interest

Appendix IV sets forth the details of an estimate of the probable annual yield obtainable in the tenth year after the enactment of a measure extending the state personal income tax law to cover interest received from future issues of federal bonds, the bonds of New York State and of its minor political divisions. This estimate assumes the continuance of the personal exemptions, and of the rates of tax applicable to income received during the calendar year 1926. In respect of the bonds of New York State and its subdivisions, it is calculated that the annual yield in the tenth year would in round numbers amount to about \$600,000. In respect of new federal issues, which it is assumed would be confined largely to farm loan bonds, the yield in the tenth year would be about \$150,000. The withdrawal of the exemption privilege as regards future issues of government bonds could, therefore, be expected to increase the gross annual revenue of the State by about \$750,000, within a period of ten years. This is, of course, not the maximum yield which might ultimately be expected, but merely the probable yield in the tenth year.

The Issues Raised by the Tax Exempt Bond

Why has interest from federal bonds and from the bonds of New York State and its subdivisions been made exempt from the operations of the state income tax law? So far as federal securities

* Hoffman and Wood, *Taxation of Federal, State and Municipal Bonds*, pp. 19 and 27.

† See Appendix IV.

are concerned, the answer is simple. Very early in the history of the country, the Supreme Court, speaking through Justice Marshall, held that the state governments have no right to tax any of the constitutional means employed by the federal government in executing its constitutional powers.* On these grounds, the court ruled in the case of *Weston vs. Charleston*† that an ordinance of the city of Charleston, South Carolina, attempting to tax stock of the United States was unconstitutional. This decision has served as a precedent both for federal and state courts. It is generally believed, therefore, that a special constitutional amendment would be required to enable state governments to tax federal securities.

In Defense of the Tax Exempt Bond

There are no constitutional restrictions to prevent the state from taxing its own securities and those of its subordinate political units. The justification for exempting these latter classes of securities is based on fiscal and economic grounds. The owner of a tax free bond, it is held, is only nominally exempt from taxation. Actually he pays full value for his exemption privilege by accepting a lower rate of interest. In other words, he buys himself free of all future tax liability in respect of his bond by compounding with the government for a lump sum which is added to the purchase price of the bond. The government, then, does not lose by exempting its securities, since what it sacrifices in diminished tax revenues is balanced by a corresponding reduction of interest charges.

This theory, if valid, serves to explain why a state should refrain from taxing its own obligations. It does not explain, however, why the obligations of the political subdivisions of the state should be exempt from state taxation. The basic reason for exemption probably goes back to the idea of sovereignty and the argument that municipalities being creatures of the state should be granted the same exemptions which the state would avail itself of. Then, too, in the days of the general property tax, it may have appeared much more noble to exempt the public bonds than to wink at their inevitable evasion of taxes along with other intangibles. As far as New York is concerned, the exemption of local securities from the state income tax may be justified further by the fact that the localities share equally with the state in the proceeds of the tax. Since the localities must bear half of any loss of revenue incident to tax exempt bonds, it would seem proper that they receive a like share of any benefits which may accrue in the shape of lowered interest charges. As a matter of fact, if the exemption of state and local bonds actually does have the effect of reducing interest rates, it is evident that the localities receive more than half of the resultant savings. Each issuing government benefits by the saving in proportion to the aggregate amount of securities it has outstanding. Of the total volume of securities issued by the New York State and its political divisions, the direct obligations of

* *McCulloch vs. Maryland*, 4 Wheaton (United States) 316.

† 2 Peters (United States) 449.

the state government comprise only about 11 per cent.* The state government, then, bears half of the loss incident to tax exempt bonds but shares to the extent of only 11 per cent in the supposed savings. It is thus evident that the localities make some gain at the expense of state revenues.

A saving in interest costs by local issuing governments, even if obtained at the expense of the central taxing power, is defended by the advocates of tax exempt bonds as a legitimate and desirable form of subsidy. Subsidies or grants in aid made by a central government to its constituent political units, have long been an established feature of American fiscal practice. New York State, for instance, distributes many millions of dollars annually for the support of local education and for the construction and improvement of local highways.

The exemption of local securities from state taxation, it is held, constitutes an indirect subsidy to the projects which the securities are intended to finance. Education and highways are among the most important of these projects and in view of the large direct grants which the state makes for those two purposes, it is argued that no valid objection can be raised to the very small indirect subsidy which tax exemption entails. The same argument may be invoked to defend the exemption from taxation accorded the bonds of governmental corporations such as the Port of New York Authority. Since a direct grant of state funds to this organization is considered legitimate, the indirect grant resulting from tax exemption must be considered equally proper.

Alleged Evils of Tax Exemption

Tax exempt bonds have been a political and economic storm center for the last half dozen years at least. Much partisan propaganda has come forth during that time, especially from the side of those who wish the tax exemption feature discontinued. It is not, therefore, intended to make an exhaustive review of all the arguments which have at various times been urged against the tax free bond. Some of these arguments are of a trivial character. Attention will be limited to the considerations which are important from the point of view of New York State.

One of the main charges brought against the tax free bonds is that they cause a net loss of revenue to the taxing government. No conclusive proof has ever been brought forward, it is said, that tax exemption raises the issue price of a bond to the point where the resulting reduction in annual interest charges offset the annual loss of taxes.

A more serious charge against tax exempt securities is that they violate accepted canons of equitable taxation. Unless the value of the exemption privilege is fully capitalized, holders of government bonds, it is claimed, escape their fair share of the burden of supporting the state. Under a progressive income tax, this unfairness persists even though the state gains in lowered interest rates

* See Appendix II, Table D.

as much as it loses in sacrificed taxes. If the supposed reduction in the yield of tax exempt securities be considered as the equivalent of a tax, the wealthy investor, who would otherwise be subject to a surtax, pays at no higher rate than the man of small means who buys the same kind of bonds. Wealthy individuals who happen to be in the fortunate position of being able to transfer their wealth into tax exempt securities may thus escape the surtaxes altogether, which is manifestly unfair, not only to other wealthy individuals who cannot escape the surtaxes, but to individuals of small means who bear a heavier burden because the progressive principle has been partially undermined.

The final argument brought against tax free securities is that they increase the difficulties of corporate financing and force private business enterprises to pay higher rates for capital than would otherwise be necessary. Under the present federal income tax rates, a 4 per cent tax free municipal bond is, from the point of view of the individual with an income of \$60,000 per annum, equivalent as regards net return to a corporate issue yielding 5 per cent. This attractiveness to the large investor, it is alleged, gives the tax free bond an unfair competitive advantage in the investment market and tends to cause an uneconomic distribution of capital. Productive private enterprises, it is claimed, find it relatively difficult to secure needed funds for expansion. On the other hand, the ease with which state and municipal bonds can be marketed is said to be an incentive to governmental extravagance. A variation of this argument is that tax exempt bonds foster state socialism since they facilitate the transfer of public utilities to public ownership.

History of Contest over Tax Exempts

The history of recent agitation to abolish tax exempt bonds centers largely around efforts to secure an amendment to the constitution which would permit the federal government to tax income derived from state and municipal securities and would give to the states reciprocal powers in the matter of taxing federal securities. This agitation was motivated principally with a view to removing certain abuses believed to be associated with the federal income tax. Since, however, the complete abolition of tax exempt securities in New York State depends upon the adoption of a constitutional amendment similar to the one proposed, the history of former efforts in this direction are worth some consideration.

The first opposition to tax exempt securities developed in connection with the floatation of large issues of federal farm loan bonds in 1919. The Farm Mortgage Bankers Association at once commenced an active publicity campaign against the exemption privilege accorded these bonds. In 1920 the United States Chamber of Commerce adopted a resolution opposing future issues of tax exempt securities by the federal government.

All through 1920 and 1921 the cost of new capital for financing public utility enterprises was exceedingly high. The yield on

many street railway bonds, for instance, advanced to as much as 9½ per cent.* The average yield of representative municipal bonds on the other hand, was around 5 per cent and these bonds were apparently being marketed in unprecedented quantities.† The volume of new state and municipal issues sold in 1921 totaled nearly \$1,400,000,000, which represented an increase of approximately \$600,000,000 over the issues of the previous year.‡ The above facts lent some color to the view that tax exempt securities were increasing the difficulties of corporate financing and seem to have been instrumental in bringing various public utility associations into the field against the continuance of the exemption privilege.

Much of the antagonism against tax free bonds, however, came from more disinterested sources. For instance, both the National Tax Association and the New York State Tax Association placed themselves on record as opposed to this form of tax immunity. Secretary of the Treasury Glass, as well as Secretary Houston deprecated the growth of tax exempt bonds in their annual reports. Secretary Mellon, as is well known, was exceedingly active in his efforts to remove what he regarded as a menace to the revenues of the federal government.

Proposed Constitutional Amendment

In March, 1922, the congressional ways and means committee held hearings on resolutions proposing amendments to the Constitution to do away with tax exemption. The New York State Joint Committee on Taxation was represented at these hearings by Professor E. R. A. Seligman who presented a comprehensive argument in favor of the amendment. Other organizations whose representatives urged its adoption were the Farm Mortgage Bankers Association of America, the National Association of Real Estate Boards, the United Gas Improvement Company, the American Mining Congress, the National Tax Association, the American Farm Bureau Federation, and the United States treasury department. The outcome of the hearings was the introduction of House Joint Resolution No. 314, which read as follows:

“Section 1. The United States shall have power to lay and collect taxes on income derived from securities issued, after the ratification of this article, by or under the authority of any state, but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the ratification of this article, by or under the authority of the United States or any other state.

“Section 2. Each state shall have power to lay and collect taxes on income derived by its residents from securities issued,

* Moody's *Analyses of Investments, Public Utility Securities*, 1926, p. xliii.

† Average market yield of bonds of twenty large cities compiled by *The Bond Buyer*.

‡ See Appendix IV.

after the ratification of this article, by or under the authority of the United States, but without discrimination against income derived from such securities and in favor of income derived from securities issued, after the ratification of this article, by or under the authority of such state."

The above resolution passed the house in January, 1923, but at the hearings held before a subcommittee of the senate committee on the judiciary strong opposition developed. The measure was never reported back to the senate, although memorials urging its passage were submitted by the legislatures of eight states.

Why the Amendment Failed

The argument which seems to have had most weight in killing this particular amendment deserves careful consideration. It was urged that although the proposed article gave the federal government no greater powers in the matter of taxing securities than was accorded to the states, nevertheless, its actual effect would be to give an advantage to the federal government without a corresponding benefit to the states.*

The amendment applied only to the taxation of income. A majority of states did not have income taxes. Even where states did levy taxes on income, the rates of the federal tax were far higher than it would ever be expedient to incorporate in a state law. The amendment, then, gave the federal government the right to levy high taxes on income derived from state and local issues without affording the states an opportunity of exercising their reciprocal right of imposing equally high taxes on federal securities.

Moreover, the amendment applied only to future security issues. The large volume of federal war obligations was excluded. Barring the improbable contingency of another great war, future issues of state and local bonds would be far greater in volume than the amount of future federal issues.† The proposed amendment thus opened up to the federal government a new field of taxation which promised to become far more lucrative than the one opened up to the states.

If the exemption of state and municipal bonds from the federal income tax was exercising any effect at all in lowering the rate of interest on governmental loans, the states and municipalities were receiving an indirect subsidy from the federal government under the law as it stood. The amendment proposed to withdraw this subsidy and the amount, if any, which local governments might gain by taxing federal securities would not be sufficient to compensate them for this loss. In what follows further consideration will be given to this argument with particular reference to its bearing upon the situation in New York State.

* Hardy, *Tax Exempt Securities and the Surtax*, p. 141.

† See Appendix IV.

TABLE II

ESTIMATED LOSS TO VARIOUS TAXING AGENCIES AS A RESULT OF EXEMPTION OF SPECIFIED CLASSES OF SECURITIES, CALENDAR YEAR 1924¹

TAXING AGENCY	Total loss	ON SECURITIES OF NEW YORK STATE AND SUBDIVISIONS			On Federal securities
		Total	State	Local	
New York State.....	\$1,152,000	\$314,000	\$35,000	\$279,000	\$838,000
Subdivisions of New York.....	1,152,000	314,000	35,000	279,000	838,000
Total New York and subdivisions.....	\$2,304,000	\$628,000	\$70,000	\$558,000	\$1,676,000
Federal government.....	11,340,000	11,340,000	1,247,000	10,093,000	.....
Total.....	.....	\$11,968,000	\$1,317,000	\$10,651,000	\$1,676,000

¹ For source of these estimates, see Appendices II and III.

TABLE III

ESTIMATED ANNUAL GAIN TO VARIOUS TAXING AGENCIES IN TENTH YEAR AFTER ENACTMENT OF MEASURE PERMITTING TAXATION OF NEW ISSUES OF GOVERNMENT SECURITIES¹

TAXING AGENCY	Total gain	ON SECURITIES OF NEW YORK STATE AND SUBDIVISIONS			On Federal securities
		Total	State	Local	
New York State.....	\$375,000	\$300,000	\$33,000	\$267,000	\$75,000
Subdivisions of New York.....	375,000	300,000	33,000	267,000	75,000
Total New York and subdivisions.....	\$750,000	\$600,000	\$66,000	\$534,000	\$150,000
Federal government.....	8,000,000	8,000,000	880,000	7,120,000	.....
Total.....	.....	\$8,600,000	\$946,000	\$7,654,000	\$150,000

¹ For basis of these estimates, see Appendix IV.

The Subsidy Argument

If it is assumed that what a taxing agency loses through the exemption of government bonds is regained by the issuing government in the form of reduced interest charges, then tax exemption may be regarded as a system of mutual subsidies. The federal government subsidizes New York State and its local political units in exempting state and local bonds from federal taxation. The state of New York and its subdivisions subsidize the federal government in refraining from subjecting federal issues to the state income tax. Finally, the state government in bearing half of the revenue loss incident to the exemption of state and local bonds, while receiving only 11 per cent of the benefits of this exemption, gives a small subsidy to its local political units. What is the net balance of gain or loss as the result of this system of mutual subsidies?

Quantitative data bearing on this question are presented in Table II, which shows the estimated revenue loss suffered by each taxing agency in 1924, distributed according to the class of securities to which the loss applies. The underlying calculations upon which these estimates are based are to be found in Appendices II and III. The only figure which requires explanation here is the estimated loss of the federal government on account of the exemption of New York State and local securities from the federal income tax. As at December 31, 1924, the securities of New York State and its subdivisions comprised 18 per cent of the total value of all state and local securities outstanding in the United States as a whole.* Calculations given in Appendix III indicate that the total amount of revenue lost by the federal government in 1924 in respect of all state and local securities was approximately \$63,000,000. The loss attributable to the securities of New York State and its subdivisions has, therefore, been assumed to be 18 per cent of that sum, or \$11,340,000.

Gains versus Losses

It has by no means been established that issuing governments gain as much, through the exemption of their securities from taxation, as the taxing governments lose thereby, but this may be temporarily assumed for the purpose of gaining a clearer understanding of the possible gains and losses involved. Keeping this assumption in mind, it will be seen that the state government suffered a gross loss of \$1,152,000 in 1924 through the exemptions allowed government bonds under the state income tax law. On the other hand, its possible gain in lowered interest costs, through the exemption of its own securities from taxation, was about \$1,317,000. Most of this gain was at the expense of the federal government. Tax exemption, therefore, involved a slight profit to the state government in 1924. The subdivision of New York State likewise lost \$1,152,000 as a result of the reduction in yield of the state income tax attributable to tax exemption. Their possible gains in lowered interest costs, principally at the expense of the

* See Appendix I.

federal government, amounted, however, to over \$10,651,000. If the local governments actually gained what the federal government lost, it will be seen that they profited hugely by tax exemption. The combined loss of New York State and its subdivisions was \$2,304,000. The total possible gain through reduction of interest charges was \$11,968,000, of which \$11,340,000 represented a subsidy from the federal government.

Future Probabilities

The figures given in Table II have only a historical significance. It is more important to know what the probable balance of gains and losses would be after the adoption of a constitutional amendment giving the federal government on the one hand, and the state governments on the other, the reciprocal right to tax the securities of the other. Table III presents estimates of the probable annual gains and losses in the tenth year after such an amendment became effective. It will be seen that the state government would probably gain about \$375,000 per annum as a result of the increased yield of the state income tax. On the other hand the federal government and local governments in New York State would be in a position to collect \$946,000 in taxes on income derived from state bonds. All of this latter amount might possibly have to be borne by the state in the form of higher interest charges. The state government would thus stand to lose far more than it gained through the abolition of tax exempt securities by a constitutional amendment.

The local governments of New York State would likewise gain \$375,000 per annum as their share in the increased yield of the state income tax. State and federal taxes on income derived from local bond issues, however, would amount to the much larger sum of \$7,654,000. The entire amount of this tax might be shifted to the local governments through raising the interest rate on their borrowings, but even if only a small fraction should be shifted, the abolition of tax exemption by constitutional amendment would prove unprofitable to the local governments of New York State.

As has already been pointed out, the proposed constitutional amendment is not necessary in order to permit the withdrawal of the exemption now given the securities of New York State and its subdivisions under its own state income tax law. What would be the balance of gains and losses should this particular exemption be abolished? It will be seen from Table III that in the tenth year after the enactment of such a measure, the state government would gain about \$300,000 per annum, with the possibility of losing about \$66,000 per annum through higher interest costs. Local governments would also gain \$300,000 per annum as their share of the increase in yield of the state income tax. Their loss through a rise of interest rates, however, might possibly amount to \$534,000. The withdrawal of the exemption given bonds of New York State and its subdivisions under the New York State income tax law would, therefore, prove profitable for the state but unprofitable for the localities.

Amendment Apparently Unprofitable

The figures just given seem to show conclusively that the state and its local political units would lose more than they gained through the abolition of tax exempt securities by federal constitutional amendment. They also seem to show that local governments in New York State would lose out if there were a withdrawal of the exemption privilege now given state and municipal bonds under the state income tax law. In these computations it has been assumed that the entire amount of taxes collected from income derived from government bonds will be shifted to the issuing government through a rise of interest rates. However, even if only a fraction of the taxes are shifted, the conclusions will still hold, owing to the fact that the extinction of tax exempt bonds will, in general, open up a broader field of taxation to central governments than it will to localities. The adoption of the proposed constitutional amendment would, after the lapse of ten years, enable the federal government to collect about \$8,000,000 in taxes on income derived from the bonds of New York State and its subdivisions. New York State and its local political units, on the other hand, could collect only \$150,000 in respect of federal securities. If, without waiting for a constitutional amendment, the state undertook to abolish the exemption accorded bonds of New York State and its subdivisions under the state income tax law, it could collect about \$267,000 in taxes on local bond issues. All that the localities could collect in respect of state bond issues would amount to \$33,000. These latter figures are perhaps too trivial to amount to much either way, but the apparent loss involved in allowing federal government to tax the bonds of New York State and its subdivisions is considerable.

Direct Subsidy Not Precluded

If federal, state, and local governments are considered as separate entities, apart from the taxpayers who support them, it is difficult to escape the conclusion that the abolition of tax exempt securities by constitutional amendment would prove unprofitable to New York State and its local political units. The reason for this lies in the fact that the proposed amendment would withdraw a subsidy of considerable value which the states and localities now enjoy at the expense of the federal government. The reduction in the yield of the federal income tax in 1924, by virtue of the exemption of income derived from state and municipal bonds is estimated to have amounted to \$63,000,000.* Even if only a part of this sum inured to the benefit of state and local governments in the form of a reduction of interest costs, the subsidy involved would be important.

If tax exempt securities actually involve the evils ascribed to them, however, there is no reason why they should be tolerated merely for the purpose of continuing an indirect federal subsidy

* Appendix III.

which the states are unwilling to surrender. If opposition could be overcome in no other way, the proposed constitutional amendment might very well be linked with a provision whereby the federal government would undertake to return to the states in the form of a direct subsidy the entire amount of its tax collections in respect of income derived from state and municipal bonds. Under the method of subsidizing through tax exemption, it is not at all clear that the states and municipalities actually receive all that the subsidy costs the federal taxpayers. Unless the tax exemption privilege is fully capitalized, a part of the subsidy will inure to the benefit of private individuals. The withdrawal of the exemption privilege and the substitution of a direct subsidy would effectively eliminate this possibility.

What would be the effect of applying the direct subsidy idea to the problem of tax exempt securities as presented under the New York State income tax law? It will be seen from Table III that if the New York law were amended so as to withdraw the exemption privilege as regards future issues of state and local securities, the excess of the amount the state collected on local bonds over the amount the localities collected on state bonds would be about \$230,000, at the expiration of ten years. The state might refund this sum to the localities, but in view of the millions of dollars it is already granting them in the form of state aid for education and highways, such a proposal appears superfluous.

Effect Upon Individual Taxpayers

In the final analysis, it is important to know not how tax exemption affects governments but how it affects the taxpayers. The citizens of New York State have an interest in the question of tax exemption in three different capacities, namely, as local taxpayers, as federal taxpayers, and as owners of tax exempt bonds. If the revenue which the federal government loses as a result of the exemption of state and local securities from the income tax is in fact a subsidy which inures to the benefit of local government through a reduction of interest costs, it follows that the citizens of the state benefit from the exemption in their capacity of local taxpayers. As holders of state and local securities, however, they contribute their share of the cost of the subsidy by accepting a lower rate of interest on their money. Whether or not the citizens of the state receive any net advantage from exemption depends, therefore, upon whether New York's share of the benefits flowing from this policy exceeds her share of its costs.

On the basis of the ratio of its state and local obligations outstanding to the corresponding total for the country at large, New York's participation in the aggregate subsidy involved in the exemption of state and municipal securities from the federal income tax amounts approximately to 18 per cent.* Assuming that the revenue lost by the federal government is fully offset by a reduction in state and municipal bond yields, New York's contribution

* Appendix I.

to the cost of the subsidy is represented by the ratio of the total volume of state and local securities owned by residents of the state to the total volume owned in the country at large. In the absence of full data relative to the ownership of state and municipal securities by individuals and corporations in New York State, it is impossible to state the exact value of this ratio. Table A of Appendix II, however, indicates that 32 per cent of the total amount of state and local bonds owned by taxable individuals is held in New York State. No adequate information is available relative to the holdings of New York corporations. The taxable income of New York corporations in 1924, however, represented 28 per cent of the corresponding total for the entire country.* It is, therefore, safe to conclude that the total holdings of state and municipal securities in New York State amount to at least 25 per cent of the total for the country at large. It is probable, then, that New York citizens, in their capacity of tax exempt bondholders bear at least 25 per cent of the cost of the subsidy involved in the exemption of state and municipal securities from federal taxation. As local taxpayers, on the other hand, they receive only 18 per cent of the benefits of this subsidy. They make a net contribution, therefore, of 7 per cent of the subsidy's cost.

It does not necessarily follow from this that the citizenship of the state would be benefited by the passage of a constitutional amendment doing away with the exemption privilege. On the basis of existing rates, the proposed constitutional amendment would, within ten years, increase the annual yield of the federal income tax by some \$45,000,000.† Holders of state and local bonds domiciled in New York State would contribute approximately 33 per cent of this additional revenue in the form of income tax on their hitherto exempt holdings.‡ In order to arrive at the net effect of the abolition of the tax exemption privilege, however, other factors would have to be considered.

Drawing up a balance of all the possible gains and losses, it will be seen in the first place that, in their capacity of local taxpayers, New York citizens would lose 18 per cent of the \$45,000,000 in question. This represents New York's share of the federal subsidy which the abolition of the exemption privilege would withdraw. In addition to this, holders of state and local bonds domi-

* *Statistics of Income, 1924.*

† Appendix IV.

‡ Estimated yield of federal income tax on interest derived from future issues of state and local bonds owned by individuals and partnerships domiciled in New York State, obtained by applying percentages given in second column of Table A, Appendix II, to tax yields given in last column of Table G, Appendix IV. Estimated yield of federal income tax on interest derived from future issues of state and local bonds owned by corporations domiciled in New York State based on assumption that New York corporations would contribute the same proportion of the tax on interest from state and local bonds as they now contribute to the aggregate yield of the corporation tax. As indicated above, this proportion is approximately 28 per cent. An estimate of the yield for the entire United States of a tax on future issues of state and local bonds owned by taxable corporations is given in Appendix IV.

ciled in New York would lose 33 per cent of the \$45,000,000 which represents the income tax they would have to pay on their hitherto exempt holdings. On the other hand, New York investors would gain 25 per cent of the \$45,000,000 in the shape of a higher rate of yield on their bonds. Adding up the gains and losses, it will be seen that the citizens of the state would contribute 26 per cent of the \$45,000,000 increase in federal revenues. Under the present system, the citizens of the state make a net contribution of only 7 per cent of the subsidy involved in tax exemption. It would thus appear that the abolition of tax free bonds would reduce the aggregate private income of the residents of the state by an amount equal to 19 per cent of the additional revenue gained by the federal government.

There is, however, one further factor to be considered. The additional federal revenue of \$45,000,000 would be available for redistribution to the taxpayers in the form of a reduction in federal tax rates. Along with the other states of the union, New York would share in the benefits of such a reduction. Just how much of the possible reduction would be apportioned to federal taxpayers resident in the state, would depend of course upon what taxes congress decided to cut and, as regards the personal income tax, upon the manner in which the cuts were distributed over the various income brackets. The figures cited above indicate that the citizens of the state would have to receive 19 per cent of the total tax reduction in order to remain as well off as under the present system of exemption. Whether they would actually receive as much as this would depend entirely upon congressional action. It is worth noting in this connection, however, that internal revenue collections in New York State during the fiscal year ended June 30, 1926, amounted to about 26 per cent of the total collections for the country at large.* The abolition of the tax exemption privilege accompanied by a prorata scaling down of all internal revenue taxes would thus result in a net gain to the citizens of New York State.

All of the above calculations are based on the assumption implicit in the subsidy argument, namely, that the revenue lost through tax exemption is fully offset by a reduction in the effective rates of interest paid by borrowing governments. If any considerable part of the sacrificed revenue inures to the benefit of individual bondholders, the conclusion just stated does not of course apply. If tax exemption has no effect whatever upon government bond yields, it is clear that New York State would have to receive 33 per cent of any federal tax cut in order to remain as well off as under the present system of exemption.

Summary

The present section, which has necessarily been somewhat statistical, may now be summarized as follows. Considering New York State and its subordinate political units as governments with inter-

* Report of Commissioner of Internal Revenue, 1926.

ests separate and apart from those of the taxpayers, it appears that these governments would lose more than they gained through the adoption of a constitutional amendment doing away with tax free bonds. The proposed amendment would withdraw an indirect subsidy of considerable value which the states and localities now enjoy at the expense of the federal government. This indirect subsidy could, however, be replaced by a direct subsidy were the need sufficiently urgent. The sums involved would not be large and the discontinuance of the exemption privilege would produce automatically the required revenue. From the point of view of the citizenship of the state, the abolition of the exemption privilege would not necessarily prove unprofitable. Everything would depend here upon how the resulting increase in federal revenue was distributed back to the taxpayers. If this increase were passed back in the shape of a prorata scaling down of all internal revenue taxes, the adoption of the amendment would result in a slight gain to the citizens as such.

It cannot be too strongly emphasized that all of the comparisons of hypothetical gains and losses made in the present section, as well as the conclusions which have been drawn therefrom, have been based on the assumption that all, or at least a part, of what a taxing agency loses through the exemption of governmental securities, is gained by the issuing government in the form of lower interest rates. Conversely, it has been assumed that the burden of any taxes which might be collected in respect of government securities, should the exemption privilege be withdrawn, would be shifted in whole, or at least in part, to the issuing government through a rise of interest rates. To the extent that the tax exemption has no effect on interest rates, the subsidy argument falls down completely, and every other argument used to defend tax exemptions collapses with it. The relationship existing between government bond yields and tax exemption, therefore, constitutes the crux of the problem under consideration, and in the following section an attempt will be made to cast some light on this question.

Tax Free Securities and Interest Rates

An understanding of the influence which tax exemption exercises on the issue price of bonds and hence upon the effective rate of interest, which the government pays for capital, may best be obtained by starting out with an ideal situation and then considering the effect of variations from this norm. It will accordingly be assumed that a government has a flat rate income tax of 10 per cent, applicable to all incomes from whatever source derived, and providing for no exemptions whatever. It has been definitely stipulated that the rate of tax will remain fixed at 10 per cent for at least 20 years to come. The government's credit rating is such as to permit it to market its 20 year, 4 per cent taxable bonds at exactly par. For every \$4 of interest which the government pays, it recaptures 40 cents in taxes. The net cost of money to the government is, therefore, 3.6 per cent.

The government now decides to exempt future issues of its bonds from taxation, although they are still to bear the 4 per cent interest rate. The prospective investor finds that the new tax exempt bond offers the same advantages as were afforded by the old taxable bonds and, assuming that interest rates have not changed, he will be willing to pay \$1,000 for these advantages. The new bond, however, offers an additional value. It gives the holder the right to retain the tax which, but for the exemption feature, the government would have collected. The tax exemption privilege thus gives the investor over and above the other valuable considerations for which he is willing to pay \$1,000, a terminable annuity of \$4 per year for 20 years. Since, by hypothesis, the income tax cannot vary, this terminable annuity is just as definite and certain as that the government will continue to meet its interest obligations. The investor will, therefore, capitalize it at 3.6 per cent. The present worth of an income of \$4 per year for 20 years capitalized at 3.6 per cent, is \$56. The investor will, accordingly, be willing to pay \$1,056 for the new tax exempt bond, at which price its net yield to maturity will be 3.6 per cent.

If the government sells the bond at this price, it will neither gain nor lose in consequence of having exempted it from taxation. It will have surrendered its right to collect from the bondholder \$4 per year for 20 years. The present value of this right capitalized at 3.6 per cent, the effective rate of interest paid by the government on its borrowings, is \$56. But this is exactly the amount of the premium at which the bond sells because of its exemption feature.

Effect of Uncertainty

In the supposititious case just given it was assumed that the rate of tax had been definitely fixed for the entire life of the bond. As a matter of actual experience, taxes are not fixed but are subject to fluctuation. An element of uncertainty and speculation is thus introduced. Let us, accordingly, suppose that our hypothetical buyer of a tax exempt bond is confronted by an uncertain situation as regards the future course of the income tax rate. How will he now make his valuation of the same 20 year, 4 per cent tax exempt bond?

To simplify matters it will be assumed that taxable bonds yielding the same gross income before deduction of taxes and offering the same security as to interest and principal have a market value of \$1,000. The purchaser of the tax exempt bond will receive the same valuable considerations as the purchaser of a taxable bond of the same general character, and he will be willing to pay \$1,000 for these considerations. In addition, however, he will receive the right to retain whatever taxes the government would collect were his bond taxable, and he must place some valuation upon this right. He has no certain means of forecasting the future course of the income tax rate over so long a period as 20 years. His guess, however, is that the rate will probably continue around 10 per cent. In other words, his estimate is that the tax exemption feature

of his bond will probably net him on an average about \$4 per year for 20 years. This terminable annuity, however, no longer possesses the certainty which it had under the supposition of a fixed and unvarying tax rate. It is now a highly speculative value.

In capitalizing that part of his return which corresponds to the return from an identical taxable bond, the investor uses the low interest rate of 4 per cent. He will not, however, capitalize the value of his exemption privilege at this low rate, since it is much more certain that the government will continue to meet its obligations than that the tax rate during the coming 20 years will continue around 10 per cent. Suppose the investor capitalizes his prospective tax saving at 6 per cent. At that rate his estimate of the present worth of the exemption privilege is \$46, and he will be willing to pay \$1,046 for the bond.

How will the government fare if it sells the bond at this price? In order to answer this question, we will assume that the due date of the bonds has been reached and that the investor's guess that the tax rate would average around 10 per cent has proved correct. Had the government not exempted the bond, it could have collected an annual tax of \$4 from the bondholder over a period of 20 years. With interest at 3.6 per cent these taxes would have accumulated to a sum of \$114 by the time the bond became due. The government, however, has commuted the tax for a lump sum payment of \$46, which with interest at 3.6 per cent has an accumulated value of only \$93 at the maturity of the bond. Tax exemption, therefore, has resulted in a net loss to the government at the end of 20 years of \$21 for every \$1,000 bond issued.

Suppose, however, that at the maturity of the bond, it develops that the investor's guess as to the future tax rate has been too low. In that event, the government loses not only \$21 per bond but, in addition, the difference between the actual and estimated taxes, together with the accumulated interest on this difference. Only in case the actual taxes prove to have been lower than the investor's estimate by 10 per cent or more does the government make any gain through the exemption of its bonds.

Odds Against Government

The above illustration, although entirely hypothetical, indicates clearly that the issuance of tax exempt bonds really involves a gamble on the future trend of taxes. In this gamble the odds are heavily weighted against the government and, in consequence, it is more probable that the government will lose than that it will gain as a result of granting the exemption privilege.

That the federal government has, as a matter of actual history, suffered a net loss through the policy of exempting government bonds scarcely needs demonstration. The federal income tax law was enacted in October 1913. Federal, state, and local securities issued prior to 1913 could, therefore, not have reflected in their issue price the value of exemption from a tax which was nonexistent at that time. Moreover, even after the income tax had been incorporated into the federal revenue system, it was not possible to

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envisage the World War with its resulting high income surtaxes. Securities issued prior to 1917, therefore, could scarcely have been marketed at a price sufficiently high to compensate the government for its subsequent loss of revenue. If exemption from the burden of post-war taxation has given securities issued prior to 1917, any added value, the resulting gain has inured to the holder of the bond and not to the government.

The Effect of Graduated Taxation

Under the ideal set of conditions assumed at the outset of this discussion, it was supposed that the government levied a flat rate income tax which applied uniformly to all taxpayers. No income except that derived from government bonds was exempt. Moreover, the exemption of government bonds applied to all holders of such securities. Under these conditions, the tax saving involved in the ownership of a bond was the same for everybody. The capitalized value of the saving was the same for everybody, and each investor was willing to offer the same premium in order to obtain a bond. It was thus possible to treat the whole body of investors as a single individual whose probable course of action might be forecast.

Obviously, the above assumptions do not correspond with the actual facts. A considerable proportion of the total volume of state and local securities outstanding is held by nontaxable organizations such as educational institutions, churches, labor unions, building and loan associations, and charitable institutions. To investors of this class, tax exempt securities offer no differential advantage over taxable bonds of the same gross yield and security. Another large fraction is owned by business corporations, banks, and insurance companies. Under the tax laws of New York State, these corporations are allowed no exemption in respect of income received from government bonds. To a corporate buyer, then, a bond of New York State or of one of its subdivisions is no more valuable than any other municipal bond of equal yield and security. Heads of families with incomes below \$3,500, and single persons with income below \$1,500 are exempt from both federal and state income taxes. If any of these individuals own bonds of New York State or of its subdivisions, the fact that such securities are tax exempt is of no value to them. The only class of investors to whom the tax exempt issues of New York State and its subdivisions offer any differential advantage over taxable bonds are individuals and partnerships with incomes sufficiently large to be taxable. But even in the case of these individuals, the value of the exemption privilege is not uniform.

Distribution of Holdings

Table IV presents a rough estimate of the distribution of the total volume of outstanding state and municipal securities among various types of investors, together with the annual saving in taxes possible to the members of each class through the ownership of a \$1,000, 4 per cent bond of a New York municipality. This table tends to indicate that the exemption of the securities

of New York State and its subdivisions from the state income tax confers no measurable advantage as regards to at least two-thirds of the total outstanding issues. In other words, if the exemption allowed under the state income tax law were repealed, probably only one-third of the holdings would be affected.

Considering the combined value of exemption from both federal and state income taxes, it will be seen that 18 per cent of the total volume of state and local securities outstanding are held by nontaxable organizations to whom the value of the specific exemption under consideration is exactly nothing. In respect of 19 per cent of the total volume of securities, those held by taxable corporations, the exemption is worth about \$6.24 per year per \$1,000 bond. In respect of about 33 per cent of the total which is owned by taxable individuals and partnerships, the annual value of the exemption ranges from \$.81 to \$14.54 per bond.

Theory Not Adequate

The precise effect upon the issue price of bonds of tax exemptions, which affect different portions of the demand in such widely different ways, cannot be determined on the basis of theoretical considerations. The outcome depends, on the one hand, upon how much new capital, obtainable at a lower rate than the preexisting

TABLE IV
ESTIMATED PERCENTAGE OF TOTAL VOLUME OF STATE AND LOCAL SECURITIES HELD BY VARIOUS CLASSES OF OWNERS AND ANNUAL VALUE OF EXEMPTION PRIVILEGE IN RESPECT OF A \$1,000 4 PER CENT MUNICIPAL BOND

CLASS OF HOLDER	Estimated per cent of total holdings June 30, 1923 ¹	ANNUAL VALUE OF EXEMPTION PRIVILEGE		
		Under State Tax Law 1926	Under Federal Revenue Act, 1926	Total Federal and State
Nontaxable corporations, public investment and trust funds...	18	.....	.....	.....
Taxable corporations.....	19	.....	\$6 24	\$6 24
Individuals and partnerships ²				
Individual incomes:				
\$2,500 to \$10,000.....	3	\$ 41	\$ 40 to \$1 24	\$.81 to \$1 65
10,000 to 50,000.....	10	83	1 70 to 8 80	2 53 to 9 63
50,000 to 100,000.....	6	1 24	8 80 to 12 50	10 04 to 13 74
Over 100,000.....	14	1 24	13 30	14 54
Balance, including individuals with incomes below \$2,500, foreigners, and individuals who conceal their holdings...	30	(In most cases probably nothing)		

¹ See Appendix II, Table F. The unaccounted for balance is there given as 40 per cent, but a quarter of this has been assumed to represent holdings of partnerships and individuals who did not report their holdings on their Federal tax returns.

² See Appendix II, Table A.

one, the exemptions will attract into the field. On the other hand, it depends upon how much capital already in the field is marginal at the preexisting rate and would be withdrawn if the rate were lowered. If the marginal capital is greater in volume than the amount of new low interest capital brought in, the issue price of bonds will not be affected by tax exemption. There is no means of ascertaining, however, either how much new capital tax exemption has brought into the municipal bond market, or how much capital is marginal at different interest rates. Lacking these data, the effect of tax exemption on the issue price of bonds is, from a theoretical point of view, impossible of determination.

Although it cannot be said with certainty that tax exemption has no effect on bond prices, nevertheless, it is quite evident that it enables individuals in the higher income brackets to purchase bonds at prices which fall far short of reflecting the value of the exemption privilege to them. It will be seen from Table IV that the value of the exemption to individuals receiving over \$100,000 per year is approximately \$14.54 in respect of a \$1,000, 4 per cent bond. Capitalizing this saving at 4 per cent, and assuming that the bond matures in 30 years, this means that the exemption privilege has a present worth of \$270 to the wealthiest class of investors. But that class represents only 14 per cent of the total demand for state and local securities and it is inconceivable that so small a class could impose its valuation upon the whole market. It is evident, then, that tax exempt securities enable certain wealthy individuals to escape the burden of taxes which other members of their class owning taxable investments must bear.

Defenders of the exemption privilege do not deny this effect. They maintain, however, that tax exempt securities do not result in any net loss of revenue to the government, for, although individuals in the higher income groups pay less than the exemption is worth to them, nevertheless, their bidding forces investors who get no benefit from the exemption to pay more for bonds than they would otherwise have to pay. What the government loses in surtaxes it gains in lowered interest rates which apply, not to a portion, but to the entire volume of its issues. As was indicated above, the data necessary for testing this claim from a theoretical standpoint are entirely lacking. Certain students of the question have, however, endeavored to calculate the effect which tax exemption exercises on interest rates by comparing the yield of tax exempt bonds with taxable bonds of the same general character, both before and after the exemption privilege became of value. A recent attempt of this kind, which has back of it the weight of considerable authority may be briefly outlined at this point.

Attempted Statistical Verification

Income received from foreign bonds owned by citizens of the United States is taxable under the federal income tax law. For the purpose of comparing the yields of similar taxable and tax exempt bonds, therefore, the author of the study to be described selected

19 Canadian and 19 United States bonds. Each group consisted of 12 municipal bonds and 7 state or provincial bonds. The yields to maturity of the several bonds were determined for each of four years, 1913, 1920, 1923, and 1924. Average yields were next obtained for each group by taking the arithmetic mean of the individual yields. The average yield of the taxable Canadian group of bonds was found to be consistently higher than the average yield of the tax exempt American group as shown by the following tabulation:

Year	Bond Yields, Per Cent		Excess Canada
	Canada	United States	Over United States
1913	4.25	4.28	.24
1920	7.05	4.99	2.06
1923	5.32	4.36	.96
1924	5.19	4.37	.82

The author points out that the differential between the yields was very small in 1913, that it increased very greatly between 1913 and 1920, and that after 1920 it declined, although the spread in 1924 was still several times greater than in 1913. He observes that these changes correspond so closely to changes in the rate of income tax as to confirm the hypothesis that they measure the changing value of the tax exemption.

Half of the difference shown in 1913 is then assumed to be due to the low income tax then in force. The remaining .12 points are ascribed to the market effect of difference in familiarity, sentimental preference for domestic over foreign issues, and other factors not connected with the exemption of interest from federal taxation. It is assumed that this absolute difference, imputed to other factors than taxation, remained constant during the entire period under review. The absolute reduction in interest rates attributable to the value of the exemption privilege in subsequent years is, therefore, obtained by subtracting .12 from the differentials shown for those years. On this basis the saving of interest due to tax exemption is found to be 1.94 points in 1920, .84 points in 1923, and .70 points in 1924.

The author estimates the total volume of state and local securities in the hands of private investors in 1923 at 8,632 million dollars. Applying to this figure the rate of .84 per cent, it is concluded that the amount of interest saved by the states and municipalities in 1923, as a result of tax exemption, was 73 million dollars. The amount of revenue lost to the federal government in 1923 on account of its exemption of state and local securities from taxation is estimated at \$71,000,000. The author accordingly concludes that, as regards state and local securities at least, tax exemption does not result in a net loss of revenue.

Underlying Assumptions

Even if we accept .84 points as an accurate measure of the differential advantage enjoyed by tax exempt securities in 1923, the

validity of the author's final conclusion is greatly weakened by the fact that only a fraction of the total volume of outstanding securities, probably not more than an eighth,* were issued in that year. Obviously, it is not proper to apply the 1923 differential to securities issued during a time when the exemption privilege had a different value. The interest costs of a government do not vary with changes in the quoted prices of its outstanding bonds. These costs are fixed once and for all time by the price at which the bonds are issued. Any subsequent increase in the price of the bonds inures to the benefit of the holders and cannot affect the government's interest costs except in respect to new issue. The hypothetical interest saving of \$73,000,000, therefore, bears no relation to the actual saving in interest costs.

This point may be passed over, however, in order to consider a more important question, namely, the legitimacy of the method by which the author arrives at the market values of the exemption privilege in 1920, 1923, and 1924. The assumptions upon which this method are based may be briefly stated as follows:

There is a definite differential between the yield of Canadian and American government bonds which measures the market effect of the difference in familiarity, sentimental preference for domestic over foreign issues and other factors not connected with the exemption of interest from federal taxation. This differential may be obtained by taking exactly half of the absolute difference in the average yields of two groups of American and Canadian bonds, as shown in 1913. It is an absolute amount and is equal to .12 points. It never varies. In other words, no matter what changes take place in the relative credit ratings of the various governments involved, in the general ease or tightness of the money market, in rates of international exchange, or in the innumerable other factors which govern the yield of bonds, the average yield of Canadian bonds can always be obtained by adding .12 points to the average yield of American bonds. Any difference in the respective yields over and above these .12 points must of necessity be due to tax exemption, which of all the innumerable factors involved, is the only one which is allowed any relative variation.

Cannot Isolate Effect of Tax Exemption

These assumptions scarcely require serious consideration. There is of course no constant differential between the yields of individual bonds, nor is there between the average yields of groups of bonds. The yield of each bond, though influenced by general conditions, is operated upon by a multitude of factors which are peculiar to itself. The current quotations on two series of bonds, issued by the same government, having the same maturities and bearing the same rate of interest, do not necessarily fluctuate together. It is impossible, then, to secure two groups of bonds, which are acted upon by exactly the same set of forces, to exactly the same degree, and whose sole point of difference is in the matter of tax exemption.

* See Appendix IV.

The period which the author selected for his comparison was characterized by a costly war whose effect upon the credit of various governments was not uniform. Normal credit and banking relations were upset. Countries which had hitherto been lenders became borrowers on a large scale. After the war there were severe economic disturbances, culminating in a credit crisis in 1920, when all bond yields reached record heights. It cannot be supposed that these events reacted upon the price of Canadian government bonds in the same manner as upon American securities.

It is true, as the author points out, that changes in the differential between the yields of American and Canadian bonds correspond to changes in the rates of the income tax. They correspond even more closely, however, to changes in the general credit situation and suggest that, as a money stringency becomes acute, borrowers with a weaker credit rating must pay proportionately more for funds than borrowers with a stronger credit rating. To ascribe the variations in the differential solely to the effects of tax exemption is, therefore, entirely arbitrary and without scientific justification.

Are Government Bond Yields Relatively Lower?

As previously intimated, comparison of the yields of taxable and tax exempt bonds offers no conclusive evidence as to the effect of tax exemption on interest rates. There are too many other factors involved and there is no statistical device whereby the effect of a single factor may be isolated. It is important to know, nevertheless, whether the relative yields of government bonds have actually declined since the tax exemption privilege became valuable. If it should be established that a decline has occurred, this fact in itself would not necessarily indicate that tax exemption had been the cause, but it might at least raise a presumption in favor of such a relationship.

Bond yields, like all other prices, are subject to cyclical fluctuation. It is not safe, therefore, to draw any conclusions on the basis of a few isolated years. Table V gives a comparison of the average yields of selected issues of municipal, railroad, public utility, and industrial bonds covering a period of 10 years prior, and 13 years subsequent to the introduction of the federal income tax. These two periods are in no sense comparable, since the later period contains all of the abnormal war and post war years. During a good part of this time municipalities reduced their borrowings to a minimum. The railroads were under government control, and later on were involved in the throes of readjustment. Finally, public utilities were having difficulty in obtaining the consent of regulatory bodies to the rate changes made necessary by the new level of prices. The tendency of all these factors, while they were operative, was to increase the relative yields of railroad and utility bonds as compared to municipal issues, altogether apart from the influence of taxation.

TABLE V
COMPARISON OF AVERAGE YIELDS OF SELECTED ISSUES OF
MUNICIPAL, RAILROAD, PUBLIC UTILITY, AND INDUSTRIAL BONDS,
1903-1926¹

YEAR	BOND YIELDS, PER CENT				PERCENTAGE RATIO TO YIELD OF MUNICIPAL BONDS		
	Municipals ²	Railroads	Public utilities	Industrials	Railroads	Public utilities	Industrials
1903.....	3.31	4.10	4.63	5.69	123	139.8	171.9
1904.....	3.35	4.05	4.60	5.81	121	137.3	173.4
1905.....	3.40	3.91	4.43	5.19	114.7	130.3	152.6
1906.....	3.60	4.01	4.56	5.18	111.4	126.7	143.8
1907.....	3.90	4.30	4.91	5.76	110.3	125.8	147.7
1908.....	3.82	4.35	5.11	5.90	113.9	133.7	154.5
1909.....	3.90	4.08	4.71	5.16	104.6	120.7	132.3
1910.....	4.00	4.21	4.79	5.25	105.2	119.7	131.2
1911.....	4.06	4.23	4.77	5.17	104.2	117.4	127.3
1912.....	4.15	4.26	4.80	5.18	102.6	115.6	124.8
INTRODUCTION OF FEDERAL INCOME TAX							
1913.....	4.30	4.41	4.90	5.35	102.6	114.0	124.4
1914.....	4.28	4.92	5.01	5.96	114.9	117.0	139.2
1915.....	4.35	4.89	4.81	5.59	112.4	110.5	128.0
1916.....	3.97	4.75	5.46	5.26	119.6	137.5	132.4
1917.....	4.22	5.10	5.40	5.97	120.8	127.9	141.4
1918.....	4.54	5.79	5.66	6.46	127.5	124.7	142.2
1919.....	4.62	5.96	6.30	6.57	129.0	136.3	142.2
1920.....	5.20	6.97	7.61	7.70	134.0	146.3	148.1
1921 first half.....	5.40	7.07	7.85	7.82	130.9	145.3	144.8
1921 second half.....	5.61	6.24	7.36	7.96	111.2	131.2	141.8
1922 first quarter.....	4.71	5.68	6.92	7.17	120.6	146.9	152.2
1922 second quarter.....	4.41	5.47	6.20	6.91	124.0	140.6	156.6
1922 third quarter.....	4.19	5.35	6.38	6.79	128.4	152.2	162.0
1922 fourth quarter.....	4.12	5.76	6.24	6.41	139.8	151.4	155.5
1923 first quarter.....	4.22	5.63	6.09	6.63	133.4	144.3	157.1
1923 second quarter.....	4.40	5.81	6.30	6.51	132.0	143.1	147.9
1923 third quarter.....	4.42	5.58	6.42	6.43	126.2	145.2	145.4
1923 fourth quarter.....	4.61	5.52	6.32	6.65	119.7	137.1	144.2
1924 first quarter.....	4.39	5.21	6.31	6.55	118.6	143.7	149.2
1924 second quarter.....	4.29	5.47	6.20	6.68	127.5	144.5	155.7
1924 third quarter.....	4.24	5.20	6.11	6.30	122.6	144.1	148.5
1924 fourth quarter.....	4.17	5.00	5.91	6.36	119.9	141.7	152.5
1925 first quarter.....	4.00	5.17	5.77	6.24	129.2	144.2	156.0
1925 second quarter.....	4.00	5.45	5.70	6.33	136.2	142.5	158.2
1925 third quarter.....	4.17	5.37	5.38	6.06	128.7	129.0	145.3
1925 fourth quarter.....	4.30	5.09	5.82	6.11	118.3	135.3	142.1
1926 first quarter.....	4.25	5.13	5.80	5.88	120.7	136.4	138.3

¹ From Moody's *Manual of Investments*, Public Utility Securities, 1926, p. XXIV.² For data re representative character of these yields, see Appendix V.

If the above consideration is borne in mind, Table V presents no convincing evidence that the differential which municipal bonds have always enjoyed over railroad, public utility, and industrial bonds has been permanently increased since tax exemption became valuable. It will be seen from the table that the percentage differences between the average yield of municipal bonds and the average yields of the three other groups of bonds, were smaller during the last quarter of 1925 and the first quarter of 1926 than the corresponding differences for the years 1903 and 1904. In other words, during the six months in question, municipal bond yields were higher, relative to railroad, utility, and industrial bond yields, than they were in 1903 and 1904.

Further data in support of the conclusion that government interest rates have not declined, either absolutely or relatively, since the tax exemption privilege became important, are furnished by Table VI, which compares the effective rates of interest paid by New York City on various bond issues with the average interest rate on 4-6 months commercial paper. It will be seen that on practically all loans contracted prior to 1913, the effective rate paid by the city was equal to or less than the current rate on commercial paper. As regards the majority of loans contracted after 1913, the rate paid by the city was higher than the prevailing rate on commercial paper. These figures are not presented as conclusive, but they certainly do not indicate a relative decline in government interest rates.

Summary

The findings of the present section are for the most part of a negative nature. All that can be said in summarization is that, under certain ideal conditions, tax exemption will raise the issue price of a bond to a point where the resulting reduction of interest costs will equal the taxes sacrificed. The conditions under which tax exempt securities are actually issued, however, do not conform to this ideal. In the first place, uncertainty as to future tax rates reduces the present worth of the exemption privilege and renders it extremely unlikely that an investor will be willing to purchase a bond at a premium sufficiently high to compensate the government for its loss of revenue. In the second place, under the existing system of taxes, the value of the exemption is by no means uniform. As regards nearly half of the total volume of state and local securities outstanding, the exemption privilege has no value at all. Attempts to estimate the market value of tax exemption through comparison of the relative yields of taxable and tax exempt securities are worthless, since it is impossible to obtain two groups of bonds which are acted upon by the same set of credit factors exactly to the same degree, and whose sole point of difference is in the matter of taxation. Finally, there is no evidence that the differential advantage, which state and local securities have always enjoyed as compared with corporate issues, has become permanently greater since the exemption feature became valuable.

TABLE VI
RESULTS OF NEW YORK CITY BOND SALES SINCE 1907, COMPARED
WITH INTEREST RATE ON 4-6 MONTHS COMMERCIAL PAPER

YEAR ¹	BOND SALES		Average rate 4-6 months commercial paper ²	Percentage Ratio commercial paper rate to effective rate New York bonds
	Amount of issue	Effective rate		
1907.....	\$5,000,000	4.40	6.36	142.6
1907.....	35,000,000	4.39	6.36	144.8
1908.....	3,000,000	4.38	4.38	100.0
1908.....	47,000,000	4.29	4.38	102.1
1908.....	500,000	3.82	4.38	114.6
1908.....	12,000,000	3.89	4.38	112.5
1909.....	10,000,000	3.93	3.98	101.2
1909.....	2,000,000	3.98	3.98	100.0
1909.....	38,000,000	3.96	3.98	100.5
1909.....	12,500,000	3.96	3.98	100.5
1910.....	50,000,000	4.16	5.00	120.3
1911.....	60,000,000	4.21	4.03	95.7
1912.....	65,000,000	4.21	4.74	112.4
INTRODUCTION OF FEDERAL INCOME TAX				
1913.....	45,000,000	4.49	5.60	124.7
1914.....	65,000,000	4.18	4.78	114.3
1915.....	25,000,000	4.30	3.45	80.3
1915.....	46,000,000	4.44	3.45	77.7
1916.....	15,000,000	4.03	3.43	85.1
1916.....	40,000,000	4.13	3.43	83.1
1917.....	7,500,000	4.39	4.74	107.9
1917.....	47,500,000	4.46	4.74	106.2
1921.....	55,000,000	4.33	³ 6.53	150.7
1922.....	45,000,000	4.12	4.43	107.6
1924.....	30,400,000	3.99	3.91	98.0
1924.....	37,000,000	4.19	3.91	93.3
1925.....	60,000,000	4.05	4.02	99.4

¹ From *The Bond Buyer*, December 25, 1926.

² Average monthly interest rates, 4-6 months double name commercial paper. *Times Annalist*, April 16, 1926, p. 549.

³ The peak of interest rates reached in 1920 when average rate was 7.37.

Conclusion

The data presented in the preceding section furnish a basis for appraising the principal claims made for and against the exemption of government securities from taxation. The chief argument brought forward in defense of a government's exemption of its own securities is that this practice merely involves the exchange of a right to collect taxes over a series of years for a lump sum payment equal to the present worth of that right. It has been seen, however, that there is no conclusive evidence either of a theoretical or statistical nature to justify this claim.

The exemption by a central government of the securities of local governments is defended as a legitimate and desirable form of subsidy. It is not at all clear, however, that the local governments actually receive in the form of reduced interest charges as much as this subsidy costs the central government. If part of the revenue sacrificed by the central government inures to the benefit of the holders of tax exempt securities, as seems probable, it follows that tax exemption represents a very wasteful and inefficient form of subsidy. A direct grant by the central government would be much more economical.

The Case Against Tax Exemption

The compensatory advantages, which tax exempt securities are alleged to possess, turn out upon analysis to be of uncertain and doubtful value. What can be said of their alleged disadvantages? As was previously indicated, three major complaints have been lodged against them: First, that they entail a net loss of governmental revenue; second, that they involve unfair discrimination as between taxpayers; and finally, that they cause an uneconomic distribution of capital. It was pointed out in the preceding section that it is extremely unlikely that tax exempt securities will sell at a price sufficiently high to compensate for the subsequent loss of revenue. The charge that the continued issuance of these securities is unprofitable may, therefore, be accepted as possessing a considerable degree of truth. It may be objected, however, that even at its worst the loss of revenue is not very great. Thus, if the present exemption in favor of the bonds of New York State and its subdivisions under the state income tax law were repealed, ten years would have to elapse before the additional revenue collectible would amount to as much as \$600,000 per annum. Regarded merely from the revenue standpoint, the need for abolishing the exemption privilege does not seem very urgent at present.

The main objection to tax free securities, however, is that they allow certain individuals to escape their fair share of taxation. The injustice involved in this procedure cannot be measured by the amount of revenue lost. For instance, if the state arbitrarily decided to exempt every twentieth taxpayer from the obligation of paying his state income tax, the resulting loss of revenue would probably be no greater than the present gross loss in respect of tax exempt securities. This consideration, however, would not lessen the resentment of the remaining taxpayers at what would be considered an intolerable discrimination.

It has been seen that, where rates of taxation are progressive, the injustice involved in the issuance of tax exempt securities persists even though the securities sell at a premium sufficient to offset the subsequent loss of revenue. The wealthy investor, who would otherwise be subject to a surtax, pays no more for the exemption privilege than the man of small means who buys the same kind of bonds. Persons of large income who happen to have their wealth invested in government bonds may thus escape the surtaxes altogether. This is unfair, not only to other persons of large income who cannot escape the surtaxes, but to individuals of small means, who must bear a heavier burden of taxation because the progressive principle has been partially undermined.

Uneconomic Distribution of Capital

The charge that tax exempt securities result in an uneconomic distribution of capital has been elaborated in many ways. Reduced to its essentials, the supporting argument may be stated as follows: Tax exemption enables the states and municipalities to borrow money at lower rates of interest than would be possible were their securities taxable. This leads them to embark on ambitious and ill-advised construction projects. It also encourages municipalities to purchase and operate all kinds of public utilities. Capital which but for tax exemption would have been available for investment in productive private enterprises, is thus diverted to unproductive public uses, to the economic injury of the country at large.

The above argument had a certain degree of plausibility during the period of tight money from 1919 to 1921. At that time corporations found it difficult to obtain capital for needed expansion, while states and municipalities were apparently increasing their borrowings at an unprecedented rate. To attempt to subject the argument to the test of actual facts would, however, carry the discussion far afield, since it would involve a careful analysis of the disposition of funds raised by states and municipalities from the sale of their securities. Such an analysis cannot be undertaken here. As far as New York State is concerned, however, there is no evidence that the argument has any validity whatsoever. State expenditures for permanent improvements financed through borrowing were considerably larger, during the ten years prior to 1917, when the tax exemption privilege had little or no value than they have been since, in spite of the fact that construction costs have greatly increased.* We must remember also that during the war public construction was deliberately held up, and that the cities fell far behind their requirements with regard to streets, bridges, schools, water supplies, and other buildings and public works. And since when were such public investments less "productive" than equivalent investments in manufacturing or other industries?

* Report of Special Joint Committee on Taxation and Retrenchment, March 1926, *The Debt of the State of New York, Past, Present, and Future*. Legislative Document (1926) No. 70, p. 80.

It should be borne in mind also, in connection with this argument, that municipalities have always been able to borrow at lower rates than corporations and that there is no evidence that the differential in favor of municipal bonds has been permanently increased, since the exemption privilege became valuable.

The review which has just been completed makes it plain that the real harmfulness of tax exempt securities consists in the fact that they involve unjust discrimination as between taxpayers. They are also likely to cause a loss of revenue. Their so-called compensatory advantages turn out upon analysis to be incapable of verification and extremely doubtful.

Recommendations

The state need not wait for the passage of a federal constitutional amendment in order to withdraw the exemption now given the securities of New York State and its political subdivisions under the state income tax law. It is accordingly recommended that this exemption be abolished. The taxation by a state of its own securities or those of its subdivisions is by no means unprecedented. Neither Wisconsin nor Oklahoma exempt interest derived from such securities from the operation of their respective state income taxes.* At least ten states of the union tax their own outstanding securities under some form of ad valorem levy, and 17 states tax the securities of their subdivisions in this manner.†

As previously pointed out, the present exemption allowed under the New York State income tax law has no value as regards about two-thirds of the outstanding issues of the state and its subdivisions. The effect of its repeal upon the marketability of future issues could not, therefore, be great. The additional revenue obtainable would amount to about \$600,000 per annum at the end of ten years.

Section 190

Section 190 of the tax law, as amended by Chapter 286 of the laws of 1926, provides in effect that insurance companies, saving banks, business corporations, state banks, trust companies, financial corporations and national banking associations, owning New York State securities upon which the interest rate does not exceed 3 per cent, shall be allowed an annual credit equal to 1 per cent of the par value of such bonds owned, to be applied against franchise taxes payable by such corporations to the state. As at present worded, this section is applicable to any future issue of 3 per cent bonds which the state may put out. It is recommended that the section be amended so as to limit its application to issues of 3 per cent bonds at present outstanding. This measure not only needlessly complicates the tax law, but causes administrative difficulties as well, and the sooner it can be eliminated the better.

* Wis. Stats. 1919, Sec. 1087M-2. Compiled Statutes of Oklahoma, 1921, Ch. 84, Art. XX, Par. 9938.

† Hoffman & Wood, *Taxation of Federal, State and Municipal Bonds*.

Proposed Constitutional Amendment

The complete elimination of tax exempt securities in New York State requires the adoption of an amendment to the federal constitution, which will give to the states, on the one hand, and to the federal government on the other, reciprocal rights in the matter of taxing each other's securities. This committee therefore wishes to reaffirm its stand taken in 1922, when a similar measure was being considered by congress, in favor of the adoption of such an amendment.

CHAPTER V

TAX EXEMPTION BILLS

There is an annual assault upon the New York State Legislature to extend the list of tax exemptions and to reduce the taxes of particular groups or individuals through various devices. Most of these bills are referred to the committee on taxation and retrenchment. It is difficult for one not a member of the committee to appreciate the volume, scope, or nature of the exemption bills which come before us. It is a striking fact that those individuals and interests which sponsor the various measures appear to feel that their particular exemption is the only exemption submitted, or at least deserving consideration. It is seldom realized that the tax system of this state would be all but obliterated if all of the exemptions were enacted into law.

Number of Bills Introduced

During the past three sessions 93 tax exemption bills have been introduced in the legislature. Of these, 11 bills dealt with the subject of the reduction of tax rates, and 82 with the repeal of tax laws or the increase of exemptions. The following table classifies the bills on the basis of the particular tax involved and shows how many of each class were enacted into law:

TAXES EFFECTED BY TAX EXEMPTION BILLS INTRODUCED 1924-1926

	<i>Number Intro- duced</i>	<i>Number Passed</i>
Inheritance tax	2	1
Mortgage tax	3	0
Property tax	48	14
Insurance tax	3	0
Personal income tax.....	37	5
Total	93	20

These bills may be classified also on the basis of the kind of exemptions involved. This is done in the following table:

NATURE OF EXEMPTIONS AND REDUCTIONS

	<i>Number Intro- duced</i>	<i>Number Passed</i>
Reduction in rates of taxation.....	11	3
Cancellation of taxes against certain named organizations	26	8
Exemption of new dwelling houses or extension of time limit	6	1
Exemption of certain classes of individuals and organizations on basis of special character.....	18	4
Increase in amounts under exemptions now existent.....	13	3
New exemptions	12	1
Abolition of certain taxes.....	7	0
Total	93	20

A more detailed classification of the bills introduced and becoming law is contained in the following table.

TABLE I
DETAILED LISTING OF TAX EXEMPTION BILLS INTRODUCED,
1924-1926

	<i>Number Intro- duced</i>	<i>Number Passed</i>
Reduction in rates of income tax.....	8	3
Reduction in rates of taxes on marine insurance companies.....	3	....
Cancellation of taxes, water rents, and assessments against certain named organizations.....	26	8
Churches	8	3 law
Synagogues	9	1 law
American Legion Post.....	1	—
Hospitals	3	2 law
Others	5	2 law
Exemption of registered mortgages from tax on mortgages	3	....
Exemption of new dwelling houses or extension of time limit of present exemption law.....	6	1
Exemption of planted forests.....	1	1
Exemption from property tax on basis of special character.....	13	4
Property of municipal corporation used for certain purposes	2	2 law
Property of disabled veterans.....	2	—
Property of veterans associations.....	2	—
Property of bar association used as law library	3	—
Property of veterans.....	1	—
Property of ally of United States in war..	1	1 law
Property of educational institutions.....	2	1 law
Abolition of tax on land.....	1	....
Abolition of tax on tangible personal property.....	1	....
Abolition of tax on incomes.....	2	....
Increased exemptions under income tax for single, married, or dependent persons.....	11	1
Exemption of income from mortgages or real property—registered	3	....
Higher age limit for exempt dependents under income tax.....	2	....
Deduction of medical expenses.....	4	....
Deduction of amounts paid to United States as income taxes	1	....
Deduction of gifts to United States, New York State or cities and others from income tax.....	1	1
Exemption or increased exemption from income tax on basis of special character.....	5	....
Increased exemption under inheritance tax.....	1	....
Deductions of gifts to bishop as an official from inheritance tax	1	1
Total	93	20

Cost of Exemption Proposals

What would it have cost the state if these exemption bills had all become law? How much revenue would have been lost? This question cannot be answered with accuracy because it is not possible to foretell the exact amounts involved in every measure.

Some of the bills deal with the revenues of a single year alone, while others make a permanent change in the law and would presumably effect a reduction of the revenue for every succeeding year. It is of course futile to compute the total cumulative loss from such a law. And in other cases even the best estimate is little more than a guess. We have, nevertheless, endeavored to estimate for each bill the probable revenue reduction which would result from its adoption. For this purpose we have first segregated the bills into those which would effect a reduction for a single year alone, and would then cease to operate, and into those which would have a permanent effect upon the revenue, year after year, until their repeal. While the temporary reductions are of real importance in the year for which they are in force, it is the perpetual exemptions and reductions which deserve special attention.

ESTIMATED ANNUAL COST OF EXEMPTION MEASURES PRESENTED,
1924-1926

<i>Session</i>	<i>Temporary Loss of Revenue</i>	<i>Perpetual Loss of Revenue</i>	<i>Combined Loss of Revenue</i>
1924	\$59,160,000	\$80,120,000	\$139,280,000
1925	11,500,000	89,350,000	100,850,000
1926	75,550,000	108,100,000	183,650,000
Total	\$146,210,000	\$277,570,000	\$423,780,000

The total here presented of necessity includes some duplications because the same bill is frequently introduced and defeated at successive sessions of the legislature. We feel it is, nevertheless, legitimate to include these measures as they must be considered and voted on anew each time they are presented.

Cancellation of Taxes by Special Act

The most numerous and troublesome class of exemption requests is made up of those bills which seek to cancel the taxes on given properties for specified years. These deal almost entirely with properties in New York City though there have been a few cases from other cities. The situation arises in this way: a corporation which is normally entitled to the exemption of its real estate purchases, or acquires by gift, property theretofore taxable. This property is on the tax rolls, and the taxes, assessments, and water rents for the current year may have been levied on the property, or those for the coming year may be in process of levy. Since the corporation is entitled to exemption, it seeks to have these taxes, assessments, and rents cancelled. In New York City, where most of the difficulty arises, the charter prescribes a method for this annulment. The sinking fund commission, upon the approval of the comptroller and a unanimous vote, may cancel and annul taxes, assessments and water rents which "now are or may hereafter

become a lien against any real estate owned by any corporation entitled to exemption of such real estate . . . which was the actual owner of such real estate and entitled to such exemption, during the time when the taxes, assessments, or Croton water rents from which it asks relief, accrued and became liens thereupon." (Charter, sec. 221-a.) It will be noted that the power of the city authorities to cancel such taxes is limited to taxes which *accrue and become a lien* on property at the time owned by the exempt corporation. If the taxes accrue and become a lien before the acquisition of title, the city has no power to annul.

Under section 914 of the city charter, it is provided that the first half of the real estate taxes shall *become a lien* on May 1, and the second half on November 1. There is, however, no statutory provision fixing the date of accrual, nor are there court decisions. For many years the comptroller's office has held that taxes and water rents "accrue and become a lien" on October 1, the date of property assessment. The assessments as made on that date are still subject to appeal, the budget for the coming year has not been adopted, the year for which the taxes and rents are to be payable has not yet commenced, and the tax rate is purely a matter of conjecture. For these reasons we are somewhat doubtful of the rule followed. It should be noted also that the charter says *accrue and become a lien*, implying that the two contingencies are coincident.

As a result of the New York City interpretation of the charter, property purchased after October 1 cannot be relieved of any part of the taxes or water rents for the year beginning the succeeding January 1. It is this which creates the difficulty. The corporation feels that it is entitled to relief, and as this cannot be secured through the city authorities, bills are drawn and submitted to the legislature.

There is a second source of difficulty in New York City. Under the present wording of the charter section, the corporation now entitled to exemption and applying for the cancellation must have been the owner of the property at the time the taxes accrued and became a lien. It frequently happens that church or other exempt property passes from one exempt corporation to another. Sometimes the change is purely technical, the property remaining in the hands of the same people throughout. But, under the charter, even this technical change debars the city authorities from annulling the taxes, rents, or assessments. And, as in the cases cited above, the corporation then turns to the legislature for relief.

Number of Bills Passed

The number of individual tax annulment bills presented to the legislature is considerable. In the last three years, as has been shown above, there were 26 bills of this character. The number enacted since 1920 is shown in the following table.

PRIVATE TAX CANCELLATION BILLS ENACTED

1920	3
1921	5
1922	12
1923	10
1924	* 0
1925	0
1926	7

These bills are in many cases carelessly drawn. Only one states the amount of taxes involved.† Many fail to describe the property accurately and 15 do not state for what years the taxes were levied. It is submitted that bills of this character should be specific and should contain at least a description of the property as carried on the tax rolls, a reference to the book, page and line of such rolls, the year for which the taxes were levied, and the amount in dollars and cents of the taxes which it is sought to annul. We recommend that no bills be given consideration unless they contain this detail.

Home Rule Powers of New York City to Annul Taxes

With the adoption of the home rule amendment to the state constitution, there were those who felt that private tax cancellation measures should no longer be presented at Albany but that they should be considered and enacted by the municipal assembly of New York City. It was understood that this was one reason for the vetoes handed down by the governor in 1924. In 1925, however, when the municipal assembly came to pass upon such bills, the corporation counsel of the city held that the municipal assembly had no power to pass upon tax annulment matters. The following excerpt is from the opinion of the corporation counsel:‡

“Under the provisions of the State Constitution the power to enact laws prescribing property which shall be taxed and providing for exemption of property from taxation, is vested solely in the Legislature of the State and by the State Constitution such power of the Legislature is expressly restricted and defined.

“Thus the State Constitution not only provides generally that the legislative power of the State is vested in the Senate and Assembly, but, after stating in article III, section 18 of the Constitution that the Legislature shall *not* pass a private or local bill in certain cases, including,

‘Granting to any corporation, association, or individual any exclusive privilege, immunity, or franchise whatever,’

and

‘Granting to any person, association, firm or corporation, an exemption from taxation on real or personal property,’

it is therein provided:

* Five were passed by the Legislature and vetoed by the governor.

† Laws of 1926, chapter 197.

‡ No 46085, August 1, 1925; reaffirmed in 37 JAD (9) 12628, December 20, 1926.

'The Legislature shall pass *general laws* providing for the cases enumerated in this section, and for all other cases which in its judgment may be provided for by general laws.'

"Moreover, by Section 10 of Article VIII of the State Constitution, it is provided:

'No county, city, town, or village shall hereafter give any money or property or loan its money or credit to or in aid of any individual, association, or corporation. . . .'

"Article XII of the State Constitution under the provisions of which the City Home Rule Law was enacted, after stating that 'It shall be the duty of the Legislature to provide for the organization of cities and incorporated villages, and to *restrict their power of taxation . . .*' and that 'The Legislature shall not pass any law relating to the *property, affairs, or government* of cities which shall be special or local either in its terms or in its effect.' expressly provides that 'Every city shall have power to adopt and amend local laws *not inconsistent with* the Constitution and laws of the state"

"The City Home Rule Law in Article II relating to 'Local Legislation,' provides likewise in section 11 as to the power of cities to adopt and award local laws, that

'The local legislative body of a city shall have power to adopt and amend local laws *in relation to the property, affairs, or government* of the City.'

then enumerating various subjects *not* including the subjects of taxation, or exemption from taxation of property.

"These subjects, of what property shall be taxed and what shall be exempt from taxation, have long been recognized by the courts as being solely within the power of the Legislature to prescribe in accordance with the restrictions above referred to, contained in the State Constitution.

"And although Section 17 of Article II of the City Home Rule Law, relating to local laws that are subject to referendum petition, mentions in subdivision 3, a local law which 'Changes a provision of law relating to *assessments for taxation*,' this reference must be regarded as having to do solely with matters of procedure respecting assessments for taxation and not with what property shall be taxed and what shall be exempt from taxation, which matters are fully provided for in the General Tax Laws of the State.

"I accordingly advise you for the reasons herein stated that the Municipal Assembly would have no power under the constitution and laws of the state to enact the proposed local law to cancel and annul taxes and assessments which are now a lien against the real estate of the charitable corporation mentioned therein."

It has been suggested that a further factor demanding consideration in this connection is the fact that part of the taxes to be cancelled are state taxes. Has the city acquired the right to

pass legislation annulling state taxes? Or should this be ignored because the state will not be injured thereby, as the levy of the state may be considered to be against the city as a whole rather than against the individual properties? (Charter section 1595.)

A further and more important question has to do with a basic assumption of the corporation counsel. Is the cancellation of taxes for given years equivalent to "exemption from taxation"? Or is cancellation an "exclusive privilege, immunity, or franchise"? Might it not be argued with equal cogency that tax annulment falls under neither of these constitutional phrases, and that taxes once levied are a debt of the taxpayer to the city and as such are "the property" of the city within the meaning of the home rule amendment? If tax annulment is covered by either of the phrases from Article III, sec. 18, of the constitution, as the corporation counsel assumes, then all of the special bills listed above which were enacted by the state legislature would seem to have been unconstitutional.

Charter Amendment Needed

As the result of our brief examination of this question, we feel very strongly that the legislature should no longer deal with these matters on an individual basis. Even if it is granted that the constitution does not require it, we believe that good practice demands that matters of this sort be dealt with by general law. While we are not convinced that there should be any property which uses water exempted from payment therefor, or any property permanently exempt from the payment for local improvements, we do not wish at this time to raise these issues. We desire merely to eliminate the special legislation. This can be done through the amendment of section 221-a of the New York City charter by striking out the word "accrual," and by changing the phraseology slightly so that a change of ownership will not effect the situation, provided of course that there shall have been a continuous exempt status. The word "Croton" should also be struck out as it is in practice now. This was eliminated at one time but found its way back into the recodification of 1921 through the blunder of a draftsman who followed the old law rather than the subsequent amendment.

With these changes of the law, it will be possible for the city authorities to deal with the situation. There should be no further need for these routine cancellation bills.

Cost of Exemptions and Reductions

Of the 19 exemption bills which were enacted into law by the legislature during the three sessions 1924, 1925, and 1926, only seven are of major importance. They are the following measures:

1. The three acts which were passed reducing the income tax rate for a single year by 25 per cent. The revenue reduction to the state from these tax cuts may be placed at \$34,512,000. (Laws of 1924, Chapter 27; Laws of 1925, Chapter 196; Laws of 1926, Chapter 209.)

2. The extension of income tax exemptions for heads of families and single individuals which was adopted in 1926. This will result in a permanent reduction of the revenue from the personal income tax, the amount for 1926 may be set at \$2,400,000. The loss will be shared by the state and the localities. (Laws of 1926, Chapter 208.)

3. The substitution of an income tax for a tax on bank stock adopted in 1926. The revenue loss may be estimated at \$1,400,000 annually. It will fall entirely upon the localities. (Laws of 1926, Chapter 286.)

4. The provision of the inheritance tax law adopted in 1925 which grants a reciprocal exemption of personal property of non-residents. The possible annual loss to the state from this provision may be placed at \$1,800,000. (Laws of 1925, Chapter 143.)

5. The extension by one year of the permissive exemption of housing construction under section 4-b of the tax law by including housing commenced before April 1, 1925. The only important effect is in New York City where the annual local revenue loss from the adoption of this provision will amount to about \$8,000,000 each year until 1932 when the exemption disappears. (Laws of 1924, Chapter 87.)

It will be seen, therefore, that the exemption and reduction measures which have been enacted into law have carried a grand total of not less than \$51,112,000, of which \$42,512,000 represent temporary reductions and \$8,600,000 perpetual reductions. The bills condemned by this committee and rejected by the legislature, carried \$103,698,000 of temporary exemptions, and \$268,970,000 of perpetual exemptions, or a total of some \$372,668,000.

We present these figures in this report so that those who appeal to the legislature in the future for various types of tax exemption may reflect upon their own desires in the light of the broad problems of taxation with which the legislature has to deal. No exemption matter stands by itself. It must be handled in relation to the entire tax system of the State. It must be realized likewise that every tax exemption is a shifting of the tax burden from one individual or one class, to other individuals or other classes. Those who ask for exemptions must, therefore, show that the burden which they seek to avoid can with greater justice be placed on others.

CHAPTER VI

FUTURE PROBLEMS AND PROGRAMS OF REFORM

In spite of the fact that New York State has gone further than any state in the Union in the exemption of real and personal property from the time-honored general property taxes, it is impossible to look into the future without realizing that the question of tax exemption is destined to become more important from decade to decade. This fact makes present tax exemptions more significant, and leads inevitably to the consideration of various programs of reform.

FUTURE PROBLEMS

We are now moving in the direction of improvement "authorities." There has been created for New York and New Jersey such an organization in the "Port of New York Authority." In connection with the various plans for state water power development, a state "Water Power Authority" has been suggested. "Bridge authorities" have been projected to span the intrastate rivers of New York City. The suburban transit commissions have brought forward plans which imply "transit authorities" and the public ownership, at least, of extensive transportation facilities. All of these projects raise the question of tax exemption.

Another phase of municipal management bearing on this question is the gradual development of public ownership of utilities. Various cities of New York State now own water, gas, and electric light and power plants, street railways, wholesale and retail markets, ferries, docks, warehouses, baths, lunch rooms, and other community services. Food, coal, and ice have been distributed by cities, and one New York State city is proposing to institute municipal milk delivery. The most important step in this direction is the proposed unification of transit facilities in New York City, which cannot be effected without municipalization in the opinion of many. In most cases this tendency toward public ownership is apparently caused by the unwillingness of private investors to finance closely regulated businesses. These businesses must, therefore, be financed by the public which carries with it, of course, public ownership. But whatever the causes, the development of municipal ownership is apparently inescapable and emphasizes again the growing importance of the problem of tax exemption.

The problem of housing is now receiving systematic attention by public authorities and by private groups. Just what may grow out of this no one can say. Many of the plans, however, include an ex-

tension of the policy of tax exemptions. Tax exempt housing in New York City now amounts to \$916,512,915 of assessable value. Housing is, therefore, a third public interest which may raise important exemption problems for the future.

Development Authorities

The development authorities are peculiar and novel from several points of view. In most cases their territorial limits include several existing taxing units and may cut across the lines of others without respect to historical tradition. That is one of their great advantages. They are created to meet new economic conditions and in their jurisdiction must follow these economic lines rather than the old boundaries of taxing units. The Port of New York Authority, for example, covers some 180 taxing units, cuts across various county lines, and includes parts of two states. Other development authorities will undoubtedly follow along similar lines. If, however, the property to be acquired by such authorities is to be exempt from local taxes, an injustice is almost inevitable. The benefits arising from the improvements carried through by such an authority accrue to the whole area, but the amount of benefit is seldom distributed equally to all districts. The tax exempt property must of necessity be located in certain specified areas. In some cases this will benefit the area out of all proportion to the cost to the community of tax exemption, but in other cases, the community will derive little benefit and will in addition lose the taxable property from its rolls.

Port of New York Authority Property

The whole question of the taxable status of the property of the Port of New York Authority was examined in 1926 by an official commission appointed by the governors and legislatures of the states of New York and New Jersey. Their report deals with the problem in a comprehensive and practical fashion, and shows what is being done in various other American, Canadian, and English ports.* The recommendations of the commission were summarized as follows:

The program of taxation which we recommend for adoption by the two states has been drawn (1) to make it possible for the Port Authority to proceed as a self-supporting joint enterprise of the two states in accordance with the interstate compact, and (2) to protect the local taxpayers against an unfair shifting of tax burdens and the municipalities against an impairment of their tax revenues. Our specific recommendations are that,

- (1) Railroads taken over by the Port Authority shall be subject to state and local taxes as if privately owned;
- (2) Land purchased by the Port Authority shall be subject to local taxes only, as if privately owned;

* New York State Legislative Document (1926) No. 90.

(3)* Improved real estate acquired by the Port Authority, shall remain taxable at the valuation on the current tax roll until the valuation of the land alone shall exceed the total valuation at the time of acquisition, in which case the land alone shall be taxable as provided under (2) above. If improvements are removed by the Port Authority, their assessed value shall be deducted until the property is reimproved by the Port Authority. In that case the new improvements when used for the authorized purposes of the Port Authority shall be taxable to the extent of the taxable valuation of the old improvements except in so far as such improvements are covered by the following paragraph.

(4)* New improvements, except as provided above, shall be tax exempt unless they are leased and used for other than the authorized purposes of the Port Authority, as defined in the compact, in which case the part so used shall be taxable for state and local purposes, as if privately owned;

(5) Interstate bridges and tunnels constructed by the Port Authority shall be tax exempt;

(6) Personal property of the Port Authority shall be tax free, except for that acquired in connection with existing taxable railroads taken over by the Port Authority;

(7) Franchises taxable at the time of acquisition shall remain taxable, but franchise values arising in connection with projects constructed by the Port Authority shall be tax free;

(8) The valuation of Port Authority property for purposes of taxation shall be made by the respective state tax authorities or subject to their approval;

(9) The payments made by the Port Authority in accordance with these recommendations shall be in lieu of taxes; and,

(10)* No property of the Port Authority shall be subject to special assessments except for improvements petitioned for by the Port Authority for its exclusive benefit. (Preliminary Report of the Commission on Taxation of the Property of the Port of New York Authority, p. 11.)

The involved character of the program recommended by the interstate commission is due to the involved nature of the problem itself as well as to the differences of opinion in the commission and to the divergence of the two state tax systems.

Municipal Ownership and Exemption

Straight municipal ownership does not raise such complicated questions. They are none the less difficult of solution. Private street railways, lighting plants, markets, docks, and other utilities are called upon to pay real estate taxes, personal property taxes, special franchise taxes, and other corporation taxes, including income or capital stock taxes. City owned and operated utilities are entirely tax free. This is not an inconsiderable item as was shown in the statistical study made by this committee in 1922.¹

* Not concurred in unanimously.

¹ Legislative Document (1922) No. 72, p. 217 ff.

The following table shows the importance of taxes on the basis of the ten year period, 1911-1920.

TABLE I
RATIO OF AGGREGATE STATE AND LOCAL TAXES TO AGGREGATE GROSS AND NET INCOME AND TO OPERATING EXPENSES FOR CERTAIN PUBLIC SERVICE CORPORATIONS IN NEW YORK STATE, 1911-1920¹

	Number of corporations included	RATIO OF AGGREGATE STATE AND LOCAL TAXES (EXPRESSED AS A PERCENTAGE) TO AGGREGATE		
		Gross income	Net income	Operating expenses
Electric light and power companies.	50	6.9	23.9	13.2
Gas and electric companies.....	22	6.3	32.9	10.4
Gas (manufactured).....	18	5.5	27.7	8.2
Gas (natural).....	18	4.4	11.8	8.5
Electric railways.....	56	7.2	56.5	11.6

Water companies were not included in the above study. It appears, however, that their tax ratios would not fall below those shown above, with the exception of the electric railways. Attention should be called to the fact that this table includes all corporations in New York State with figures available for this period. It is not a sample; it is all-inclusive.

If a city buys any one of the utilities listed above, that part of the property lying within its own area is immediately tax exempt. In other words, 8 to 13 per cent of the operating expenses are forthwith "saved." Measured in terms of gross income, this is from 4.4 to 7.2 per cent, or in terms of net income, from 11.8 to 56.5 on the basis of aggregates. This saving is immediately reflected, however, in an equivalent loss in tax collections, which must be made up with higher tax rates unless of course an equivalent amount is transferred from the water rates collected to the general funds of the city. A number of cities are as a matter of fact making a definite transfer of this character in lieu of taxes, in order that tax exemption of a municipal utility may not result in an increase of general taxes. The subject is mentioned here because it throws some light on the general problem of tax exemption.

Personal Property

There are few problems for New York State in the future in connection with the taxation or exemption of personal property. As we have seen above in Chapter III, practically all of the tangible and intangible personal property in the state is now tax exempt.

¹ From Legislative Document (1926) No. 72, Tables 39, 48, 58.

If a general business tax is adopted, as has been recommended time and again, the tangible personal property of unincorporated businesses and manufacturers will be eliminated from the tax rolls. While this will mean a revenue loss in those jurisdictions in which such property is now taxed, the gain will far exceed the loss. In 1925, the net gain was estimated at \$6,500,000.* The taxation of personal property will then be no longer a problem in the state of New York.

PROGRAMS OF REFORM

There has been a great deal of discussion of tax exemption and very few concrete practical suggestions for dealing with the problem. The most ambitious treatment of the subject is contained in a special report issued by the Westchester County Chamber of Commerce in 1922. As has been indicated in Chapter II, Westchester County is the happy hunting ground for tax exempt institutions. A large share of the towns which contain an abnormal amount of exempt property is located within the county. Spurred on by this condition, the chamber of commerce undertook to find out, first of all, "how the whole system of tax exemption came about," and second, what the facts are in Westchester County. The answer to the first question is found in a painstaking historical study which goes back to Greek and Roman institutions, and traces the evolution of exemptions and privileges through the Middle Ages, and down through the modern separation of church and state, and the development of modern constitutional democracy. The answer to the second question is found in a brief statistical analysis.†

Results of Historical Research

On the basis of the historical investigation, the following conclusions were reached:

"1. There is ample historical justification for the exemption from taxation of charitable institutions which perform without compensation a function which the State has, from Tudor times in England and colonial times in this country, avowedly undertaken to perform, viz., the care of the poor, sick, demented, crippled, blind, deaf, impotent, the helpless aged and young.

"2. As a corollary to the first proposition, there is no historical basis for the exemption of benevolent institutions, like the Y. M. C. A., or of fraternal organizations, like the Odd Fellows, to the extent to which they perform no function which the State has ever undertaken to perform.

"3. As the State progressively takes on social duties by way of workmen compensation laws, health insurance, and social insurance generally, there is a corresponding weakening of the historical sanction for the exemption of charitable institutions.

* Legislative Document (1925) No. 97, p. 191.

† *Tax Exemptions on Real Estate, An Increasing Menace*, Westchester County Chamber of Commerce, White Plains, 1922. Historical research by Philip Adler. Chairman of committee, William R. Bull.

"4. Although there was sufficient ground for the exemption of places of religious worship in colonial times, such ground, because of the disestablishment of the Church during the Revolution, now no longer exists.

"5. There is sufficient historical sanction for the exemption of educational institutions, but not for parochial or religious schools.

"6. Where an institution justly entitled to exemption, because of its charitable function, engages in other activities, such as renting its premises for profit, its claim for exemption not only ceases, but there is direct historical precedent for taxing such an institution.

"7. When a charitable institution derives income from fees of its inmates, there seems to be no historical basis for exempting it from taxation. To prevent vagabondage and begging the state undertook to maintain only the poor and impotent, the utterly helpless. Those in a position to pay have, therefore, no claim on state support. In housing such inmates an institution is in no way relieving the state of a burden which the latter has ever undertaken to bear."*

It is not to be inferred that the committee or the chamber of commerce necessarily accepted all these conclusions. They are presented by Mr. Philip Adler who made the study.

Conclusions of the Committee

The committee on taxation of the Westchester County Chamber of Commerce has not presented a definite or concrete set of recommendations dealing with real estate exemptions. The committee did, however, render a very important service in printing its "Tentative Deductions" drawn from its historical and statistical studies. This statement is brief and is here reproduced with the permission of the chamber.†

"In a state of society where Church and State are separate, charity and education take on different form. To heal the sick, care for the poor, succor the weak and educate the young becomes part of the duty of the State. What was the Church's task now becomes the State's. But until the State clearly accepts the burden private individuals must meet it. Even before there were rich endowments, individuals began to perform their social duties. To the extent that these individuals and the institutions they established performed such functions, they were doing a public service. They were doing something which the State itself would ultimately have to do if it was to save itself and to grow.

"As much a part of self-protection as war, education and care for the weak is today a well-recognized part of the State's duty to its citizens. It is, of course, obvious that the State should not tax its own agencies. To tax its own agencies would be to tax itself. It would simply take money out of one pocket to put it

* *Tax Exemptions on Real Estate*, Westchester County Chamber of Commerce, 1922, pp. 80-81.

† Copyright 1922, by the Westchester County Chamber of Commerce.

in another. It would weaken the institutions it created. By common recognition of the facts, therefore, the agencies performing these public services, though left under the control and management of private individuals, were accepted in qualified measure as State agencies. It was recognized that they were performing a task which the State itself should perform. The exemption from taxation which the State granted to them, therefore, was a partial contribution by the State. It was more in the nature of a subsidy—to encourage and strengthen them in their work. In short, the State encouraged private philanthropy by subsidizing it. Instead of taxing these institutions and then giving them direct bounties, it relieved them from taxation. As was said in Parliament at an early date: 'It (this exemption) would in effect be equivalent to a vote by that House of so much public money. . . .'*

"This we believe to be a defensible position. Until the State removes from all private hands the performance of the duty of education and care of the weak, the State must recognize that these private institutions are in fact agencies of the State and entitled to State aid.

"But something has happened in the divisional functioning of the State which produces an inequitable application of this principle. Under our form of government, each State has a separate form of government, each treats its own tax problem separately, and each treats its own educational problem separately. Moreover, our principle of local self-government gives us a separate tax unit for each city, village, county, township and school district. In the evolution of these several units, we have lost sight of the original purpose of tax exemption and up to the present time have failed to analyze the practical results. Thus it comes about that a tax exempt institution may occupy so much of a whole township as to make it impossible for that township to collect taxes for its own support. And the tax exempt institution in all likelihood is likely to be of no immediate or direct benefit to the township. It serves the entire State. It does something of value to all the people of the State. But the poor little township bears more than its share. Instead of supporting only its own poor, it is supporting a substantial part of the poor of the whole State.

"So a county may become, solely because of its fortunate physical location, the natural site for all the sanitariums, schools, colleges and like institutions of a substantial part of the State, and under our present system of tax exemption the balance of the property in the county carry the entire tax burden of county, city, and town administration, including police service for the protection of these very institutions. A school district may not find sufficient taxable property to support its school because a substantial part of its taxable lands is given over to institutions performing a State service. Suppose the State should pick out Westchester County (as it has, in substantial measure, done already) for all of its

* Hansard: Parliamentary Debates, 3rd Series, LXII. 1390.

penal, educational and hospital institutions. These would, of course, be tax exempt. If 75 per cent of Westchester were so taken up, the whole burden of county administration would fall upon the remaining 25 per cent of the real estate. Would this be fair to Westchester? What is true of Westchester is true of other counties in the State.

"So, also, suppose a county institution is located in a substantial part of one township. Would exempting all this property from town taxation be a fair application of the principle?

"In short, if tax exemptions are in the nature of subsidies for performing a State function, why should the counties suffer because they happen to be situated where these institutions find convenient and accessible locations, and why should townships suffer because a county function is performed within its township?

"Again, if the subsidy in the way of exemption is granted because of the performance of a service in aid of the State, why should cemeteries (operated as a business) be exempt? Why should private sanitariums or private insane asylums be exempt? Why should institutions be permitted to sell their holdings at a profit after long years of State subsidies and go scot free of tax? Why should an entire institution organized on a paying basis be exempt because a small part is furnishing free service?

"Obviously, we must develop some more equitable method for allowing exemptions. Our present New York law is a hodge podge of exemptions, which, by the simple process of applying analogies to analogies, has added exemption to exemption, with no basic or guiding principle.

"If tax exemptions are to be based on sound principle, what sounder principle is there than that disclosed in this historical study? Let the State aid all those agencies which are performing a State function, leaving the counties, the cities, the villages, the townships and school districts free to tax all property save those that are performing for them local functions. Cut out all exemptions that are inconsistent with this principle.

"As for exemption of church property, this concededly presents a problem. But it will doubtless interest churchmen as well as laymen to learn that church property has not always been exempt from taxation and that upon many occasions it was the policy of the Church to pay its share toward the expense of government.

"Now that Church is separated from State and each religious group supports its own institutions, it may well be that churchmen themselves will call for a change in the law.

"We ask these questions in no antagonistic spirit. We ask merely for light. We are as yet propagandists for no program."*

* January 1922. The Committee on Taxation was made up as follows: William R. Bull, Chairman; Henry R. Barrett, Julius Henry Cohen, Frederick P. Close, Benjamin L. Fairchild and Laurence A. Tanzer.

Practical Application of Committee Program

The committee itself is not ready to make a practical application of the principle which it puts forward to control the exemption policy of the state. It appears also that the use of the word "state" is somewhat ambiguous. Does it mean government, including state and local agencies, or does it mean only the state government, excluding counties, cities, towns, and other local agencies? The word is used apparently with both meanings. It appears, however, from the context that the committee would favor the local taxation of state hospitals and prisons, private hospitals, private cemeteries, and churches. Arsenals, fish hatcheries, Indian reservations, and lighthouses would probably be classified also in the group of state agencies which render no local benefit and would, therefore, be taxable under the committee's plan. It is difficult to say how the committee would deal with universities.

Additional Plans of Reform

There have been various other suggestions made with regard to a remedy for the tax exemption problem. Some have suggested that all exemptions be abolished. Obviously, this could not be extended to United States property. Others have limited the proposal so that the improvements would be exempt, but not the land. This is evidently the plan underlying the program of the joint commission on the taxation of the property of the Port of New York Authority.* Some have modified this proposal by providing for the taxation of the land at the valuation at which it stood at the time of acquisition.

Another group of suggestions deals only with publicly owned property. It leaves private exemptions in their present status in recognition of the political and other factors involved. Here again the suggestion is made that all publicly owned property be made subject to taxation except, of course, that of the United States. Under such a plan, state institutions would be taxed locally to meet the costs of local government, and city schools, parks, and buildings would be subject to county and state taxes just as if they were private property. Under this plan, the cost of tax exemption would be spread over the taxpayers of the unit owning the tax exempt property, whereas now it is spread over the taxpayers of the unit in which the property happens to be located. A variation of this plan is to be found in the proposal that all publicly owned improvements be exempted, but that land itself be taxable. Both of these plans have much to commend them and deserve careful consideration. The matter was brought up for discussion at the 1926 session of the legislature through the introduction of a bill providing for the limited local taxation of the land owned by the state.† Under the provisions of such a bill, there would be extended to all state owned property the

* See p. 130.

† 1926 Senate Int. No. 809, by Mr. Mastick.

policy which is now followed of making the state forest preserve locally taxable and of subjecting certain other state property to taxes in specified areas.†

Still another suggestion is that there be a new definition of property entitled to exemption. Such a definition could only be made after a field study of practical cases.

Mention should also be made of the proposal to discourage the concentration of exempt institutions by fixing a definite percentage of exempt to taxable property, within a taxing unit, beyond which no property will be granted the privilege of exemption.

Exemption Subsidies

Another suggestion is significant because it deals especially with the method of changing from an exempt status to a nonexempt status. It is proposed that a constitutional amendment be adopted wiping out at one stroke all exemptions, with the exception of the property of the United States, and providing that all taxing units levying taxes upon property now exempt shall for a period of ten years make an annual appropriation equivalent to the taxes assessed and collected from such property, and providing further that after such period of ten years has expired, taxing units may make such appropriations to the same classes of institutions as they may desire, but not in excess of the taxes collected, except in the case of objects for which legal authorization for appropriation exists in the constitution or statutes of the state. The amendment proposed does not alter the financial situation in any particular for ten years. What it does, however, is to place the exemptions frankly in the class of subsidies. For the first decade the subsidies are mandatory, thereafter they are optional, except that they cannot exceed the tax collected. Under this plan, all exempt property would immediately go on the rolls at the same value as other property and would be taxed at the general tax rate. This would be true of a city park, of a private school, of a cemetery, of a church, or of a state penitentiary. And there would be included in the local budget and tax levy for the same year an appropriation for "exemption subsidies," specifying each beneficiary, and appropriating the exact equivalent of the tax levied. This would continue for ten years, and every one would know just how much in dollars and cents the exemption subsidies were costing the local community, and the voters could begin to estimate how much benefit they were deriving from the subsidized institutions. After the end of this period, the voters of the taxing unit, through their representatives, would determine what exemption subsidies seemed to them justified each year in view of the service which they received, and in view of their other needs and obligations. For example, the budget would contain an appropriation for the full amount of the taxes levied against a city park. The same would

† For digest of laws making state property taxable see our report of 1923, Legislative Document (1923) No. 55, p. 140.

be done for the city electric light plant, and the plant would be charged with the taxes. It might be determined that the private school was rendering a direct municipal service and that the city should, therefore, make an annual subsidy equivalent to \$30 per pupil, or for each pupil admitted free of charge or at a reduced tuition. In other words, the city subsidy would be based on and measured by service, not by accident as at present. It is probable that a definite plan of exemption subsidies would be worked out for application to all churches alike which would measure the interest of the community in its religious institutions and the service which they render. Excessive land holdings would become immediately apparent, and subsidy appropriations would hardly be continued. A state penitentiary would probably receive no further local exemption subsidy after the ten year period unless the local taxing unit received some advantage from the presence of the penitentiary.

There are a number of weighty criticisms which may be brought against this plan of exemption subsidies. If applied to churches and religious schools, would it not raise in our taxing units the ugly issue of sectarian discord? If applied to state institutions, would it not permit local units to boost the taxes or assessments unfairly because of the knowledge that the institutions when once established could not easily move away? Though these are important questions, there are counterbalancing considerations. The present exemptions are covered by legislation, not by the constitution, and could be changed back and forth at every session of the legislature. But this is not done, nor has it raised difficult sectarian issues. And in any case, under the exemption subsidy plan, the appropriation could not exceed the tax collected in the case of sectarian institutions because further appropriations are prohibited under other sections of the state constitution. (Article IX, section 4.) It is doubtful also if there would be any discrimination against state institutions. The state could carry its appeals through the regular channels, or it could even be provided that the state tax authorities should be the final court of appeal. Some such quick and inexpensive method of appeal would probably be desirable to straighten out differences of opinion which may arise between cities and counties, or among other taxing units, with regard to the valuation of public property.

The Conflict of Theoretical and Practical Considerations

No one can consider the problem of exemptions or the even greater problem of abolishing exemptions without realizing that there is no simple way out. Most problems of this sort can be solved when the facts are fully known. But in dealing with exemptions, this does not seem to be the case. Many of the facts are now known; and, we hope, others are developed in this report. But even with this material, it is not possible to see clearly what course of action is to be recommended. No method of attack has been suggested thus far which is not so involved with difficulties

as to be almost impossible on its face. While it is not simple even to work out satisfactory general principles, their development in concrete terms raises almost insuperable obstacles.

There is no better statement of the difficulties of the problem and of the conflict of theoretical and practical considerations than is to be found in an informal letter received by the committee from Hon. Mark Graves, state tax commissioner. Mr. Graves has finally yielded to the request of the committee and permitted the publication of his letter. The pertinent sections are as follows:

"I think most of us are agreed that in the long run it would be more desirable if there were no exemptions of real estate. That appeals to me as more businesslike. But I will admit that my present attitude against all exemptions is a sort of a short-cut attitude possessing much of the character of a cutting of the Gordian knot out of the difficulties. Perhaps no two persons would give identical reasons for the abolition of exemptions and it might be well to make a complete list of all the reasons, actual or alleged, of why there should not be any real estate exemptions, and also of why there should be. The two things that stick in my own mind most are (1) their insidious character and (2) the possibility of their running away with us. They have a most healthy capacity for increasing at an astonishing rate. If they develop their full possibilities along this line, what will be the result? No matter how worthy a project may be which is exempt, it is always possible to think up something else just as worthy, and furthermore, no matter how worthy a project or an institution may be at a given time, it is by no means certain that this worthiness will be perpetual.

"When we consider the last ten or twelve centuries we find a great many exempt properties which ultimately became greater nuisances than benefits to the society in which they existed. Dr. Henry S. Pritchett, acting president of the Carnegie Corporation said that 'somebody must sweat blood with gift money if its effect is not to do more harm than good.' A great foundation established to bring our institutions of higher learning up to a desirable standard is undoubtedly a great benefit. But how easily such an institution can be unconsciously transformed into an organization to compel conformity with an obsolete standard is appreciated by everybody who has given the matter any attention.

"It seems to me that the one most desirable thing to do relative to exemptions is to develop some effective methods of approach whereby we can get the average man to appreciate the dangers lurking in exemptions. If this is true then what is the most useful information which can be laid before that average man?

"It must be realized that in abolishing exemptions there is going to be no net decrease in taxation. There will be some shifting but no lessening, for whatever society will save upon present taxable property, society will have to pay upon the present exempt property. So far as government owned property is concerned, it will be practically merely a great improvement in

bookkeeping. So far as privately owned property is concerned, it will involve a somewhat greater burden upon those individuals in society who are more philanthropically inclined than the average. Offhand, of course, this appears highly undesirable. But philanthropic inclination is an insufficient basis for exemption. There are numerous individuals who devote their time, their home, and their money, in fact everything they possess to philanthropy. Yet we do not consider such action on their part is adequate for exempting them from helping to support the government in accordance with their ability. In fact there is probably no philanthropy that is superior to supporting the government which maintains the orderly processes of society whereby we can carry on all of our activities including our philanthropic activities.

"It would appear that the information available in the Tax Commission's offices giving full distribution of the exempt property, by class of ownership, geographical and functional, furnishes nearly everything that is available. It would be desirable, if it were readily procurable, to have figures showing the total area of exempt property. This is bound to increase and the percentage of the total area of the state that is exempt is also bound to increase until the period when exemptions are abolished or curtailed.

"There is another angle about which I think we are in great need of information but I do not see how it can be secured. There is in my mind the thought that in many cases the creation of an exempt property adds materially to the value of the taxable property. It would be highly desirable to have information of just how far this is true. To illustrate what I mean: Let us assume that the purchase and development of a park costs \$200,000 but the increase in value of the contiguous property is \$300,000. So far as such is the case much of the seriousness is taken out of the problem connected with exemptions. On the other hand, the existence of a hospital for infectious diseases or the existence of a lunatic asylum might very materially decrease the value of contiguous property, although the existence of such facilities being necessary might increase the value of the property of a much greater geographical area. It would be highly desirable if possible, to know just exactly what is the extent of the results of exempt real estate upon increasing or decreasing the value of taxable property.

"Of course the existence of the exempt facility is an entirely different thing than the exemption of that facility. It would also be important to know, if determinable, how much of these various exempt properties would not have been set up if they had not had the benefit of the exemption privilege.

"It can perhaps be objected relative to the government owned property, which is of course the bulk of the exempt property that the better bookkeeping secured would involve considerable expense and that the benefits would not be worth the trouble. Our 1924 report shows approximately twenty billion dollars of taxable property and four billion dollars of exempt property. Would the taxa-

tion of the four billion dollars of exempt property increase the cost of assessing and collecting our general property tax some 20 per cent or, under the theory of increasing returns, would the extra cost involved be only a small part of that 20 per cent?

"The total cost of collecting our general property tax revenue in this state is perhaps some \$3,000,000. Would the abolition of exemptions involve an additional \$600,000 cost? If not, what part of that \$600,000 would be involved? And against this figure what would be a fair numerical valuation to put upon the resultant benefits?

"If the state should propose to go ahead and root up a situation which has become crystalized and which is so firmly established in the opinions and prejudices of most of us we should have very definite ideas, and stated quantitatively or numerically, of what the resultant advantages and disadvantages are.

"Of course much of the essential information which it would be nice to have is not procurable. Also I appreciate that simplicity is perhaps next to productivity the chief virtue of a tax and it is possible that the extra bother inherent in the taxation of property now exempt would not be worth the benefits except for the fact that we are only at the beginning, apparently, of the exempt property problem and unless the matter is conservatively handled now it may develop into a major problem indeed.

"During the latter years much has been made of the fact that in many cases exempt property has a tendency of concentrating in given districts. Just what injury is suffered by the owners of taxable property, by the Erie Canal or West Point, or some college, for instance, being located entirely or in large part in a given district? I think it would be well to work out estimated figures of the relative advantages and disadvantages.

"I am satisfied that the time has arrived when we might as well stop declaiming about exemptions in general and substitute for such declamation some actual financial figures in dollars and cents, but I also appreciate the fact that this is extremely difficult.

"Inasmuch as this is supposed to be a democratic country, the desires and opinions of the voters should have some weight. Do the majority of our citizens prefer our present system of exemptions or are they against it? I think that this would be important information and I also think that it would not be so difficult to ascertain this matter. Frequently in matters of government the opinion of the experts and the opinion of the majority are diametrically opposed.

"When a tax change is advocated it is desirable to think out in advance what may be the administrative difficulties. Although my general sense is against any exemptions, I realize that although the matter has many aspects of a great problem it also appears to have some of the aspects of a great mare's-nest. It has been suggested that the benefits resulting from the taxation of many of our classes of exempt property would not outweigh the disadvantages involved. Unless we could get the exempted property valued at approxi-

mately the same percentage of full value as is the taxable property it is entirely possible that the benefits would not equal the trouble.

“To illustrate the troubles involved we may take cemeteries as an example. In the first place, there is a problem dependent upon what contiguous lands should be used as the basis for determining the value of the cemetery land. Then who should pay the tax, the municipality or the owners of the cemetery lots? If the latter, there would be a great increase in the number of entries on the tax roll. Then in that case what would be done where families have all died out or moved away? Would their cemetery lots be sold for taxes and who would buy them and remove the present occupants? This line of questions illustrates how almost any logical reasoning relative to most of our exempt property leads to ridiculous and absurd conclusions. It is this exasperating situation that is in large part responsible for my antipathy to all exemptions. But if we admit it would be ridiculous to tax cemeteries then we are immediately confronted with the difficulty of having large classes of other exempt properties in the same situation.

“Now in a way exempt properties have a character similar to that of highways. Whatever is the cost of the street or highway is assumed to be included in the value of the abutting property. So also public improvements, whether paving, curbing or highway grading, or whether police station, fire station, or parks may perhaps fairly be considered as having their value reflected in the taxable property. It is generally considered a duplication to include in total value the value of a farm which value is increased by the highway running through it and the cost of the highway. So also it may possibly be a partial duplication in arriving at the total wealth in a community to add to the taxable wealth the valuation of the exempt wealth. Possibly this idea may be illustrated as follows: Let the value of the Hudson River be assumed to be worth \$500,000,000 to New York. If so is not that \$500,000,000 included in the value of the realty of New York and would not the fair economic value of the Hudson River and all of our waters be a duplication if such fair value of those waters were added to the land valuations of the state. Now is it not entirely possible, if not probable, that this same principle is largely true in the case of many of our other exempt facilities as well as of our public transportation facilities?

“As above suggested it is necessary to distinguish between exempt property and the exemption of exempt property. We could still have all of our exempt properties even if they were no longer exempt. Unless we consider that the exempt property is worth more to us than as though it were devoted to some other purposes, we would not invest our money in the exempt project.

“It may be asked if the general property tax is really a tax in rem why is not a publicly owned property possessed of this taxable ability equally with privately owned property. The obvious answer to this question is that inasmuch as the exempt property meets a public purpose and inasmuch as a tax is a forced contribu-

tion levied for the purpose of meeting a public purpose it is entirely unnecessary to go to the extra bother of assessing something which exists to meet a public purpose to raise revenue to meet a public purpose.

"I desire to see the valuation of our exempt realty distributed between land and improvements.

"And I would like to know the original cost of our exempt properties as well as their present value.

"Instead of exemptions being the measurement of a taxation menace may they not be a measurement of social progress? May they not be the measurement of benefits which society is able to and should afford? As a matter of bookkeeping is there really any more occasion for charging taxes to exempt properties than there would be for a railroad to charge transportation to its engineers, firemen, etc.?"

"If exemption should some day be all abolished it will be a delicate operation requiring great sagacity and involving a considerable period of time to permit the various houses to be put in order.

"In the above somewhat rambling paragraphs I have listed some of the conflicting ideas existing in my own mind. I have no idea of attempting any last word on the subject; a final conclusion can probably not be rushed out, it will come more as a general maturing like the hatching of an egg. We must arrive at some comprehensive understanding of the exact relation of the exemption of property to things in general, even if much of the information does not lead to legislative action."

It is with this last thought in mind that your committee has presented this report on tax exemption. We believe that what is needed at this stage is a presentation of facts, the encouragement of full and frank discussion, and the concentration of thought upon the problems involved. Questions of tax exemption cannot be settled hastily or carelessly. When the time comes for decision there should be a substantial unanimity of opinion, and the action taken should be theoretically sound and practically workable.

APPENDICES

APPENDIX I

VOLUME OF GOVERNMENT SECURITIES OUTSTANDING AS AT
DECEMBER 31, 1924*
(000 Omitted)

Federal Securities:

Class I A, Wholly Exempt†.....	\$3,009,000	
Class I B, Partially Exempt‡.....	18,418,000	
Total Federal		\$21,427,000
State and Local Securities:		
Class II, Bonds of New York State§.....	\$222,000	
Class III, Subdivisions of New York State§..	1,675,000	
Class IV, Other States and Subdivisions.....	8,646,000	
Total State and Local.....		\$10,543,000
Grand Total		\$31,970,000

* Less sinking funds.

† Treasury Department mimeographed release dated February 2, 1926 entitled "Estimated Amount of Wholly Tax Exempt Securities Outstanding December 31, 1925." This statement gives the total amount of wholly exempt securities as at December 31, 1924, without separation as between federal and state and local securities. The desired separation was obtained according to the method outlined in Hardy, *Tax Exempt Securities and the Surtax*, p. 175, note a.

‡ Obtained from *Statement of Public Debt of United States*, published monthly by the Treasury Department.

§ Report of State Tax Commission. 1924, pp. 114-116.

APPENDIX II

Method of Estimating Value of Tax Exempt Securities Owned by Taxable Individuals in New York State, Amount of Exempt Interest, and Resulting Reduction in Yield of State Income Tax

The United States Treasury Department publication "Statistics of Income," compiled from the federal income tax returns for 1924, contains a statement of the amount of wholly and partially tax exempt securities owned and amount of exempt interest received by individuals who filed income tax returns for the year 1924.* These figures are not complete, since they apply only to individuals reporting incomes of \$5,000 or more per annum. Moreover, they do not include tax exempt interest received by partnerships. Finally, since the data regarding tax exempt bonds, as called for on the tax return, is desired merely for purposes of information and is not subject to audit by the treasury department, it is probable that many taxpayers neglect to supply it.

The Treasury Department figures do not classify holdings of tax exempt securities by states. They do, however, show the respective amounts of tax exempt securities owned, and exempt interest received, by individuals in each income bracket, and this information makes it possible to estimate roughly the volume of government bonds owned by individuals in New York State in 1924. Table A sets forth the details of this estimate.

It will be noted that the entire calculation has been made on the assumption that the amount of exempt interest received by individuals in any specified income group in New York State represents the same percentage of the total taxable income for that group as the corresponding ratio of tax exempt interest to total taxable income for the country as a whole. Inasmuch as taxable income reported from New York State comprises such a large proportion of the aggregate taxable income for the entire country, it is believed that this method does not result in a very large margin of error. The amount of tax exempt interest received by individuals having incomes between \$2,500 and \$5,000 per annum has been estimated on the assumption that the ratio of exempt interest to total taxable income for this group is half as great as the ratio for the \$5,000 to \$6,000 group.

* Treasury Department, United States Internal Revenue, *Statistics of Income from Returns for 1924*, pp. 12 and 337.

TABLE A
ESTIMATED TAX EXEMPT SECURITIES OWNED AND EXEMPT INTEREST RECEIVED BY INDIVIDUALS IN NEW YORK STATE *
Calendar Year 1924 (000 omitted)

INCOME CLASS	Per cent New York taxable income to taxable income for entire United States	GOVERNMENT SECURITIES OWNED BY INDIVIDUALS				TAX EXEMPT INTEREST RECEIVED			
		ENTIRE UNITED STATES		ESTIMATE FOR NEW YORK STATE		ENTIRE UNITED STATES		ESTIMATE FOR NEW YORK STATE	
		State and local	Federal	State and local	Federal	State and local	Federal	State and local	Federal
\$2,500 to \$5,000		E \$155,246	E \$420,858	\$27,511	\$93,193	E \$7,573	E \$17,039	\$1,342	\$3,020
5,000 to 6,000	17.7	28,334	79,110	5,015	14,002	1,387	3,200	245	568
6,000 to 7,000	19.2	24,296	71,010	4,865	14,486	1,180	2,984	228	573
7,000 to 8,000	20.4	22,528	69,574	4,598	14,193	1,192	2,811	243	573
8,000 to 9,000	20.6	23,155	65,728	4,770	13,540	1,158	2,693	239	555
9,000 to 10,000	21.3	22,939	58,101	4,886	12,376	1,112	2,524	213	538
10,000 to 11,000	21.9	23,485	59,347	5,143	12,997	1,184	2,500	259	547
11,000 to 12,000	22.0	33,137	59,641	7,290	13,121	1,567	2,558	345	563
12,000 to 13,000	22.3	24,959	52,104	5,566	11,619	1,260	2,178	281	486
13,000 to 14,000	21.6	18,007	48,603	3,890	10,498	928	2,170	200	469
14,000 to 15,000	22.6	24,452	48,058	5,526	10,861	1,122	1,930	254	436
15,000 to 20,000	23.1	103,521	206,089	23,913	47,607	5,244	8,587	1,211	1,979
20,000 to 25,000	24.2	111,283	168,730	26,930	40,833	4,952	7,417	1,198	1,795
25,000 to 30,000	24.8	107,281	142,148	26,601	85,252	4,514	5,874	1,119	1,457
30,000 to 40,000	26.6	208,980	222,300	55,589	59,132	9,988	9,314	2,637	2,478
40,000 to 50,000	27.9	170,247	168,159	47,499	46,016	8,387	8,276	2,340	2,300
50,000 to 60,000	28.9	118,216	120,164	34,164	34,727	5,326	4,977	1,539	1,438
60,000 to 70,000	30.0	125,616	112,507	37,685	33,752	6,180	5,102	1,854	1,531
70,000 to 80,000	31.2	120,499	99,455	37,596	31,030	5,421	4,257	1,691	1,328
80,000 to 90,000	29.9	82,009	71,878	24,520	21,492	3,616	3,018	1,081	902
90,000 to 100,000	33.9	62,909	47,557	21,326	16,122	3,116	2,068	1,056	701
100,000 to 150,000	36.4	276,873	183,873	100,781	66,930	12,085	7,657	4,399	2,787
150,000 to 200,000	39.4	168,344	120,393	66,328	47,435	7,598	7,492	2,994	2,952
200,000 to 250,000	41.7	138,883	79,407	57,914	33,113	5,994	3,147	2,499	1,312
250,000 to 300,000	34.9	72,305	51,008	25,255	17,823	3,195	2,024	1,115	706

300,000 to 400,000.....	36.9	84,913	62,883	31,333	23,204	3,512	2,552	1,296	942
400,000 to 500,000.....	48.6	87,444	49,667	42,498	24,138	4,315	1,895	2,097	921
500,000 to 750,000.....	46.3	110,713	79,964	51,260	37,023	5,828	3,651	2,698	1,691
750,000 to 1,000,000.....	40.2	48,107	43,218	19,339	17,374	2,145	1,387	862	550
1,000,000 to 1,500,000.....	57.0	26,373	31,735	15,033	16,089	1,035	1,157	590	659
1,500,000 to 2,000,000.....	39.0	6,820	9,409	2,660	3,670	226	308	88	120
2,000,000 to 3,000,000.....	61.9	20,802	23,362	12,876	14,461	1,481	771	917	477
3,000,000 to 4,000,000.....									
4,000,000 to 5,000,000.....	49.9	55,174	97,664	27,532	48,734	2,388	3,535	1,192	1,764
5,000,000 and over.....									
Total.....		\$2,707,892	\$2,784,204	\$867,490	\$939,743	\$126,218	\$137,013	\$40,342	\$39,125

* Based on data obtained from United States Treasury Department, publication *Statistics of Income*, 1924, p. 337.

E Note text below.

Loss on Federal Securities

Table A does not supply all the data necessary to calculate the amount by which the yield of the New York State income tax was reduced in 1924, because of the noninclusion of interest from tax exempt bonds, since only a portion of the state and local bonds owned by residents of New York State and its subdivisions are exempt from the New York tax. It does, however, supply the data necessary to calculate the revenue lost in respect of federal bonds, and this calculation is given in Table B.

TABLE B
ESTIMATED REDUCTION IN YIELD OF 1924 STATE INCOME TAX
THROUGH EXEMPTION OF INTEREST ON FEDERAL BONDS OWNED
BY INDIVIDUALS WHO REPORTED THEIR HOLDINGS

INCOME CLASS	Estimated tax exempt interest	Rate of tax	Estimated tax yield
\$2,500 to \$10,000.....	\$5,825,000	1 per cent	\$58,000
10,000 to 50,000.....	12,519,000	2 per cent	250,000
50,000 and over.....	20,781,000	3 per cent	623,000
Total.....	\$39,125,000		\$931,000

Table B indicates the approximate amount of taxes lost to New York State in respect of federal securities owned by individuals who reported their holdings on their federal income tax returns of 1924. As previously pointed out, however, it does not take into account partnership holdings nor unreported securities owned by individuals. For the purpose of giving an idea of the volume of these latter classes of holdings, Table C is presented. This table is based on data compiled by the federal trade commission and shows the distribution among various classes of owners of the entire amount of tax exempt securities outstanding at the close of 1922.*

It will be seen from Table C that as at the close of 1922, corporations owned \$8,669,818,000 of federal securities. The holdings of individuals with incomes above \$2,500 per annum, as reported on income tax returns, amounted to \$3,400,000. This left \$11,054,185,000 of federal securities whose ownership was not accounted for. These unaccounted securities represented the holdings of foreigners, the holdings of citizens with income under \$2,500 per annum, the holdings of universities, colleges, foundations, labor unions, building and loan associations, religious and charitable institutions, libraries and museums, as well as securities held in

*Federal Trade Commission, *Taxation and Tax Exempt Income*, 68th Congress, 1st session, Senate Document 148.

†Hardy, *Tax Exempt Securities and the Surtax*, p. 51.

governmental trust and investment funds. Finally, a considerable proportion of the securities in question must have been owned by partnership and taxable individuals who did not report their bonds to the federal government.

A reliable authority estimates the holdings of nontaxable organizations comprising universities and colleges, foundations, labor unions, building and loan associations, religious and charitable institutions, and museums and libraries at \$152,000,000. § The same authority places the amount of federal securities held in governmental trust and investment funds at \$482,200,000. This leaves \$10,419,000 of securities to be accounted for on the basis of ownership by foreigners, individuals with incomes below \$2,500 per annum, partnerships and taxable persons who concealed

TABLE C
DISTRIBUTION OF TAX FREE SECURITIES AMONG VARIOUS CLASSES
OF HOLDERS AT CLOSE OF 1922 *
(000 omitted)

SECURITIES	Insurance companies	Banks and trust companies	Other business corporations	Individuals with taxable incomes exceeding \$2,500†	All other holders	Total
Federal	\$1,359,831	\$4,625,963	\$2,684,024	\$3,400,000	\$11,054,185	\$23,124,003
State and local.....	843,817	937,943	248,218	2,066,000	5,700,988	8,796,966
Total	\$2,203,648	\$5,563,906	\$2,932,242	\$5,466,000	\$16,755,173	\$31,920,969

* Based on data obtained from report submitted to the Senate, by the Federal Trade Commission June 6, 1924, entitled *Taxation and Tax Exempt Income*, 68th Congress, First Session, Senate Document 148, p. 27.

† Holdings of individuals with incomes between \$2,500 and \$10,000 estimated on basis of data given in Table A, on assumption that the holdings of individuals with incomes between \$2,500 and \$10,000 represented the same percentage of total individual holdings in 1922 as they did in 1924.

their holdings. It is only possible to make an intelligent guess as to what proportion of these securities could have been reached by the income tax, had their exemption privilege been withdrawn. Hardy in his book "Tax Exempt Securities and the Surtax" estimates that a quarter of them might possibly have been subject to tax. In other words, in addition to the \$3,400,000,000 of federal securities owned by individuals with incomes between \$2,500 and \$10,000, as estimated from income tax returns, there were probably some \$2,600,000,000 or 80 per cent more held by partnerships and by individuals who failed to report their holdings.

It may be assumed that these additional securities were distributed among the various income brackets in the same manner as the reported securities. This means that the estimate given in Table B, relative to the reduction in the yield of the New York income tax through the exemption of interest on federal bonds owned by New York citizens who reported their holdings to the government, must be raised by 80 per cent to obtain the loss in respect of all securities which might possibly have been subject to

§ Hardy, *Tax Exempt Securities and the Surtax*, p. 51.

tax. The tax loss incident to the reported holdings of individuals in New York State has been estimated at \$931,000 for 1924. The estimated loss in respect to reported and unreported holdings of individuals, together with the holdings of partnerships, may, therefore, be placed in the neighborhood of \$1,676,000.

Bonds of New York State and Subdivisions

As previously intimated, the revenue lost by New York State as the result of the exemption from the personal income tax of interest received from the bonds of the state and its subordinate political units cannot be determined on the basis of the information afforded by Table A. This table gives the amount of all state and local bonds held by residents of the state, but for the purpose in view, it is desired to know only the amount of holdings in respect of New York State and its subdivisions. In order to obtain an idea of this amount, a different method must be pursued from the one followed in relation to federal securities. The point of departure is furnished by Table D, which gives the total volume of securities of New York State and its subordinate units outstanding as at the close of the fiscal year ending in 1924, together with the annual interest charges applicable thereto.

Table D shows that New York State and its subordinate civil divisions paid out some \$74,000,000 as interest on capital obligations during the fiscal year 1924. The next step is to ascertain what proportion of this amount was paid to taxable individuals and partnerships in New York State. Since there are no direct statistics covering the point, it will have to be assumed that the distribution of New York State and local bonds among various classes of holders was substantially similar to the distribution of all state and local bonds for the United States as a whole, concerning which some information is available. Appendix I and Table A of Appendix II show that there were \$10,543,000,000 of state and local bonds outstanding for the entire United States at the close of 1924, of which \$2,707,892,000 or 25.7 per cent were held by individuals who reported their holdings on their federal income tax returns. If the same proportion holds as regards New York State and local bonds, it follows that 25.7 per cent of \$1,897,026,200 or \$487,536,000 of these bonds were owned by individuals who reported their holdings.

There is no means of telling what proportion of the above holdings belonged to residents of New York State. In the opinion of the employee in charge of the bond registration books of the City of New York, 90 per cent would not be an unreasonable guess. On this basis, about \$439,000,000 of the bonds of New York State and its subdivisions were owned by residents of New York State who reported their holdings on their federal income tax returns for 1924. The approximate amount of interest received in respect of these holdings was \$17,000,000.

In order to calculate the amount by which the yield of the state income tax was reduced, through the exemption of this interest, it is necessary to distribute the exempt interest among

the various income brackets. Here again, in the absence of direct information, there is no other recourse than to assume that the distribution was the same as the distribution of interest on all state and local securities owned by residents of New York State, as set

TABLE D
GROSS AND NET INDEBTEDNESS OF NEW YORK STATE AND ITS
SUBORDINATE POLITICAL UNITS AND INTEREST CHARGES
APPLICABLE THERETO—FISCAL YEAR, 1924

POLITICAL UNIT	Gross bonded indebtedness*	Sinking funds*	Net bonded indebtedness*	Gross interest charges	Estimated interest paid to public
State.....	\$308,491,000	\$86,832,100	\$221,658,900	\$12,653,600	\$9,254,600
Counties.....	54,867,800	1	54,867,800	2,270,500	2,270,500
Cities.....	2,210,650,500	703,550,800	1,507,100,000	\$82,824,500	\$7,977,000
Towns.....	27,062,300		27,062,300	2,001,200	1,001,200
Villages.....	41,509,500	602,700	41,307,100	2,300,700	1,176,700
School Districts.....	45,220,900	100,800	45,130,100	2,097,100	2,092,500
Total.....	\$2,688,112,600	\$791,086,400	\$1,897,026,200	\$102,247,300	\$73,772,500

* Report of State Tax Commission, 1924, pp. 114-116.

† Report of State Comptroller, 1924.

‡ Special Report of State Comptroller on Municipal Accounts, 1924, p. 5.

§ For New York City, Buffalo, and Rochester interest charges obtained from respective comptroller's reports of those cities. For all other cities, information obtained from Special Report of State Comptroller on Municipal Accounts, 1924, p. 5.

forth in Table A. On the basis of this assumption, it has been possible to compile Table E, which shows the approximate amount of revenue which would have been obtained, had the \$17,000,000 of exempt interest been subject to tax.

It will be seen that the final estimate amounts to nearly \$450,000, but this sum relates only to holdings reported on federal income tax returns. Allowance must yet be made for bonds owned by partnerships and by individuals who do not report their holdings. The data furnished by Table C might be used for this purpose, but more recent figures regarding the disposition of the total volume of state and local securities outstanding are given by Hardy, and are reproduced with slight modifications in Table F.

According to Table F, out of a total of \$9,141,511,000 of state and local bonds outstanding June 30, 1923, there was an unaccounted balance of \$3,673,000,000 of bonds which were presumably owned by individuals with incomes below \$2,500 per annum, foreigners, partnerships, and individuals who conceal their holdings. As in the case of federal securities whose ownership cannot be accounted for, it is only possible to guess what proportion of these bonds would be taxable were their exemption privilege under the state income tax law withdrawn. If we again use Hardy's guess of 25 per cent, it would appear that for the country as a whole, state and local bonds owned by partnerships and by individuals who concealed their holdings aggregated some \$924,000,000 in 1923. This sum represents roughly two-fifths of the amount of state and local securities held by individuals who reported their holdings on federal tax returns.

TABLE E
ESTIMATED REDUCTION IN YIELD OF 1924 STATE INCOME TAX
THROUGH EXEMPTION OF INTEREST ON NEW YORK STATE AND
LOCAL BONDS OWNED BY INDIVIDUALS WHO REPORTED THEIR
HOLDINGS

INCOME CLASS	Interest received by New York residents with incomes above \$2,500 in respect of all state and local bonds *	Per cent of total	Estimated distribution of interest on New York bonds	Rate of New York income tax (per cent)	Estimated loss of revenue
\$2,500 to \$10,000.....	\$2,510,000	6	\$1,020,000	1	\$10,200
10,000 to 50,000.....	9,864,000	24	4,080,000	2	81,600
50,000 and over.....	27,968,000	70	11,900,000	3	357,000
Total.....	\$40,342,000	100	\$17,000,000	.....	\$448,800

* From Table A.

If we assume that the same proportion holds for the bonds of New York State and its subdivisions, and assume further that the holdings of partnerships and individuals who do not report their bonds are distributed among the various income brackets in the same manner as the holdings of reporting individuals, it follows

TABLE F
HOLDINGS OF STATE AND LOCAL SECURITIES JUNE 30, 1923 *
(000 omitted)

CHARACTER OF HOLDINGS	Amount	Per cent of total
Individuals reporting incomes of \$2,500 or more.....	\$2,116,000	23
Corporations making reports to the bureau of internal revenue	1,726,772	19
Exempt corporations.....	1,039,723	.....
State investments and trust funds.....	481,000	.....
Municipal investments and trust funds.....	105,050	18
Balance, including individuals with less than \$2,500 income, foreigners, partnerships, and individuals who conceal their holdings.....	3,672,966	40
Total.....	\$9,141,511	100

* Adapted from Hardy, *Tax Exempt Securities and the Surtax*, p. 81.

† Holdings of individuals with incomes between \$2,500 and \$5,000 estimated on basis of data given in Table A, on assumption that these holdings represented the same proportion of total individual holdings in 1923 as in 1924.

that the estimate of revenue loss given in Table E must be increased by 40 per cent. In other words, the final estimate of the reduction in the yield of the 1924 state income tax through the exemption of interest on New York State and local bonds may be placed in round numbers at about \$628,000.

APPENDIX III

Estimated Loss of Revenue to Federal Government Through Exemption from Personal and Corporation Income Taxes of Interest on State and Local Bonds

Reduction in Yield of Personal Income Tax

Table A of Appendix II gives the total amount of interest exempt from the 1924 federal income tax in respect of state and local bonds owned by individuals who reported their holdings to the government. Since this interest is classified by income groups, the loss of revenue resulting from its nontaxability may readily be calculated by applying to each income bracket the appropriate rate of tax. This calculation is given in Table G.

As will be seen, the total tax loss, at 1924 income tax rates, is estimated at \$35,427,000. In accordance with the procedure followed in Appendix II in calculating the loss of revenue under the state income tax law, this estimate must be raised 40 per cent, in order to allow for exempt interest received by partnerships and by individuals who do not report their holdings. The aggregate amount by which the yield of the 1924 federal tax on personal incomes was reduced through the nontaxability of interest from state and local bonds may, therefore, be placed at approximately \$50,000,000.

Reduction in Yield of Corporation Income Tax

The United States Treasury Department publication, "Statistics of Income," reports the total amount of tax exempt interest received by reporting corporations in 1924 at \$517,209,466. For the purpose in view, it is necessary to secure a division of this figure as between interest received from federal securities and interest received from state and local bonds. The report of the Federal Trade Commission, *Taxation and Tax Exempt Income*, furnishes such a division for the year 1922. In that year, the total exempt interest amounted to \$448,367,000, of which \$89,596,000, or about 20 per cent applied to state and municipal bonds.* If the same percentage holds good for 1924, the amount of interest received from state and local bonds in that year by taxable corporations amounts to roughly \$103,442,000. Applying the corporation tax rate of 12½ per cent to this sum gives a yield of approximately \$13,000,000. The total loss of revenue on account of the exemption of state and local securities from federal taxation may, therefore, be placed at \$63,000,000 for the year 1924.

* *Taxation and Tax Exempt Income*, p. 27.

TABLE G
ESTIMATED REDUCTION IN YIELD OF FEDERAL PERSONAL INCOME TAX THROUGH EXEMPTION OF INTEREST FROM STATE AND LOCAL BONDS OWNED BY INDIVIDUALS WHO REPORTED THEIR HOLDINGS IN 1924

INCOME CLASS (00 omitted)	Interest received by reporting individuals (000 omitted)	RATE APPLICABLE TO FINAL INCREMENT		REVENUE LOSS	
		Act of 1924 per cent	Act of 1926 per cent	1924 rates	1926 rates
\$25 to 50.....	\$7,573	1.5		\$113,600	
35 to 50.....	4,654		1.125		\$52,400
50 to 60.....	1,387	2	1.5	27,700	20,800
60 to 70.....	1,189	2	1.5	23,800	17,800
70 to 80.....	1,192	4	2.25	47,700	26,800
80 to 90.....	1,158	4	3	46,300	34,700
90 to 100.....	1,112	4	3	44,500	33,400
100 to 110.....	1,184	5	4	59,200	47,400
110 to 120.....	1,567	5	5	78,300	78,300
120 to 130.....	1,260	7	6	88,200	75,600
130 to 140.....	928	7	6	65,000	55,700
140 to 150.....	1,122	8	7	89,800	78,600
150 to 200.....	5,244	9	8	472,000	419,600
200 to 250.....	4,952	12	11	594,300	544,800
250 to 300.....	4,514	14	12	631,900	541,600
300 to 400.....	9,988	17	14.2	1,698,000	1,418,300
400 to 500.....	8,387	21	16.8	1,761,400	1,409,000
500 to 600.....	5,326	25	19.2	1,331,500	1,022,600
600 to 700.....	6,180	29	21.6	1,792,100	1,334,800
700 to 800.....	5,421	33	23	1,789,000	1,246,800
800 to 900.....	3,616	37	24	1,338,100	1,615,800
900 to 1,000.....	3,116	41	24	1,277,600	
1,000 to 1,500.....	12,085	43	25	5,196,500	
1,500 to 2,000.....	7,598	43	25	3,267,100	
2,000 to 2,500.....	5,994	44	25	2,637,400	
2,500 to 3,000.....	3,195	44	25	1,405,800	
3,000 to 4,000.....	3,512	45	25	1,580,600	
4,000 to 5,000.....	4,315	45	25	1,941,900	
5,000 to 7,500.....	5,828	46	25	2,680,700	
7,500 to 10,000.....	2,145	46	25	986,700	12,450,900
10,000 to 15,000.....	1,035	46	25	476,300	
15,000 to 20,000.....	226	46	25	104,100	
20,000 to 30,000.....	1,481	46	25	681,400	
30,000 to 40,000.....		46	25		
40,000 to 50,000.....	993	46	25	456,800	
50,000 and over.....	1,395	46	25	641,700	
Total.....				\$35,427,000	\$23,525,700

APPENDIX IV

Probable Yield at End of Ten Years of Federal and State Income Taxes Applicable to Interest Received from New Issues of Federal, State, and Local Bonds

New Issues of State and Local Bonds

The following tabulation compiled by Sanders Shanks, editor of the Bond Buyer, gives the total annual volume of new state and municipal bond issues for the last ten years:

Year	Amount
1917	\$444,933,000
1918	262,819,000
1919	770,195,000
1920	773,664,000
1921	1,383,369,000
1922	1,279,553,000
1923	1,135,167,000
1924	1,446,689,000
1925	1,404,702,000
1926	1,360,003,000

Revenue Collectible in Respect of Future State and Local Issues

The gross amount of state and local securities in existence, as at December 31, 1924, is estimated at \$13,552,000,000.* At the rate at which new issues have been authorized and marketed within the last six years, it is conservative to conclude that new issues marketed subsequent to the passage of an act subjecting them to tax, would reach a volume equal to that of December 31, 1924, within a period of ten years. In other words, ten years after the enactment of a law extending the state and federal income taxes to cover interest on all future issues of state and local bonds, the additional revenue collectible would equal the revenue estimated to have been lost in 1924, through the exemption of interest on then outstanding issues.

Reference to Appendix II will show that the exemption of state and local securities outstanding in 1924 reduced the yield of the New York State income tax by \$625,000. Appendix III shows that the same circumstance caused the federal government to lose \$50,000,000 in respect of the personal income tax, and \$13,000,000 in

* United States Treasury Department, *Estimated Amount of Wholly Tax Exempt Securities Outstanding*.

respect of the corporation tax. The above figures, therefore, represent what New York State and the federal government would, at the end of ten years, annually gain by taxing interest on future issues of state and local securities.

These figures, however, assume the continuation of 1924 tax rates. Since 1924, there have been some changes in rates. The personal exemption accorded under the state income tax law has been raised from \$2,500 to \$3,500 for heads of families. A similar change has been made in respect of the federal personal income tax and, in addition, the surtaxes have been considerably lowered. Finally, the rate of the federal corporation tax has been increased from 12½ per cent to 13½ per cent.

If the figures given are recalculated on the basis of the new rates of tax, the increases in annual yield collectible ten years after subjecting new issues of state and local securities to tax are approximately as follows: \$620,000 in respect of the New York State personal income tax; \$31,500,000 in respect of the federal personal income tax; and \$14,000,000 in respect of the federal corporation tax. In obtaining the above figures, the same methods and data relative to security holding were used as those set forth in Appendices II and III. Part of the computation incident to estimating the gain in the yield of the federal income tax is given in Table G.

New Issues of Federal Securities

Barring unforeseen eventualities, the general tendency in federal finance during the next decade will be for a reduction rather than an expansion of indebtedness. Probably the only new federal issue to be counted on are farm loan bonds, and bond issues incident to refunding operations.

The following tabulation gives the amount of farm loan bonds issued during the last five years, including those issued for refunding purposes:

<i>Year</i>	<i>Amount*</i>
1921	\$121,940,000
1922	386,415,000
1923	392,505,000
1924	179,106,000
1925	188,225,000

For the five year period under consideration, the average volume of bonds marketed was in excess of \$250,000,000 per annum. It is extremely conservative, therefore, to assume that during the next ten years the average amount issued will total at least \$200,000,000 per annum. On this basis, new farm loan issues will reach a total of \$2,000,000,000 in ten years' time.

* *Statistical Abstract*, 1925, p. 304.

As regards the direct obligations of the federal government, it does not appear likely that there will be any increase in their aggregate volume during the next decade. Such new issues as may be made will probably be limited to refunding operations. The following tabulation lists the amounts of federal issues which become due between September 1928 and November 1938†:

<i>Obligation</i>	<i>Amount Outstanding October 31, 1925</i>	<i>Due Date</i>
United States of America 2 per cent Gold Premium	\$48,945,180	August, 1936
United States of America Gold Premium.	25,947,400	November, 1938
United States of America Third Liberty 4½'s	2,802,473,150	September, 1928
United States Treasury Notes.....	50,000,000	January, 1930
Total	\$2,927,365,730	

It will be noted that the only issue which might require refunding is that comprising the Third Liberty Loan 4½'s which become due in September 1928. It is doubtful, however, whether a constitutional amendment permitting states to tax federal securities could be adopted in time to effect the terms upon which such a refunding issue might be marketed. It may be concluded, therefore, that the only new federal issues which would be taxable within the next ten years, under a law which permitted the taxation of bonds issued subsequent to its passage, would be federal farm loan bonds.

Revenue Collectible by State in Respect of New Federal Issues

On the basis of the estimate made above, the volume of new federal issues will in ten years' time reach a total of \$2,000,000,000. This represents roughly 10 per cent of the volume of federal securities outstanding in 1924. Assuming the same distribution of these bonds as in 1924, their taxability under the New York income tax law would net the state an amount equal to 10 per cent of what it lost in 1924, through the exemption of then outstanding federal issues. As will be seen from Appendix II, the amount lost in 1924 was \$1,700,000. The withdrawal of the exemption privilege as regards new issues of federal securities would, therefore, probably yield the state a revenue of \$170,000 at the end of ten years.*

† From Moody's *Governments and Municipals*, 1926.

* The adjustment necessary to allow for the increase of the personal exemption from \$2,500 to \$3,500 is too small to require taking into account.

APPENDIX V

COMPARISON OF AVERAGE YIELDS OF MOODY'S SELECTION OF MUNICIPAL BONDS WITH AVERAGE YIELDS AS COMPILED BY THE BOND BUYER

YEAR	AVERAGE YIELD	
	Moody's	Bond Buyer
1913.....	4.30	4.45
1914.....	4.28	4.16
1915.....	4.35	4.23
1916.....	3.97	4.06
1917.....	4.22	4.31
1918.....	4.54	4.58
1919.....	4.62	4.50
1920.....	5.20	5.04
1921.....	5.51	5.02
1922.....	4.38	4.21
1923.....	4.41	4.27
1924.....	4.25	4.21
1925.....	4.12	4.13

APPENDIX VI

COMPARATIVE TAX EXEMPTIONS IN CERTAIN STATES ¹

TABLE A
PERCENTAGE OF PROPERTY TAX EXEMPT

	Kind of property exempt	Year	Exempt property (millions)	Taxable property (millions)	Per cent exempt to taxable property
New York	Real	1925	\$3,828	\$19,483	19.65
Massachusetts	Tangible	1925	1,188	6,632	17.92
Connecticut	Real and personal	1925	403	2,418	16.67
New Jersey	Real and personal	1925	555	4,800	11.57
Michigan	Real	1923	516	4,720	10.94
Rhode Island	Real and personal	1924	101	1,146	8.89
Ohio	Real	1923	659	8,063	8.17
Minnesota	Real	1924	145	2,390	6.09

TABLE B
PERCENTAGE OF EXEMPT PROPERTY IN PRIVATE HANDS

	Total (millions)	Public (millions)	Private (millions)	Per cent private to total exempt
Connecticut	\$403	\$213	\$189	46.9
New Jersey	555	336	218	39.4
Massachusetts	1,188	735	453	38.2
Michigan	516	376	140	27.1
New York ²	3,828	2,915	913	23.8
Minnesota	145	111	34	23.4

¹ Figures for New York State from Chapter II of this report. Figures for other states from State of Connecticut Public Document No. 52, pp. 12-13.

² Excluding temporarily tax exempt housing, section 4-b Tax Law.

APPENDIX VII

PROVISIONS OF THE CONSTITUTIONS AND THE STATUTES OF THE VARIOUS STATES RELATIVE TO EXEMPTION AND NON-EXEMPTION FROM TAXATION OF PROPERTY USED FOR RELIGIOUS, EDUCATIONAL AND CHARITABLE PURPOSES

CITATIONS TO THE CONSTITUTIONAL PROVISIONS

- Alabama. Art. 4, Sec. 91; Code 1923, Vol. 1, p. 296.
Arizona. Art. 9, Sec. 2; Rev. Stats. 1913, p. 150; Laws 1922, p. 301.
Arkansas. Art. 16, Sec. 5; Stats. 1919, p. 103-104.
California. Art. 13, Sec. 1½, 1¾a, 1a; Stats. and Amdts. to Code 1925, p. 29-30, 58.
Colorado. Art. 10, Sec. 5; Comp. Laws 1921.
Connecticut. No constitutional provision.
Delaware. Art. 8, Sec. 1; Art. 10, Sec. 3; Rev. Code 1915, p. 65, 67.
Florida. Art. 9, Sec. 1; Art. 16, Sec. 16; Rev. Stats. 1920, Vol. 1, p. 84, 112, 113.
Georgia. Art. 7, Sec. 2, Par. 2; Annot. Code 1922, Vol. 10, p. 2221.
Idaho. Art. 7, Sec. 5; Comp. Stats. 1919, Vol. 3.
Illinois. Art. 9, Sec. 3; Rev. Stats. 1925.
Indiana. Art. 10, Sec. 1; Annot. Stats. 1914, Vol. 1.
Iowa. No constitutional provision.
Kansas. Art. 11, Sec. 1; Rev. Stats. 1923, p. 145.
Kentucky. Sec. 170; Stats. 1922, p. 94.
Louisiana. Art. 10, Sec. 4; Pamphlet—copy of Const. 1921, p. 82.
Maine. No constitutional provision.
Maryland. No constitutional provision.
Massachusetts. No constitutional provision.
Michigan. No constitutional provision.
Minnesota. Art. 9, Sec. 1; Genl. Stats. 1923, p. 25.
Mississippi. No constitutional provisions.
Missouri. Art. 10, Sec. 6; Rev. Stats. 1919, Vol. 1, p. 152.
Montana. Art. 12, Sec. 2; Rev. Code 1921, Vol. 1, p. 128.
Nebraska. Art. 8, Sec. 2; Comp. Stats. 1922, p. 90.
Nevada. Art. 10, Sec. 1; Stats. 1920-21, p. 474.
New Hampshire. No constitutional provision.
New Jersey. No constitutional provision.
New Mexico. Art. 8, Sec. 3; Stats. 1915, p. 76.
New York. No constitutional provision.
North Carolina. Art. 5, Sec. 5; Public and Local Laws 1920, p. 16.
North Dakota. Art. 11, Sec. 176; Laws 1919, Ch. 90, p. 108-109.
Ohio. Art. 12, Sec. 2; Genl. Code 1926, p. 39.
Oklahoma. Art. 10, Sec. 6; Comp. Stats. 1921, Vol. 1, p. 202-203.
Oregon. No constitutional provision.
Pennsylvania. Art. 9, Sec. 1; Laws 1923, p. 1117.
Rhode Island. No constitutional provision.
South Carolina. Art. 10, Sec. 4; Code 1922, Vol. 1, p. 585.
South Dakota. Art. 11, Sec. 6; Rev. Code 1919, Vol. 1, p. 87.
Tennessee. Art. 2, Sec. 28; Code 1896 (1917 Ed.), p. 60.
Texas. Art. 8, Sec. 2; Rev. Civil Stats. 1925, p. 50.
Utah. Art. 13, Sec. 3; Comp. Laws 1917, p. 93.
Vermont. No constitutional provision.
Virginia. Art. 13, Sec. 183, Subd. b, d, e, g; Code 1924, p. 98.
Washington. Art. 7, Sec. 2; Comp. Stats. 1922, Vol. 1, p. 87.
West Virginia. Art. 10, Sec. 1; Annot. Code 1923, p. 153.
Wisconsin. No constitutional provision.
Wyoming. Art. 15, Sec. 12; Comp. Stats. 1920, p. 62.

CITATIONS TO THE STATUTORY PROVISIONS

- Alabama. Code 1923, Vol. 1, Sec. 3022-3026.
 Arizona. Rev. Stats. 1913, Sec. 4846, Subd. 2, 3, 4.
 Arkansas. Stats. 1919, Sec. 9858, Subd. 1, 2, 7.
 California. Kerr's Cyc. Codes 1920 (Polit.), Pt. 2, Sec. 3611, 3613.
 Colorado. Comp. Laws 1921, Sec. 7198, Subd. 2, 3, 4, 7200.
 Connecticut. Public Acts 1925, Ch. 245, Sec. 1160; Genl. Stats. 1918, Vol. 1, Sec. 1165.
 Delaware. Rev. Code 1915, Sec. 1098; Laws 1919, Ch. 76, p. 164.
 Florida. Rev. Genl. Stats. 1920, Vol. 1, Sec. 697, 701.
 Georgia. Annot. Code 1922, Vol. 8, Sec. 998, p. 246.
 Idaho. Laws 1921, Ch. 106, p. 245-248.
 Illinois. Rev. Stats. 1925 (Cahill), Ch. 120, Sec. 2, Subd. 1, 2, 7; Ch. 32, Sec. 172.
 Indiana. Laws 1923, Ch. 191, Sec. 5, Subd. 4, 5, 6, 9, 10, 14, 15, 16, 26, p. 559-563; Ch. 17, Sec. 1, 6, p. 56, 59.
 Iowa. Code 1924, Sec. 6944, Subd. 9, 11.
 Kansas. Rev. Stats. 1923, Sec. 79-201, Subd. 1, 4; Sec. 79-204.
 Kentucky. Stats. 1922, Sec. 4026.
 Louisiana. Laws 1921, Act. 109, Sec. 3, p. 233.
 Maine. Rev. Stats. 1916, Sec. 6, Subd. 3, 5, p. 227-228.
 Maryland. Annot. Code, Vol. 2, Art. 81, Sec. 4, 6, 7.
 Massachusetts. Genl. Laws, 1921, Vol. 1, Ch. 59, Sec. 5, Subd. 3, 3a, 10, 11.
 Michigan. Public Acts 1925, No. 55, Subd. 4, 5, p. 68-69; Comp. Laws 1922, Sec. 4003, Subd. 1, 3.
 Minnesota. Laws 1925, Ch. 171, Subd. 3, 4, 5, 6, p. 165.
 Mississippi. Genl. Laws 1926, Ch. 194, p. 305; Laws 1922, Ch. 134, p. 121; Code Supp. 1921, Sec. 6878, Subd. (d), (f); Sec. 7049-c.
 Missouri. Rev. Stats. 1919, Vol. 3, Sec. 12753.
 Montana. Rev. Code 1921, Vol. 1, Sec. 1998.
 Nebraska. Comp. Stats. 1922, Sec. 5821, Subd. 2.
 Nevada. Stats. 1925, Ch. 163, Sec. 5, Subd. 3, 4; Rev. Laws 1912, Vol. 1, Sec. 1396, 3842.
 New Hampshire. Public Laws 1926, Vol. 1, Ch. 60, Sec. 5, p. 241; Sec. 22, 23, 24, 25, p. 244.
 New Jersey. Laws 1925, Ch. 221, Sec. 203, Subd. 4, p. 537-539.
 New Mexico. Annot. Stats. 1915, Sec. 5430, p. 1543.
 New York. Tax Law 1926, Sec. 4, Subd. 7, 9, 11, 12.
 North Carolina. Consol. Stats. 1919, Vol. 2, Sec. 7901.
 North Dakota. Laws 1923, Ch. 308, Sec. 2078, Subd. 6, 7, 8, p. 442-443.
 Ohio. Genl. Code 1926, Sec. 5349, 5353, 5353-1.
 Oklahoma. Comp. Stats. 1921, Vol. 2, Sec. 9575, Subd. 2, 6, 7, 10, 11.
 Oregon. Genl. Laws 1925, Ch. 270, Sec. 4235, Subd. 3, 4.
 Pennsylvania. Laws 1925, No. 25, Sec. 1, p. 39-40; 1923, No. 360, Sec. 1, p. 928-929; 1923, No. 6, p. 9.
 Rhode Island. Genl. Laws 1923, Ch. 58, Sec. 804, p. 299-300.
 South Carolina. Acts 1925, No. 187, Sec. 342, Subd. 2, 2-A, 3, 9, 23, 26, 28, p. 283-285.
 South Dakota. Laws 1919, Ch. 106, Sec. 6670, Subd. 2, 3, p. 87.
 Tennessee. Code 1917, Sec. 689, Subd. 2, p. 333.
 Texas. Rev. Civil Stats. 1925, Vol. 2, Art. 7150, Subd. 1, 2, 7, p. 2069-70.
 Utah. Comp. Laws 1917, Sec. 5863, p. 1145.
 Vermont. Genl. Laws 1917, Sec. 684, Subd. 6, 9; Sec. 687.
 Virginia. Code 1924, Sec. 2272, Subd. b, d, e, h; Sec. 2301, Subd. h, c, d, e.
 Washington. Laws 1925-26, Ch. 130, Sec. 7, Subd. 1, 4, 5, p. 230-233.
 West Virginia. Annot. Code 1923, Ch. 29, Sec. 57, p. 425-426.
 Wisconsin. Stats. 1925, Vol. 1, Sec. 70, 11; Subd. (4), (15), (25), (26), (27).
 Wyoming. Laws 1925, Ch. 145, Sec. 2753, Subd. 1; Comp. Stats. 1920, Sec. 2754; Laws 1925, Ch. 135, Sec. 5408.

PROVISIONS OF THE CONSTITUTIONS AND THE STATUTES

ALABAMA

Exemption Provisions

Constitution.—The legislature shall not tax: lots, with buildings thereon, in incorporated cities or towns or within one mile of any city or town to the extent of one acre; and lots with buildings thereon, one mile or more distant from such cities or towns to the extent of five acres, when used exclusively for religious worship.

Statutes.—The following property shall be exempt from taxation: all property, real and personal, used exclusively for religious worship; but property, real or personal, owned by any religious institution, society or corporation, let for rent or hire or for use for business purposes, shall not be exempt from taxation, notwithstanding the income from such property shall be used exclusively for religious purposes.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes, in order to be exempt, must be owned and used exclusively for such purposes; if let for rent or hire or for use for business purposes, even though the income from such property is to be used exclusively for religious purposes, such property shall not be exempt from taxation.

Any lots, with buildings thereon, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, are taxable on any excess over one acre and five acres respectively.

ARIZONA

Exemption Provisions

Constitution.—Property of religious associations or institutions not used or held for profit may be exempted from taxation by law.

Statutes.—The following property is exempt from taxation: churches, chapels, and other buildings for religious worship, with their furniture and equipments, and the lots of ground and improvements appurtenant thereto and used therewith; provided rent is not paid for such grounds, and so long as the said ground and improvements shall not be used or held for profit.

Non-Exemption Provisions

Constitution and Statutes.—Religious property is not exempt if rent is paid for grounds or such grounds and improvements used or held for profit.

ARKANSAS**Exemption Provisions**

Constitution.—The following property shall be exempt from taxation: churches used as such.

Statutes.—The following property shall be exempt from taxation: houses used exclusively for public worship, and the grounds attached to such buildings necessary for the proper occupancy, use and enjoyment of the same, and not leased or otherwise used with a view to profit.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if leased or otherwise used with a view to profit such property is not exempt from taxation.

CALIFORNIA**Exemption Provisions**

Constitution.—All buildings, and so much of the real property on which they are situated as may be required for the convenient use and occupation of such buildings, when the same are used solely and exclusively for religious worship shall be free from taxation; provided, that no building so used which may be rented for religious purposes and rent received by the owner therefor, shall be exempt from taxation.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if any building, used for religious purposes, is rented and rent is received by the owner therefor, such property is not exempt from taxation.

COLORADO**Exemption Provisions**

Constitution.—Lots, with the buildings thereon, if said buildings are used solely and exclusively for religious worship, shall be exempt from taxation, unless otherwise provided by general law.

Statutes.—The following property shall be exempt from taxation: lots, with the buildings thereon, if said buildings are used exclusively for religious worship.

Any building or house owned by a church organization when used solely and exclusively as a residence, or dwelling by a minister, preacher or priest actually serving as such and the necessary lot or parcel of ground therefor upon which the said building is situate, if the assessed valuation of the same shall not exceed three thousand dollars, shall be exempt from taxation; if the assessed valuation of such property is greater than three thousand dollars, then three thousand dollars of such assessed valuation shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property used for religious worship is not exempt, unless used solely and exclusively for such purpose. A parsonage must also be used solely and exclusively as such, be owned by a church organization and the assessed valuation shall not exceed three thousand dollars; if the assessed valuation of such parsonage is greater than three thousand dollars, then the excess is taxable.

CONNECTICUT**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property owned by or held in trust within the state for religious organizations, whether or not incorporated, if the principal or income shall be used or appropriated for religious, benevolent or charitable purposes.

Houses of religious worship, and the land on which they stand, owned by, or held in trust for the use of, any religious organization, and the pews and furniture; but this exemption shall not extend to portions of such houses used or appropriated for purposes other than religious worship or instruction.

Parsonages of any ecclesiastical society to the value of five thousand dollars, while used solely as such.

Non-Exemption Provisions

Statutes.—Such portions of houses of religious worship as are used or appropriated for purposes other than religious worship or instruction are not exempt.

Parsonages exceeding in value \$5,000 are not exempt as to any excess over \$5,000, and such parsonages must be used solely as such.

DELAWARE**Exemption Provisions**

Constitution.—The general assembly may, by general laws, exempt from taxation such property as, in its opinion, will best promote the public welfare.

Statutes.—The following property shall be exempt from taxation: all real and personal property belonging to any church or religious society and not held by way of investment.

Legacies for religious purposes.

All real and personal property, except such as is held by way of investment, used wholly or partly by non-sectarian charitable Young Women's Christian Associations.

Non-Exemption Provisions

Statutes.—All real and personal property held by any church or religious society, by way of investment, is not exempt from taxation.

All real and personal property held, by any non-sectarian charitable Young Women's Christian Association, by way of investment, is not exempt from taxation.

FLORIDA**Exemption Provisions**

Constitution.—There shall be exempt from taxation property held and used exclusively for religious purposes.

Statutes.—There shall be exempt from taxation: all houses of public worship and the lots on which they are situated, and all pews or steps and furniture therein and every parsonage; but any building being a house of worship which shall be rented or hired for any other purpose except for schools or places of worship, shall be taxed the same as any other property.

All property of Young Men's Christian Associations within the state, which shall be actually occupied and used by them for the purposes only for which they have been or may be organized.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt unless held and used exclusively for such purposes. Any building, being a house of worship, which shall be rented or hired for any other purpose, except for schools or places of worship, shall be taxed the same as other property.

GEORGIA**Exemption Provisions**

Constitution.—The general assembly may, by law, exempt from taxation places of religious worship.

Statutes.—Statutory provision same as constitutional provision; except statute provides that places of religious worship shall be exempt from taxation.

Non-Exemption Provisions

Court Decision.—Place of religious worship does not include parsonage in which rector resides. 78 Ga. 541 (3 S.E. 561).

IDAHO**Exemption Provisions**

Constitution.—The legislature may allow such exemptions from taxation as shall seem necessary and just.

Statutes.—The following property is exempt from taxation: property belonging to any religious corporation or society, used exclusively for and in connection with public worship, and any parsonage belonging to such corporation or society and occupied as such.

Non-Exemption Provisions

Statutes.—Property of religious organizations, and parsonages, is not exempt unless it belongs to such religious corporations and is used exclusively for public worship or in the case of a parsonage be occupied as such.

ILLINOIS

Exemption Provisions

Constitution.—Such property as may be used exclusively for religious purposes, may be exempted from taxation; but such exemption shall be only by general law.

Statutes.—The following property is exempt from taxation: all property used exclusively for religious purposes, or used exclusively for school and religious purposes or for orphanages and not leased or otherwise used with a view to profit.

Any corporation formed for religious purposes may receive, by gift, devise or purchase, land not exceeding in quantity twenty acres, and may erect the necessary buildings thereon for the convenience of such church or society. Provided that only ten acres of such land shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if leased or otherwise used with a view to profit such property is not exempt from taxation.

Any corporation formed for religious purposes may hold not to exceed twenty acres of land for its use as a church or society but not to exceed ten acres of such land shall be exempt from taxation.

INDIANA

Exemption Provisions

Constitution.—The general assembly may exempt from taxation property used for religious purposes.

Statutes.—The following property shall be exempt from taxation: every building used for religious worship, and the pews and furniture therein, the parsonage, belonging thereto and occupied as such, and the land on which the buildings are located, not exceeding fifteen acres, when owned by a church or religious society or in trust for its use.

Real and personal property owned by any Young Men's Christian Association, Young Women's Christian Association, and Young Men's Hebrew Association and which is occupied and used exclusively for such purposes.

Any money or property given by will, or otherwise, to any executor or other trustee to be by him used and applied for the use and benefit of any religious purpose.

Any land, not to exceed one acre, and the improvements thereon owned by any church and used exclusively by it as a dormitory for the students of any university belonging to the state. Such property however, is not exempt from special assessments.

All annuities payable by religious organizations to any person who has made any gift, bequest or devise to such organization and which has been accepted for the purposes of such organization.

Non-Exemption Provisions

Statutes.—In order to be exempt the property must be used for religious worship and the parsonage occupied as such.

Any land in excess of fifteen acres, owned by a church or religious society or in trust for its use, is not, as to any such excess, exempt from taxation.

Any land in excess of one acre owned by any church and used exclusively by it for dormitory purposes for the students of any university belonging to the state, is not, as to any such excess, exempt from taxation.

Real and personal property of Young Men's Christian Associations and similar organizations must be occupied and used exclusively for such purposes in order to be exempt from taxation.

IOWA**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all grounds and buildings used by religious institutions and societies solely for their appropriate objects, not exceeding three hundred twenty acres in extent and not leased or otherwise used with a view to pecuniary profit.

Moneys and credits belonging exclusively to religious institutions and societies and devoted solely to sustaining them, but not exceeding in amount or income the amount prescribed by their charters or articles of incorporation; and other personal property belonging to such institutions and used solely for religious purposes.

Non-Exemption Provisions

Statutes.—Property used by religious institutions and societies must be used solely for their appropriate objects; if leased or otherwise used with a view to pecuniary profit such property is not exempt. Land in excess of three hundred twenty acres is taxable as to such excess.

Moneys and credits, belonging exclusively to religious institutions and societies and devoted solely to sustaining them, are not exempt as to any excess in amount or income over that prescribed in their charter or articles of incorporation.

KANSAS**Exemption Provisions**

Constitution.—All property used exclusively for religious purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all buildings used exclusively as places of public worship, with the furniture and books therein contained and used exclusively for religious meetings, together with the grounds owned, not to exceed in any one case ten acres, if not leased or otherwise used with a view to profit.

Any parsonage or dwelling owned by any church, society and occupied by its pastor as a residence, together with the ground on which it is situated not to exceed one-half acre.

All that portion of any building and the ground upon which such building stands, belonging to any religious corporation, organization or society, situated under any audience or assembly-room used by such religious organization, shall be wholly exempt from taxation when the portion of such building so situated is leased or rented, and the net rents or earnings are applied exclusively to religious purposes.

Real and personal property belonging to any Young Men's Christian Association or Young Women's Christian Association and used exclusively for such purposes. The exemption only to apply to the premises used as the home or headquarters of such associations. No real property of such association shall be exempt if rented for business purposes.

All moneys and credits belonging exclusively to religious institutions or associations appropriated solely to sustain such institutions or associations, not exceeding in amount or in income, arising therefrom, the limit prescribed by the charter of such institution or association.

Non-Exemption Provisions

Statutes.—Buildings and grounds used for religious purposes in order to be exempt must be owned and used exclusively for such purposes, and parsonage must be owned and occupied; if leased or otherwise used with a view to profit such property is not exempt.

Grounds, with buildings thereon and for public worship, in excess of ten acres are taxable on such excess; and ground on which parsonage is situated in excess of one-half acre is taxable on such excess.

Real property belonging to any Young Men's Christian Association or Young Women's Christian Association is not exempt from taxation if rented for business purposes.

Moneys and credits belonging exclusively to and used by religious institutions or associations are not exempt as to any excess over the limit prescribed by their charter.

KENTUCKY

Exemption Provisions

Constitution.—The following property shall be exempt from taxation: places actually used for religious worship, with the grounds attached thereto and used and appurtenant to the house of worship, not exceeding one-half acre in cities or towns, and not exceeding two acres in the country.

All parsonages or residences owned by any religious society, and occupied as a home, and for no other purpose, by the minister of any religion, with not exceeding one-half acre of ground in towns and cities and two acres of ground in the country appurtenant thereto.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—In order to be exempt from taxation the property must be actually used for religious worship and the parsonage must be owned by the religious society, and occupied as a home, and for no other purpose.

Grounds, with buildings thereon used for religious worship, in excess of one-half acre in cities or towns and two acres in the country are taxable on such excess; and grounds on which parsonage is situated in excess of one-half acre in towns and cities and two acres in the country are taxable on such excess.

LOUISIANA**Exemption Provisions**

Constitution.—The following property shall be exempt from taxation: places of religious worship; rectories and parsonages belonging to religious denominations, and used as places of residence for ministers; but the exemption shall extend only to property, and grounds thereunto appurtenant, used for the above purposes, and not leased for profit or income.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property belonging to religious corporations used for religious worship, rectories and parsonages must be used for such purposes only, if leased for profit or income such property is not exempt from taxation.

MAINE**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: houses of religious worship including vestries, and the pews and furniture therein; property held by a religious society as a parsonage, not exceeding six thousand dollars in value and from which no rent is received, and personal property not exceeding six thousand dollars in value. But all other property of any religious society, both real and personal, is liable to taxation the same as other property.

Non-Exemption Provisions

Statutes.—A parsonage exceeding six thousand dollars in value is not exempt as to such excess but is taxable thereon. If any rent is received from a parsonage it is not exempt but becomes subject to taxation. Personal property of a religious society exceeding six thousand dollars in value is not exempt as to such excess. All other property of any religious society, both real and personal, is liable to taxation the same as other property.

MARYLAND**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: houses or buildings used exclusively for public worship, the furniture contained therein, the parsonage connected therewith, the grounds appurtenant to such houses of worship and the buildings which are exclusively used for public worship or as parsonages and which are necessary for such respective uses.

Burying grounds which are set apart for and belong to any church or congregation.

Non-Exemption Provisions

Statutes.—Property used for public worship or for a parsonage is not exempt unless used exclusively for such purposes.

MASSACHUSETTS**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: houses of religious worship owned by or held in trust for the use of, any religious organization, and the pews and furniture; but the exemption shall not extend to portions of such houses appropriated for purposes other than religious worship or instruction.

Personal property owned by or held in trust within the commonwealth for religious organizations, whether or not incorporated, if the principal or income is used or appropriated for religious, benevolent or charitable purposes.

Personal property held by religious societies, whether incorporated or unincorporated, for the perpetual care of graves, cemetery lots and cemeteries, for the placing of flowers upon graves, for the care or renewal of gravestones, monuments or tombs, and for the care and maintenance of burial chapels; but this exemption shall not apply to any such personal property held by a cemetery corporation which distributes any of the income or profits of its business among its stockholders or members.

Non-Exemption Provisions

Statutes.—Such portions of houses of religious worship as are appropriated for purposes other than religious worship or instruction shall not be exempt from taxation.

The principal or income of personal property owned by or held in trust for religious organizations is not exempt unless it is used for religious, benevolent or charitable purposes.

MICHIGAN**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all houses of public worship, with the land on which they stand, the furniture therein and all rights in the pews, and also any parsonage owned by any religious society of the state and occupied as such.

Personal property of all Young Men's Christian Associations, Women's Christian Temperance Union Associations, Young People's Christian Unions and other similar associations.

Non-Exemption Provisions

Statutes.—A parsonage is not exempt unless it is owned by a religious society and occupied as such.

MINNESOTA**Exemption Provisions**

Constitution.—All churches, church property and houses of worship shall be exempt from taxation.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—There appears to be no provision of the statutes affecting the exemption of religious property, if such property should be used for other than religious purposes.

MISSISSIPPI**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all property, real or personal, belonging to any religious society and used exclusively for the purpose of such society, and not for profit.

All notes, bonds, and certificates of indebtedness issued by any church or church organization located in the state, are exempt from all state, county and municipal taxes.

Any religious society, ecclesiastical body or congregation may hold and own at any one place, the following real property exempt from taxation but no other.

1. Each house or building used as a place of worship with a reasonable quantity of ground annexed thereto.
2. Parish house, community house, Sunday school house, or houses of a similar nature, as may be reasonably necessary together with a reasonable quantity of ground thereto annexed.
3. Each house used for a place of residence for its pastor, minister, bishop or representative in charge of a district, conference or convention, together with a reasonable quantity of ground thereto annexed.

4. All buildings used for a camp ground or assembly for religious purposes, together with a reasonable quantity of land in connection therewith.

5. A hospital or infirmary and a nurses home in connection therewith, together with a reasonable quantity of ground thereto annexed.

6. All buildings used by a school, college or a seminary of learning, contiguous to or a part of the college or seminary plant, for administration, class room, laboratories, observatories, dormitories, and for housing the faculty and students together with a reasonable quantity of land in connection therewith.

7. All buildings used for an orphan asylum or institution together with a reasonable quantity of ground used in connection therewith.

8. Lands for a cemetery or cemeteries of sufficient dimensions.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must belong to a religious society and be used exclusively for such purposes; if such property is used for profit it is not exempt from taxation.

MISSOURI

Exemption Provisions

Constitution.—Lots in incorporated cities or towns or within one mile of the limits of any such city or town, to the extent of one acre, and lots one mile or more distant from such cities or towns, to the extent of five acres, with the buildings thereon, may be exempted from taxation, when the same are used exclusively for religious worship.

Statutes.—The statutory provision is the same as the constitutional provision, except that the statutes provide that such property shall be exempt.

Non-Exemption Provisions

Constitution and Statutes.—Any lots, with buildings thereon used for religious purposes, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, are taxable on any excess over one acre and five acres respectively.

MONTANA

Exemption Provisions

Constitution.—Property used exclusively as places for actual religious worship may be exempt from taxation.

Statutes.—Property used exclusively as places of actual religious worship is exempt from taxation, but no more land than is necessary for such purposes is exempt.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes is not exempt unless it is used exclusively for such purposes; and no more land than is necessary for such purposes is exempt.

NEBRASKA**Exemption Provisions**

Constitution.—The legislature by general law may exempt property owned and used exclusively for religious purposes, when such property is not owned or used for financial gain or profit to either the owner or user.

Statutes.—The following property shall be exempt from taxation; property owned and used exclusively for religious purposes, when such property is not owned or used for financial gain or profit to either the owner or user.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes, in order to be exempt, must be owned and used exclusively for such purposes; if owned or used for financial gain or profit to either the owner or user, such property is not exempt.

NEVADA**Exemption Provisions**

Constitution.—No constitutional provision on exemption of religious property as such.

Statutes.—The following property shall be exempt from taxation: churches, chapels and other buildings used for religious worship, with their furniture and equipments, and the lots of ground on which they stand, used therewith and necessary thereto; when any such property is used exclusively for any other than church purposes, and a rent or other valuable consideration is received for its use, the same shall be taxed.

Young Men's Christian Association buildings with their furniture and equipments, and the lots of ground on which they stand, used therewith and necessary thereto; when any such property is used for any other than Young Men's Christian Association purposes, and a rent or other valuable consideration is received for its use, the same shall be taxed.

Non-Exemption Provisions

Statutes.—When any property is used exclusively for any other than church purposes, and a rent or other valuable consideration is received for its use it shall not be exempt from taxation.

Property of Young Men's Christian Associations when used for any other than the purposes of such association, and a rent or other valuable consideration is received for its use, it shall not be exempt from taxation.

NEW HAMPSHIRE**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: houses of public worship.

The personal property of religious societies, incorporated or organized within the state, and the real estate owned and occupied

by them and their officers for the purposes for which they are established, provided none of the income or profits of the business of such societies is divided among the stockholders or members, or is used or appropriated for other than religious purposes.

Parsonages occupied by pastors of churches.

In the case of each religious society the exemption is limited to \$150,000.

Towns may increase the exemption of \$150,000 to such an amount as they may vote, by a majority of those present at any regular town meeting; and cities are authorized to increase such exemptions to such an amount as the city government may vote and the mayor approve.

Non-Exemption Provisions

Statutes.—The property of religious societies is not exempt from taxation if any of the income or profits of the business of such society or corporation is divided among the stockholders or members, or is used or appropriated for other than religious purposes.

Each religious society is limited to an exemption of \$150,000; but any excess is taxable unless cities or towns vote to increase such exemption.

NEW JERSEY

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—There shall be exempt from taxation: all buildings actually and exclusively used for religious worship or for religious purposes; and the building actually occupied as a parsonage by the officiating clergymen of any religious corporation of the state to an amount not exceeding \$5,000.

There shall also be exempt from taxation the land whereon any of the buildings are erected, and which may be necessary for the fair enjoyment thereof, and which is devoted to religious and to no other purpose, and which does not exceed five acres in extent.

There is further exempt from taxation the furniture and personal property in such buildings, if used in and devoted to religious purposes.

The buildings and the land on which they stand, used for religious purposes, are not exempt if conducted for profit.

The exemption of the buildings and lands used for religious purposes shall extend to cases where the religious work therein carried on is supported partly by fees and charges received from or on behalf of beneficiaries using or occupying the building; the building, however, must be wholly controlled by a religious organization and the entire income therefrom used for religious purposes.

The exemption to apply only where the religious organization owns the property and is incorporated or organized under the laws of the state for religious purposes.

All endowments and funds held and administered exclusively for religious purposes within the state shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must be actually and exclusively used for such purposes; if conducted or used for profit such property is not exempt.

A building actually occupied as a parsonage is exempt to an amount not exceeding \$5,000; any excess over the \$5,000 is taxable.

Land, with the buildings thereon devoted to religious purposes, in excess of five acres is taxable on such excess.

NEW MEXICO

Exemption Provisions

Constitution.—All church property shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: the grounds and buildings of religious institutions and societies, when the property of such institutions and societies shall be devoted exclusively to the appropriate objects of such institutions and not leased or rented or otherwise used with a view to pecuniary profit.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must be devoted exclusively to such purposes; if leased or rented or otherwise used with a view to pecuniary profit such property is not exempt from taxation.

NEW YORK

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the real and personal property of a corporation or association organized exclusively for religious, bible, tract or missionary purposes, or for two or more such purposes, and used exclusively for carrying out thereupon one or more of such purposes.

But no such corporation or association shall be entitled to any such exemption if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes; or if the organization thereof for any such avowed purposes be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association or for any of its members or employees, or if it be not in good faith organized or conducted exclusively for one or more of such purposes.

The real property of any such corporation or association entitled to such exemption held by it exclusively for one or more of such

purposes and from which no rents, profits or income are derived, shall be so exempt, though not in actual use thereof, by reason of the absence of suitable buildings or improvements thereon, if the construction of such buildings or improvements is in progress, or is in good faith contemplated by such corporation or association; or if such real property is held by such corporation or association upon condition that the title thereto shall revert in case any building not intended and suitable for one or more of such purposes shall be erected upon said premises or some part thereof.

The real property of any such corporation not to be used exclusively for carrying out thereupon one or more of such purposes, shall not be exempt, but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out thereupon one or more such purposes of any such corporation or association, then such lot or building shall be so exempt only to the extent of the value of the portion so used, and the remaining or other portion, to the extent of the value of such remaining or other portion, shall be subject to taxation.

Property held by any officer of a religious denomination shall be entitled to the same exemptions, subject to the same conditions and exceptions, as property, held by a religious corporation.

All dwelling-houses and lots of religious corporations while actually used by the officiating clergymen thereof, but the total amount of such exemption to any one religious corporation shall not exceed two thousand dollars. Such exemption shall be in addition to that allowed on the real and personal property of corporations, or associations organized exclusively for religious purposes.

An exemption from taxation shall be allowed the real and personal property of a minister of the gospel or priest of any denomination being an actual resident and inhabitant of the state, who is engaged in the work assigned to him by the church or denomination to which he belongs, or who is disabled by impaired health from the performance of such duties, or over seventy years of age, and the property of the widow of such minister while she remains such and is an actual resident and inhabitant of the state, but the total amount of such exemption on account of both real and personal property, shall not exceed fifteen hundred dollars. Such real and personal property shall, however, be taxable for water or lighting purposes only in any water or lighting district established under the provisions of the town law.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes.

Further, there shall be no exemption from taxation allowed a corporation or association organized exclusively for religious, bible, tract or missionary purposes, if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operation thereof, except reasonable compensation for services in effecting one or more of such purposes;

or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association, or for any of its members or employees, or if it be not in good faith, organized or conducted exclusively for one or more of such purposes.

The real property of any corporation organized exclusively for religious, bible, tract or missionary purposes and not used exclusively for carrying out thereupon one or more of such purposes but leased or otherwise used for other purposes, shall not be exempt from taxation; but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out there upon one or more such purposes of any such corporation or association, then such lot or building shall be so exempt only to the extent of the value of the portion so used, and the remaining or other portion, to the extent of the value of such remaining or other portion shall be subject to taxation.

Parsonages, which exceed the exemption of \$2,000, are taxable on the amount of such excess.

Real and personal property, owned by any priest or minister or widow of such minister, which exceeds in amount the exemption of \$1,500 is taxable on such excess.

NORTH CAROLINA

Exemption Provisions

Constitution.—The general assembly may exempt property held for religious purposes.

Statutes.—The following real and personal property shall be exempt from taxation: buildings, with the land they actually occupy, lawfully owned and held by churches or religious bodies and wholly and exclusively used for religious worship or for the residence of the minister of any church or religious body, together with the additional adjacent land reasonably necessary for the convenient use of any such buildings. The occasional leasing of such buildings for schools, public lectures, or concerts, or the leasing of such parsonages, shall not render them liable to taxation; also buildings and land upon which is situate, lawfully owned and held by churches or religious bodies, when secured through gift by will, and when the income from said property is used exclusively for religious, charitable or benevolent purposes, and when said income does not exceed twenty-five hundred dollars annually.

Real estate belonging to and actually and exclusively occupied and used by Young Men's Christian Associations and other similar religious associations, which are not conducted for profit, but purely and completely as charities.

The furniture and furnishings of buildings lawfully owned and held by churches or religious bodies and wholly and exclusively used for religious worship or for the residence of the ministers of any such church or religious body or such ministers' private libraries.

Personal property, including endowment fund, belonging to Young Men's Christian Associations and other similar religious associations, which are not conducted for profit, but purely and completely as charities.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, is not exempt, unless, owned and used wholly and exclusively for such purposes. The occasional leasing of such property for schools, lectures or concerts or the leasing of the parsonage shall not render them liable to taxation.

The income from buildings and land owned and held by churches or religious bodies, when secured through gift by will, is not exempt from taxation as to such income in excess of twenty-five hundred dollars annually.

Real and personal property of Young Men's Christian Associations and other similar religious associations is not exempt from taxation, if such associations are conducted for profit.

NORTH DAKOTA

Exemption Provisions

Constitution.—Property used exclusively for religious purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: All houses used exclusively for public worship, and lots or parts of lots upon which such houses are erected; also dwelling belonging to religious organizations intended and ordinarily used for the residence of the bishop, priest or rector, or other minister in charge of the services of the church, together with the lots upon which the same are situated.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes. Parsonages must also be used for the purpose for which they are intended, in order to be exempt from taxation.

OHIO

Exemption Provisions

Constitution.—Houses used exclusively for public worship may, by general laws, be exempted from taxation.

Statutes.—The following property shall be exempt from taxation: Houses used exclusively for public worship, the books and furniture therein and the ground attached to such buildings necessary for the proper occupancy, use and enjoyment thereof, and not leased or otherwise used with a view to profit.

Non-Exemption Provisions

Statutes.—Property used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if such property is leased or otherwise used with a view to profit it is not exempt from taxation.

OKLAHOMA**Exemption Provisions**

Constitution.—All property used exclusively for religious purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: All property and the mortgages on same used exclusively for religious purposes.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes.

OREGON**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all houses of public worship and the lots on which they are situated, and the pews or slips and furniture therein; but any part of any buildings, being a house of public worship, which shall be kept or used as a store or shop, or for any other purpose, except for public worship or for schools, shall be taxed upon the cash valuation thereof; the same as personal property, to the owner or occupant, or to either.

Non-Exemption Provisions

Statutes.—Any part of any building, being a house of public worship, which shall be kept or used as a store or shop, or for any other purpose, except for public worship or for schools, shall be taxed upon the cash valuation thereof, the same as personal property, to the owner or occupant, or to either.

PENNSYLVANIA**Exemption Provisions**

Constitution.—The general assembly may, by general laws, exempt from taxation actual places of religious worship.

Statutes.—All churches, meeting houses, or other regular places of stated worship, with the ground thereto annexed necessary for the occupancy and enjoyment of the same, shall be exempted from all and every county, city, borough, township, bounty, road, school and poor tax: provided, That all property, real or personal, other than that which is in actual use and occupation for the purposes aforesaid, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes, and nothing herein contained shall exempt same therefrom. All property, real and personal, in actual use and occupation for the above purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

Non-Exemption Provisions

Statutes.—All property, real or personal, other than that which is in actual use and occupation for church purposes, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes.

Further, all property, real and personal, in actual use and occupation for church purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

RHODE ISLAND**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: buildings for religious worship and the land upon which they stand and immediately surrounding the same, to an extent not exceeding one acre, so far as such buildings and land are occupied and used exclusively for religious purposes.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt unless occupied and used exclusively for such purposes.

Land, with buildings thereon, used for religious worship, in excess of one acre is taxable on such excess.

SOUTH CAROLINA**Exemption Provisions**

Constitution.—There shall be exempted from taxation all churches and parsonages. As to real estate the exemption shall not extend beyond the buildings and premises actually occupied by such churches and parsonages.

Statutes.—The following property shall be exempt from taxation: All houses used exclusively for public worship, the books and furniture therein, and the ground actually occupied by them, not exceeding in any case two acres, and the parsonage and lot on which it is situated, so long as no income is derived therefrom.

All property, real and personal, owned by any organized religious society or denomination and used exclusively for the publication of a religious newspaper or other religious publication or publications, and all lands and buildings and the contents thereof that may be owned by any religious society or denomination and used exclusively for the convenience of any activities, or work of such society or denomination. Provided, that the lands exempted shall in no single case exceed two acres.

All houses, together with the grounds occupied by them, not exceeding in any case three acres, together with books, furniture, and appurtenances therein, belonging to any Young Men's Christian Association in the State and used by them for the purposes

of, or in support of, such association. All premises belonging to any Young Women's Christian Association or to the Salvation Army in the State and used by them for the purpose of, or in support of, such association or army. The exemption from taxation is not to apply to such portions of any buildings as may be rented for other purposes.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes, and no land, occupied by houses of public worship in excess of two acres, is exempt. Further if any income is derived from such property it is not exempt.

In the case of the Young Men's Christian Association the Young Women's Christian Association and the Salvation Army, the exemption shall not apply to such portions of the buildings as may be rented for other purposes, nor to any land occupied by such organizations in excess of three acres.

Land, owned and occupied by any organized religious society for the publication of a religious newspaper or other religious publications, if in excess of two acres it is not exempt as to such excess.

SOUTH DAKOTA

Exemption Provisions

Constitution.—The legislature shall, by general law, exempt from taxation, property used exclusively for religious purposes.

Statutes.—The following property shall be exempt from taxation: All property belonging to any religious society, or used exclusively for religious purposes.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt unless it belongs to a religious society and is used exclusively for such purposes.

TENNESSEE

Exemption Provisions

Constitution.—The legislature may exempt from taxation such property as may be held and used for purposes purely religious.

Statutes.—The following property shall be exempt from taxation: All property belonging to any religious institution when used exclusively for the purpose for which such institution was created, or is unimproved and yields no income. All property belonging to such institution used in secular business and competing with a like business that pays taxes to the State shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

Non-Exemption Provisions

Statutes.—In order to be exempt from taxation the property belonging to any religious institution must be used exclusively for such purpose, or be unimproved and yield no income. Any of

such property, used in secular business in competition with a like business that pays taxes to the State, shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

TEXAS

Exemption Provisions

Constitution.—The legislature may, by general laws, exempt from taxation actual places of religious worship; also the endowment funds of institutions of religion not used with a view to profit. When such endowment funds are invested in bonds or mortgages, or in land or other property which has been and shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages, then such exemption of such land and property shall continue only for two years after the purchase of the same at such sale by such institutions and no longer.

Statutes.—The following property shall be exempt from taxation: Houses used exclusively for public worship, the books and furniture therein and the grounds attached to such buildings necessary for the proper occupancy, use and enjoyment of the same, and not leased or otherwise used with a view to profit.

All endowment funds of institutions of religion not used with a view to profit, and when the same are invested in bonds or mortgages or in land or other property which has been or shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages; provided, that such exemption of such land and property shall continue for two years after the purchase of the same at such sale by such institutions and no longer.

Young Men's Christian Association Buildings and Young Women's Christian Association Buildings, used exclusively for the purpose of furthering religious work, and acting under the approval and cooperation of the State and International Young Men's Christian Association committees and the Young Women's Christian Association committees, the books and furniture contained in such buildings, and the grounds attached thereto necessary for the proper occupancy of such buildings, use and enjoyment of the same, and not leased or otherwise used with a view to profit other than for the purpose of maintaining the buildings and Association, and all endowment funds of the above mentioned religious institutions not used with a view to profit, but for the purpose of maintaining the Association and buildings in doing religious work.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if leased or otherwise used with a view to profit such property is not exempt from taxation.

In the case of endowment funds of religious institutions invested in bonds or mortgages, or in land or other property which has been or shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages, the exemption of such land and property shall continue only for two years after the purchase of the same at such sale.

UTAH

Exemption Provisions

Constitution.—There shall be exempt from taxation lots with the buildings thereon used exclusively for religious worship.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes.

VERMONT

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: real and personal estate granted, sequestered or used for pious uses. Lands leased by towns for the support of the gospel.

The church edifice, a parsonage and the outbuildings of such church edifice or parsonage, a building used as a convent or school, lands adjacent to such edifice, parsonage, and convent or school, kept and used as a lawn, playground or garden, and the so-called glebe lands.

Buildings owned and occupied by a Young Men's Christian Association for the purposes of its work and the income of which is entirely used for such purposes, and in which such association maintains a free public reading room.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes.

Young Men's Christian Associations must own and occupy their buildings in order to be exempt from taxation.

VIRGINIA

Exemption Provisions

Constitution.—The following property shall be exempt from taxation, both state and local, but the general assembly may hereafter tax any of the property hereby exempted: buildings with land they actually occupy, and the furniture and furnishings therein lawfully owned and held by churches or religious bodies, and wholly and exclusively used for religious worship, or for the residence of the minister of any such church or religious body, to-

gether with the additional adjacent land reasonably necessary for the convenient use of any such building.

Real estate belonging to, actually and exclusively occupied, and used by, and personal property, including endowment funds, belonging to Young Men's Christian Associations, and other similar religious associations.

Whenever any building or land, or part thereof, used for religious purposes, shall be leased or shall be a source of revenue or profit, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Real and personal property used for religious purposes, is not exempt from taxation unless such property is lawfully owned and used exclusively for such purposes. Whenever any building or land, or part thereof, used for religious purposes, shall be leased or shall be a source of revenue or profit, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town.

WASHINGTON

Exemption Provisions

Constitution.—Such property as the legislature may by general laws provide, shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: All churches built and supported by donations whose seats are free to all, and the grounds whereon such churches are built, not exceeding one hundred and twenty feet by two hundred feet in quantity, together with a parsonage: Provided, that in any case the area exempted shall include all ground covered by such churches and parsonages and the structures and ground necessary for street access, light and ventilation, but the area of unoccupied ground exempted in connection with both church and parsonage under this proviso shall not exceed the equivalent of 120 by 120 feet. The parsonage need not be on land contiguous to the church property if the total area exempted does not exceed the area above designated: Provided, that such grounds are used wholly for church purposes and not otherwise.

Also the property of other non-sectarian organizations or associations, organized and conducted primarily and chiefly for religious purposes and not for profit, which shall be wholly used, or to the extent solely used for the religious purposes of such association, or for the educational, benevolent, protective or social departments growing out of, or related to, the religious work of such associations: provided, such purposes are for the general public good and such properties are devoted to the general public benefit.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt, unless used exclusively for such purposes.

Property of non-sectarian organizations used for religious purposes, if used for profit is not exempt from taxation.

Ground, on which church is built, in excess of one hundred and twenty feet by two hundred feet is taxable as to such excess.

WEST VIRGINIA**Exemption Provisions**

Constitution.—Property used for religious purposes may, by law, be exempted from taxation.

Statutes.—The following property, real and personal, shall be exempt from taxation: property used exclusively for divine worship; parsonages, and the household goods and furniture pertaining thereto.

Such exemption from taxation shall apply to all property, including the principal and the income therefrom, held for a term of years or otherwise under a bona fide deed of trust, transfer or assignment, by a trustee or trustees required by the terms of such trust to apply, annually, the income derived from such property to religious purposes, when not used for private purposes or profit.

Non-Exemption Provisions

Statutes.—Property used for religious purposes is not exempt unless used exclusively for such purposes, the parsonage included. The principal and income of trust funds, for religious purposes, is exempt if not used for private purposes or profit.

WISCONSIN**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property owned by any religious association used exclusively for the purposes of such association, and the real property necessary for the location and convenience of the buildings of such association and embracing the same, not exceeding ten acres; provided such real or personal property is not leased or otherwise used for pecuniary profit; and parsonages, whether of local churches or districts, and whether occupied by the pastor permanently or rented for his benefit. The occasional leasing of such buildings for schools, public lectures or concerts, or the leasing of such parsonages, shall not render them liable to taxation.

The lands not exceeding ten acres, together with the buildings thereon, not being within the limits of any incorporated city or village, owned by corporations organized under the laws of the state for religious purposes and used by them exclusively for the holding of annual encampments or assemblies for religious purposes.

Such exemption shall cease to be enjoyed by any such corporation if it shall at any time appear that a dividend has been declared on its stock, or that a division of profits has been made, in any manner, among all or any of its members.

All real property, not exceeding twenty acres, of the Ebenezer congregation of the Moravean church of the town of Watertown, the income from which is used exclusively for religious purposes, so long as such property is actually so used.

Non-Exemption Provisions

Statutes.—Real and personal property, the real property not to exceed ten acres, used for religious purposes, in order to be exempt, must be used exclusively for such purposes; if such real or personal property is leased or otherwise used for pecuniary profit it is not exempt, except that a parsonage may be rented for the benefit or use of the pastor of a church. The occasional leasing of such buildings for schools, public lectures or concerts, or the leasing of such parsonages, shall not render them liable to taxation.

Land, used for holding annual encampments or assemblies for religious purposes not to exceed ten acres located outside of any incorporated city or village and owned by a corporation organized under the laws of the state for religious purposes, shall cease to be exempt from taxation if at any time a dividend has been declared on its stock or a division of profits has been made in any manner among all or any of its members.

WYOMING

Exemption Provisions

Constitution.—Lots with the buildings thereon used exclusively for religious worship, and church parsonages, shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: lots with the buildings thereon owned and used exclusively for religious worship, and church parsonages.

Non-Exemption Provisions

Constitution and Statutes.—Property used for religious worship is not exempt unless owned and used exclusively for such purposes, including the church parsonage.

**PROVISIONS OF THE CONSTITUTIONS AND THE STATUTES
OF THE VARIOUS STATES RELATIVE TO EXEMPTION
AND NON-EXEMPTION FROM TAXATION OF PROPERTY
USED FOR EDUCATIONAL PURPOSES**

ALABAMA

Exemption Provisions

Constitution.—The legislature shall not tax: lots, with buildings thereon, in incorporated cities or towns or within one mile of any city or town to the extent of one acre and lots, with buildings thereon, one mile or more distant from such cities or towns to the extent of five acres, when used exclusively for schools.

Statutes.—The following property shall be exempt from taxation: all property, real and personal, used exclusively for school but property, real or personal, owned by any educational institution, society or corporation, let for rent or hire or for use for business purposes, shall not be exempt from taxation, notwithstanding the income from such property shall be used exclusively for educational purposes.

Non-Exemption Provisions

Constitution and Statutes.—Property used for school purposes in order to be exempt must be owned and used exclusively for such purposes; if let for rent or hire or for use for business purposes even though the income from such property is to be used exclusively for educational purposes, such property shall not be exempt from taxation.

Any lots, with buildings thereon, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, shall be taxable on any excess over one acre and five acres respectively.

ARIZONA

Exemption Provisions

Constitution.—Property of educational associations or institutions not used or held for profit may be exempt from taxation by law.

Statutes.—The following property is exempt from taxation: colleges, school houses, and other buildings for the purpose of education, with their furniture, libraries and all other equipment and the lots or lands thereto appurtenant and used therewith, long as the same shall be used for the purpose of education, and not used or held for profit; provided, that when any of such property is private property, from which a rent or valuable consideration is received for its use, the same shall be taxed as other property.

Non-Exemption Provisions

Constitution and Statutes.—Property used for educational purposes, in order to be exempt, must be used for such purposes on

and not used or held for profit. When any of such property is private property, from which a rent or valuable consideration is received for its use, the same shall be taxed as other property.

ARKANSAS

Exemption Provisions

Constitution.—The following property shall be exempt from taxation: school buildings and apparatus and grounds used exclusively for school purposes.

Statutes.—The following property shall be exempt from taxation: all public school houses, all public colleges, academies, all buildings connected with the same, and all houses connected with public institutions of learning not used with a view to profit. This provision shall not extend to leasehold estates, nor to real property held under the authority of any college or university of learning in the state.

Non-Exemption Provisions

Statutes.—Property used for educational purposes is not exempt, if used with a view to profit. Exemption privilege does not extend to leasehold estates, or to real property held under the authority of any college or university of learning.

CALIFORNIA

Exemption Provisions

Constitution.—Any educational institution of collegiate grade within the state, not conducted for profit, shall hold exempt from taxation its buildings and equipment, its grounds within which its buildings are located, not exceeding one hundred acres in area, its securities and income used exclusively for the purposes of education.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Any educational institution of collegiate grade, if conducted for profit, is not exempt from taxation.

Grounds, upon which buildings of educational institutions are located, exceeding one hundred acres in area are taxable on any excess.

COLORADO

Exemption Provisions

Constitution.—Lots, with the buildings thereon, if said buildings are used solely and exclusively for schools, shall be exempt from taxation, unless otherwise provided by general law.

Statutes.—The following property shall be exempt from taxation: grounds with the buildings thereon, if said buildings are used exclusively for schools, other than schools held or conducted for private or corporate profit.

Non-Exemption Provisions

Statutes.—Property used for schools is not exempt, unless used exclusively and solely for such purpose; if held or conducted for private or corporate profit such property is not exempt from taxation.

CONNECTICUT**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property of educational institutions, provided such institutions are incorporated under the laws of the state and provided the assets of such corporations are permanently held for and devoted to educational uses, and provided such corporations are so organized and their property so conveyed or held that their members may not by any possibility receive for their personal use any of the corporate property in the event of a dissolution of the corporation, and that their members may not by any possibility receive any financial profit from their membership in the corporation.

Real estate owned and actually occupied and used by any such corporation reasonably necessary to carry out its purposes.

If any of the income or profits or property owned by the corporation shall have been so accumulated or shall be so held as to be capable of distribution among its stockholders or members, or shall be used or appropriated for other than educational purposes, its property shall not be exempt from taxation.

The funds and estate which have been or may be granted, provided by the State, or given by any person or persons to the president and fellows of Yale University, the board of trustees, of the Sheffield Scientific School, Trinity College or Wesleyan University, and by them respectively invested and held for the use of such institutions, shall, with the income thereof, remain exempt from taxation; provided, neither of such corporations shall ever hold in the state real estate free from taxation, affording an annual income of more than \$6,000.

Non-Exemption Provisions

Statutes.—Property of educational corporations is not exempt if, in case of a dissolution of the corporation, the members receive for their personal use any of the corporate property; or if any financial profit is received by reason of their membership in such corporation; or if the income or profits are used or appropriated for other than the specific purpose of the corporation.

Yale University, Sheffield Scientific School, Trinity College and Wesleyan University shall never hold, in the state, real estate, free from taxation, which affords an annual income of more than \$6,000.

DELAWARE**Exemption Provisions**

Constitution.—All real or personal property used for school purposes, where the tuition is free, shall be exempt from taxation and assessment for public purposes.

Statutes.—The following property shall be exempt from taxation: all real and personal property of any college or school and used for educational or school purposes.

Legacies for educational purposes.

Non-Exemption Provisions

Constitution and Statutes.—All real and personal property held by any college or school is not exempt, unless used for educational or school purposes.

The constitution states that all real or personal property used for school purposes, shall be exempt from taxation where the tuition is free.

FLORIDA**Exemption Provisions**

Constitution.—There shall be exempt from taxation property held and used exclusively for educational purposes.

Statutes.—The following property shall be exempt from taxation: such property of educational institutions as shall be actually occupied and used solely for the purpose for which they have been or may be organized, but property of such institutions which is rented wholly or in part and the rents, issues and profits only used by such institutions shall not be exempt from taxation, nor shall any property held by them as an investment or for speculation be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property of educational institutions is not exempt unless actually held occupied and used solely and exclusively for such purpose.

Any property of educational institutions which is rented wholly or in part and the rents, issues and profits only used by such institutions shall not be exempt from taxation, nor shall any property held by them as an investment or for speculation be exempt.

GEORGIA**Exemption Provisions**

Constitution.—The general assembly may, by law, exempt from taxation: all buildings erected for and used as a college, incorporated academy, or other seminary of learning and also all funds or property held or used as endowment by such institutions if not invested in real estate. Exemption applies only to institutions open to the general public.

Statutes.—Statutory provision is the same as the constitutional provision; except statute provides that such property shall be exempt from taxation.

Non-Exemption Provisions

Constitution and Statutes.—Funds or endowments of educational institutions, if invested in real estate, are not exempt. Further, such institutions must be open to the general public in order to enjoy such exemption.

IDAHO**Exemption Provisions**

Constitution.—The legislature may allow such exemptions from taxation as shall seem necessary and just.

Statutes.—The following property is exempt from taxation: all property used exclusively for school or educational purposes, from which no profit is derived, and all property from which no profit or rental is derived and which is held or used exclusively for endowment, building or maintenance purposes of schools or educational institutions.

Non-Exemption Provisions

Statutes.—Property used for school or educational purposes, in order to be exempt from taxation, must be used exclusively for such purposes and no profit or rental derived therefrom.

ILLINOIS**Exemption Provisions**

Constitution.—Such property as may be used exclusively for school purposes, may be exempted from taxation; but such exemption shall be only by general law.

Statutes.—The following property shall be exempt from taxation: all property of schools, including the real estate on which the schools are located, not leased by such schools or otherwise used with a view to profit.

Non-Exemption Provisions

Statutes.—Property used for school purposes must be used exclusively for such purposes; if leased or otherwise used with a view to profit such property is not exempt from taxation.

INDIANA**Exemption Provisions**

Constitution.—The general assembly may exempt from taxation property used for educational purposes.

Statutes.—The following property shall be exempt from taxation: every building used and set apart for educational purposes, and the tract of land on which such building is situate, including the campus and athletic grounds of any educational institution not to exceed fifty acres; also the lands purchased with the bona fide intention of erecting buildings for such use thereon, not to exceed forty acres; also the personal property, endowment funds, and interest thereon, belonging to any educational institution and to be used for its purposes.

The personal property and real estate of every manual labor school, or of any technical high school, trade school or college incorporated in the state when used or occupied for the purpose for which incorporated, such real estate not to exceed eight hundred (800) acres in any one county in the state.

Any money or property given by will, or otherwise, to any executor or other trustee to be by him used and applied for the use and benefit of any educational purpose.

All annuities payable by educational institutions to any person who has made any gift, bequest or devise to such institution and which has been accepted for the purposes of such institution.

Non-Exemption Provisions

Statutes.—Property used for educational purposes, in order to be exempt, must be used and set apart for such purposes. Land, occupied by buildings for educational purposes, including the campus and athletic grounds in excess of fifty acres is taxable on such excess. Any land purchased, with the bona fide intention of erecting buildings thereon for educational purposes, in excess of forty acres is taxable on such excess.

Any real estate used or occupied by any manual, technical, or trade school or college in excess of eight hundred (800) acres in any one county in the state is taxable on such excess.

IOWA

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all grounds and buildings used by literary and scientific institutions and societies solely for their appropriate objects, not exceeding three hundred twenty acres in extent and not leased or otherwise used with a view to pecuniary profit.

Moneys and credits belonging exclusively to such institutions and devoted solely to sustaining them, but not exceeding in amount or income the amount prescribed by their charters or articles of incorporation; and the books, papers, pictures, works of art, apparatus, and other personal property belonging to such institutions and used solely for their purposes, and the like property of students in such institutions used for their education.

Real estate owned by any educational institution of the state as a part of its endowment fund, to the extent of one hundred sixty acres in any civil township.

Non-Exemption Provisions

Statutes.—Property of literary and scientific institutions and societies must be used solely for their appropriate objects, if leased or otherwise used with a view to pecuniary profit such property is not exempt.

Moneys and credits, belonging exclusively to literary and scientific institutions and societies and devoted solely to sustaining

them, are not exempt as to any excess in amount or income over that prescribed in their charter or articles of incorporation.

Grounds used by literary and scientific institutions and societies in excess of three hundred twenty acres are taxable on such excess.

Real estate owned by any educational institution of the State as a part of its endowment fund in excess of one hundred sixty acres in any civil township is taxable on such excess.

KANSAS

Exemption Provisions

Constitution.—All property used exclusively for educational purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all buildings used exclusively as public school houses with the furniture and books therein contained and used exclusively for the accommodation of schools together with the grounds owned not to exceed in any one case ten acres, if not leased or otherwise used with a view to profit.

All that portion of any building and the grounds upon which such building stands, belonging to any educational corporation, organization or society, situated under any audience or assembly room used by such educational organization, shall be wholly exempt from taxation when the portion of the building, so situated, is leased or rented, and the net rents or earnings are applied exclusively to educational purposes.

All moneys and credits belonging exclusively to universities, colleges, academies or public schools, appropriated solely to sustain such institutions, not exceeding in amount or in income arising therefrom the limit prescribed by the charter of such institution.

Statutes.—Property used for public school-houses, in order to be exempt, must be used exclusively for the accommodation of schools; if leased or otherwise used with a view to profit, such property is not exempt. Land in excess of ten acres is taxable on such excess.

Moneys and credits, belonging exclusively to and used by universities, colleges, academies or public schools, are not exempt as to any excess over the limit prescribed by their charter.

KENTUCKY

Exemption Provisions

Constitution.—The following property shall be exempt from taxation: institutions of education not used or employed for gain by any person or corporation, and the income of which is devoted solely to the cause of education.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Institutions of education are not exempt from taxation if used or employed for gain by any person or corporation.

LOUISIANA

Exemption Provisions

Constitution.—The following property shall be exempt from taxation: schools and colleges; but the exemption shall extend only to property, and grounds thereunto appurtenant, used for the above purposes, and not leased for profit or income.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property used for schools and colleges must be used for such purposes only; if leased for profit or income such property is not exempt from taxation.

MAINE

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: any college in the state authorized under its charter to confer the degree of Bachelor of Arts or of Bachelor of Science, and having real estate liable to taxation, shall, on the payment of such tax and proof of the same to the satisfaction of the governor and council be reimbursed from the state treasury to the amount of the tax so paid. The aggregate amount reimbursed to any college in any one year shall not exceed \$1,500. Claim for reimbursement not to apply to real estate bought by any such college after 12 April, 1889.

Non-Exemption Provisions

Statutes.—College property is not exempt from the payment of tax when the amount of such tax exceeds \$1,500; all tax in excess of \$1,500 must be paid. Real estate bought by any college after 12 April, 1889, is not exempt.

MARYLAND

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: buildings, furniture and equipment of incorporated educational institutions, and the ground appurtenant thereto in any city or incorporated town of the state, which are necessary to the respective uses of such institutions.

Buildings and equipment of incorporated educational institutions in any county of the state and the grounds not exceeding forty acres appurtenant thereto and which are necessary for the respective uses of such institutions.

Bonds, notes and certificates of indebtedness of any kind and stocks of foreign corporations which are held as part of the endow-

ment of any incorporated educational institution of the state, no part of the net earnings of which inures to the benefit of any private stockholder or member, and which bonds, notes and stock are the gift of any person, who is a non-resident of the state or of any corporation not chartered by the state, to such educational institution in the state to enable it to promote public education.

Non-Exemption Provisions

Statutes.—Property used for educational purposes must be reasonably necessary for such purposes in order to be exempt from taxation.

Grounds, with buildings and equipment of incorporated educational institutions in any county of the state, in excess of forty acres, are taxable on such excess.

Any part of the net earnings of the endowment funds of any incorporated educational institution of the state which inures to the benefit of any private stockholder or member are not exempt from taxation.

MASSACHUSETTS

Exemption Provisions

Constitution.—The constitution and the statutes do not specifically provide for the exemption from taxation of schools, colleges, academies or other educational institutions. It appears, however, that the courts hold such institutions exempt under section 2 of chapter 5 of the constitution which states that "it shall be the duty of legislatures and magistrates, in all future periods of this commonwealth, to cherish the interests of literature and the sciences, and all seminaries of them; especially the university at Cambridge, public schools and grammar schools in the towns."

Non-Exemption Provisions

Statutes.—There appears to be no provision of the statutes affecting the exemption of educational property, if such property should be used for other than educational purposes.

MICHIGAN

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: such real estate as shall be owned and occupied, by educational institutions incorporated under the laws of the state with the buildings and other property thereon while occupied by them solely for the purposes for which they were incorporated. No real estate, however, owned by such educational institution used for agricultural, industrial or commercial purposes shall be exempt from taxation.

The personal property of educational institutions incorporated under the laws of the state.

Non-Exemption Provisions

Statutes.—Real and personal property of educational institutions is not exempt, unless owned, occupied and used solely for educational purposes. Real estate owned by any educational institution and used for agricultural, industrial or commercial purposes is not exempt from taxation.

MINNESOTA**Exemption Provisions**

Constitution.—Academies, colleges, universities and all seminaries of learning shall be exempt from taxation.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—There appears to be no provision of the statutes affecting the exemption of educational property, if such property should be used for other than educational purposes.

MISSISSIPPI**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation; all property, real or personal, belonging to any college or institution for the education of youths, used directly and exclusively for such purpose.

Non-Exemption Provisions

Statutes.—Property used for educational purposes is not exempt, unless used directly and exclusively for such purpose.

MISSOURI**Exemption Provisions**

Constitution.—Lots in incorporated cities or towns, or within one mile of the limits of any such city or town, to the extent of one acre, and lots one mile or more distant from such cities or towns, to the extent of five acres, with the buildings thereon, may be exempted from taxation, when the same are used exclusively for schools.

Statutes.—The statutory provision is the same as the constitutional provision; except that the statutes provide that such property shall be exempt.

Non-Exemption Provisions

Constitution and Statutes.—Property used for school purposes is not exempt, unless used exclusively for such purposes.

Any lots, with buildings thereon, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, are taxable on any excess over one acre and five acres respectively.

MONTANA**Exemption Provisions**

Constitution.—Property used exclusively for educational purposes may be exempt from taxation.

Statutes.—Property used exclusively for educational purposes is exempt from taxation, but no more land than is necessary for such purposes is so exempt.

Non-Exemption Provisions

Constitution and Statutes.—Property used for educational purposes is not exempt, unless used exclusively for such purposes; and no more land than is necessary for such purposes is exempt from taxation.

NEBRASKA**Exemption Provisions**

Constitution.—The legislature by general law may exempt property owned and used exclusively for educational purposes, when such property is not owned or used for financial gain or profit to either the owner or user.

Statutes.—The following property shall be exempt from taxation: Property owned and used exclusively for educational purposes, when such property is not owned or used for financial gain or profit to either the owner or user.

Non-Exemption Provisions

Constitution and Statutes.—Property for educational purposes, in order to be exempt, must be owned and used exclusively for such purposes; but, if owned or used for financial gain or profit to either the owner or user, such property is not exempt from taxation.

NEVADA**Exemption Provisions**

Constitution.—Property used for educational purposes may be exempted from taxation by law.

Statutes.—Other than for public schools there appears to be no exemption of property used for educational purposes.

All public schoolhouses, with lots appurtenant thereto, owned by any legally created school district within the state, are exempt from taxation.

Non-Exemption Provisions

Statutes.—While the constitution provides that property used for educational purposes may be exempt from taxation by law, there appears to be no provision of the statutes affecting the exemption of property used for educational purposes, other than for public schools.

NEW HAMPSHIRE**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: schoolhouses, and seminaries of learning.

The personal property of institutions devoted to educational purposes, incorporated or organized within the state and the real estate owned and occupied by them, their officers, or their students for the purposes for which they were established, provided none of the income or profits of the business of such corporation or institution is divided among the stockholders or members, or is used or appropriated for other than educational purposes.

In the case of each educational institution or corporation such exemption is limited to \$150,000.

Towns may increase the exemption of \$150,000 to such an amount as they may vote, by a majority of those present at any regular town meeting; and cities are authorized to increase such exemption to such an amount as the city government may vote and the mayor approve.

Non-Exemption Provisions

Statutes.—Property, real and personal, devoted to educational purposes is not exempt from taxation if any of the income or profits of the business of such institution is divided among the stockholders or members, or is used or appropriated for other than educational purposes.

In the case of each educational institution or corporation the exemption is limited to \$150,000 unless an increase is authorized by a vote of a town or city government.

NEW JERSEY**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—There shall be exempt from taxation: all buildings actually used for colleges, schools, academies or seminaries.

There shall also be exempt from taxation the land whereon any of the buildings are erected, and which may be necessary for the fair enjoyment thereof, and which is devoted to educational and to no other purpose, and which does not exceed five acres in extent.

There is further exempt from taxation the furniture and personal property in such buildings, if used in and devoted to educational purposes.

In the case of all educational institutions the exemption is to apply only if the buildings and the lands on which they stand, used by such educational institutions, are not conducted for profit.

Further, the exemption for educational purposes is to apply only where the college, school, academy or seminary owns the property in question and is incorporated or organized under the laws of the state for educational purposes.

Non-Exemption Provisions

Statutes.—Property used for colleges, schools, academies or seminaries, in order to be exempt, must be owned and actually used for such purposes, if conducted for profit such property is not exempt from taxation.

Land, on which buildings are erected for educational purposes, in excess of five acres is taxable on such excess.

NEW MEXICO**Exemption Provisions**

Constitution.—All property used for educational purposes shall be exempt from taxation.

Statutes.—The statutes are silent with respect to the exemption of institutions for educational purposes. The provision in the constitution, however, is self executing.

Non-Exemption Provisions

Statutes.—Property for educational purposes is not exempt, unless used for such purposes.

NEW YORK**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the real and personal property of a corporation or association organized exclusively for educational purposes and used exclusively for carrying out such purposes.

But no such corporation or association shall be entitled to any such exemption if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes, or if the organization thereof for any such avowed purposes be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association, or for any of its members or employees, or if it be not in good faith organized or conducted exclusively for such purpose.

The real property of any such corporation or association entitled to such exemption and held by it exclusively for educational purposes and from which no rents, profits or income are derived, shall be so exempt, though not in actual use therefor by reason of the absence of suitable buildings or improvements thereon, if the construction of such buildings or improvements is in progress, or is in good faith contemplated by such corporation or association; or if such real property is held by such corporation or association upon condition that the title thereto shall revert in case any building not intended and suitable for such purpose shall be erected upon said premises or some part thereof.

The real property of any such corporation not so used exclusively for carrying out thereupon such purposes, shall not be exempt, but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out thereupon such purposes, then such lot or building shall be so exempt only to the extent of the value of the portion so used, and the remaining or other portion, to the extent of the value of such remaining or other portion, shall be subject to taxation.

Non-Exemption Provisions

Statutes.—Property used for educational purposes is not exempt unless used exclusively for such purposes.

Further, there shall be no exemption from taxation allowed a corporation or association organized exclusively for educational purposes, if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes; or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association, or for any of its members or employees, or if it be not in good faith organized or conducted exclusively for educational purposes.

The real property of any corporation organized exclusively for educational purposes and not used exclusively for carrying out thereupon such educational purposes but leased or otherwise used for other purposes, shall not be exempt from taxation; but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out thereupon the educational purposes of such corporation or association, then such lot or building shall be so exempt only to the extent of the value of the portion so used, and the remaining or other portion to the extent of the value of such remaining or other portion, shall be subject to taxation.

NORTH CAROLINA

Exemption Provisions

Constitution.—The general assembly may exempt property held for educational purposes.

Statutes.—The following real and personal property shall be exempt from taxation: buildings, with the land they actually occupy, wholly devoted to educational purposes, belonging to and actually and exclusively occupied and used by churches, incorporated colleges, academies, industrial schools, seminaries, or other corporate institutions of learning together with such additional adjacent land owned by such churches and educational institutions as may be reasonably necessary for the convenient use of such buildings respectively; and also the buildings thereon used as residences by the officers or instructors of such educational institutions.

The furniture, furnishings, books and instruments contained in buildings wholly devoted to educational purposes, belonging to and

actually and exclusively used by churches, incorporated colleges, academies, industrial schools, seminaries or other incorporated institutions.

Non-Exemption Provisions

Statutes.—Property used for educational purposes is not exempt unless such property belongs to institutions of learning and is wholly devoted to and actually and exclusively occupied and used for such purposes; and only such additional adjacent land as is reasonably necessary for the convenient use of the buildings is exempt from taxation.

NORTH DAKOTA

Exemption Provisions

Constitution.—Property used exclusively for school purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all school houses, academies, colleges, institutions of learning, with the books and furniture therein, and the grants attached to such buildings necessary for their proper occupancy, use, and enjoyment and not otherwise used with a view to profit; also all dormitories and boarding halls including the land upon which they are situated, owned and managed by any religious corporation for educational or charitable purposes for use of students in attendance upon any of the educational institutions; provided that such dormitories and boarding halls shall not be managed or used for the purpose of making a profit over and above the cost of maintenance and operation.

Non-Exemption Provisions

Statutes.—Property used for school or educational purposes, in order to be exempt, must be used exclusively for such purposes, if used with a view to profit such property is not exempt from taxation; nor are dormitories or boarding halls, owned and managed by a religious corporation for educational or charitable purposes for the use of students, exempt from taxation if used for making a profit over and above the cost of maintenance and operation.

OHIO

Exemption Provisions

Constitution.—Public school houses may, by general laws, be exempted from taxation.

Statutes.—The following property shall be exempt from taxation: public school houses, the books and furniture therein and the ground attached to such buildings necessary for the proper occupancy, use and enjoyment thereof and not leased or used with a view to profit, public colleges and academies and all buildings connected therewith, and all lands connected with public institutions of learning, not used with a view to profit.

Non-Exemption Provisions

Statutes.—Property used for educational purposes is not exempt from taxation if used with a view to profit.

OKLAHOMA**Exemption Provisions**

Constitution.—All property used exclusively for schools and colleges shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all property, both real and personal, of educational institutions, colleges or societies, devoted solely to the appropriate objects of these institutions.

The books, papers, furniture, scientific or other apparatus pertaining to educational institutions, and used solely for their purposes, and the like property of students in any educational institution used for the purpose of their education.

Non-Exemption Provisions

Statutes.—Property used for schools, colleges and educational institutions is not exempt, unless used exclusively by such institutions and devoted solely to their appropriate objects.

OREGON**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the personal property of all literary and scientific institutions incorporated within the state, and such real estate belonging to such institution as shall be actually occupied for the purposes for which they were incorporated.

Non-Exemption Provisions

Statutes.—The property of literary and scientific institutions is not exempt, unless owned and actually occupied by such institutions for their purposes.

PENNSYLVANIA**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—All universities, colleges, seminaries, academies and institutions of learning, with the grounds thereto annexed and necessary for the occupancy and enjoyment of the same, founded, endowed, and maintained by the public or private charity, provided, that the entire revenue derived by the same be applied to the support of and to increase the efficiency and facilities thereof, the repair and the necessary increase of grounds and buildings thereof, and for no other purpose, shall be exempted from all and every county, city, borough, township, bounty, road, school and poor tax: provided, that all property, real or personal, other than that which

is in actual use and occupation for the purposes aforesaid, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes, and nothing herein contained shall exempt same therefrom.

All property, real and personal in actual use and occupation for the above purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

Non-Exemption Provisions

Statutes.—In order to be exempt from taxation, the entire revenue derived by institutions of learning must be applied to the support of and to increase the efficiency and facilities of such institutions, and be used for the repair and the necessary increase of grounds and buildings, and for no other purpose.

All property, real or personal, other than that which is in actual use and occupation for educational purposes, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes.

Further, all property, real and personal, in actual use and occupation for educational purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

RHODE ISLAND

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: buildings for free public schools; buildings and the land upon which they stand and immediately surrounding the same, to an extent not exceeding one acre, so far as said buildings and land are occupied and used exclusively for educational purposes; the buildings and personal estate owned by any corporation and used for a school, academy or seminary of learning, and the land upon which such buildings stand and immediately surrounding the same to an extent not exceeding one acre, so far as the same is used exclusively for educational purposes, but no property or estate whatever shall hereafter be exempt from taxation in any case where any part of the income or profits thereof or of the business carried on thereon is divided among its owners or stockholders.

There shall be further exempt from taxation: the estates, persons, and families of the president and professors for the time being of Brown University for not more than ten thousand dollars for each such officer, his estate, person, and family included.

There shall also be exempt from taxation: any fund given or held for the purpose of public education.

Non-Exemption Provisions

Statutes.—Property used for a school, academy or seminary of learning is not exempt, unless used exclusively for educational purposes.

No property or estate of an educational institution shall be exempt from taxation, in any case; where any part of the income or profits of such institution, or of the business carried on, is divided among its owners or stockholders.

Any land, with buildings thereon used for educational purposes, in excess of one acre is taxable on such excess.

Any taxable estate of the president, and professors—their families included—of Brown University, in excess of ten thousand dollars is taxable on such excess.

SOUTH CAROLINA**Exemption Provisions**

Constitution.—There shall be exempted from taxation the property of all schools, colleges and institutions of learning, except where the profits of such institutions are applied to private uses. As to real estate this exemption shall not extend beyond the buildings and premises actually occupied by such schools, colleges and institutions of learning.

Statutes.—The following property shall be exempt from taxation: all incorporated public colleges, academies and institutions of learning, with the funds provided for their support, and the grounds and the buildings actually occupied by them and not used with a view to pecuniary profit; but this provision shall not extend to leasehold estates held by others under the authority of any college or other institution of learning.

Non-Exemption Provisions

Constitution and Statutes.—Grounds and buildings used for schools, academies, colleges and institutions of learning, in order to be exempt, must be used and actually occupied by them for educational purposes; if the profits of such institutions are applied to private uses, such property is not exempt from taxation.

SOUTH DAKOTA**Exemption Provisions**

Constitution.—The legislature shall, by general law, exempt from taxation property used exclusively for school purposes.

Statutes.—The following property shall be exempt from taxation: all property, both real and personal, belonging to any educational institution in the state, and all property used exclusively by and for the support of such institution.

Non-Exemption Provisions

Statutes.—Property used for school or educational purposes is not exempt, unless used exclusively for such purposes.

TENNESSEE**Exemption Provisions**

Constitution.—The legislature may exempt from taxation such property as may be held and used for purposes purely educational.

Statutes.—The following property shall be exempt from taxation: all property belonging to any educational institution when used exclusively for the purpose for which such institution was created, or is unimproved and yields no income. All property belonging to such institution used in secular business and competing with a like business that pays taxes to the state shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

Non-Exemption Provisions

Statutes.—In order to be exempt from taxation the property of any educational institution must be used exclusively for such purpose, or be unimproved and yield no income. Any of such property used in secular business and competition with a like business that pays taxes to the state, shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

TEXAS**Exemption Provisions**

Constitution.—The legislature may, by general laws, exempt from taxation all buildings used exclusively and owned by persons or associations of persons for school purposes and the necessary furniture of all schools; also the endowment funds of such institutions of learning not used with a view to profit. When such endowment funds are invested in bonds or mortgages, or in land or other property which has been and shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages, then such exemption of such land and property shall continue only for two years after the purchase of the same at such sale by such institutions and no longer.

Statutes.—The following property shall be exempt from taxation: all public colleges, public academies, all buildings connected with the same, and all the lands immediately connected with public institutions of learning, and all endowment funds of institutions of learning not used with a view to profit, and when the same are invested in bonds or mortgages, or in land or other property which has been or shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages; provided, that such exemption of such land and property shall continue for two years after the purchase of the same at such sale by such institutions and no longer; and all such buildings used exclusively and owned by persons or associations of persons for school purposes. This provision shall not extend to leasehold estate of real property held under authority of any college or university of learning.

Non-Exemption Provisions

Constitution and Statutes.—Property used for educational purposes is not exempt, unless owned and used exclusively for such purposes.

Endowment funds of institutions of learning are not exempt from taxation if used with a view to profit. In the case of endowment funds of institutions of learning invested in bonds or mortgages, or in land or other property which has been or shall hereafter be bought in by such institutions under foreclosure sales made to satisfy or protect such bonds or mortgages, the exemption of such land and property shall continue only for two years after the purchase of the same at such sale.

UTAH**Exemption Provisions**

Constitution.—The property of school districts shall be exempt from taxation.

There appears to be no provision relating to the exemption of colleges, academies or other educational institutions.

Statutes.—The property of school districts shall be exempt from taxation.

There appears to be no provision relating to the exemption of colleges, academies or other educational institutions.

Non-Exemption Provisions

Constitution and Statutes.—The constitution and the statutes both provide that the property of school districts shall be exempt from taxation; but there appears to be no provision affecting the exemption of other or private property used for educational purposes.

VERMONT**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: lands leased by towns or town school districts for educational purposes; and lands owned or leased by colleges, academies or other public schools.

The exemption of lands owned or leased by colleges, academies or other public schools, shall not apply to lands or buildings rented for general commercial purposes, nor to farming or timber lands owned or leased thereby; but this provision shall not affect the exemption of so-called school or college lands, sequestered to such use prior to January 28, 1911.

Non-Exemption Provisions

Statutes.—Lands owned or leased by colleges, academies or other public schools, if rented for general commercial purposes shall not be exempt from taxation; nor shall such exemption extend to farming or timber lands owned or leased by such educational institutions, unless sequestered to such use prior to January 28, 1911.

VIRGINIA**Exemption Provisions**

Constitution.—The following property shall be exempt from taxation, both state and local; but the general assembly may hereafter tax any of the property hereby exempted: buildings with the land they actually occupy and the furniture, furnishings, books and instruments therein; wholly devoted to educational purposes, belonging to, and actually and exclusively occupied and used by churches, incorporated colleges, academies, industrial schools, seminaries, or other incorporated institutions of learning, which are not corporations having shares of stock or otherwise owned by individuals or other corporations; together with such additional adjacent land owned by such churches, and educational institutions as may be reasonably necessary for the convenient use of such buildings, respectively; and also the buildings thereon used as residences by the officers or instructors of such educational institutions and also the permanent endowment funds held by such educational institutions directly or in trust, and not invested in real estate; provided, that such educational institutions are not conducted for profit of any person or persons, natural or corporate, directly, or under any guise or pretense whatsoever. But the exemption shall not apply to any industrial school, individual or corporate, not the property of the state, which does work for compensation, or manufactures and sells articles, in the community in which such school is located; provided, that nothing herein contained shall restrict any such school from doing work for or selling its own products or any other articles to any of its students or employees.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Real and personal property, used for educational purposes, is not exempt from taxation unless wholly devoted to educational purposes, and belonging to and actually and exclusively occupied and used by incorporated educational institutions. Such educational corporations must not have shares of stock or be otherwise owned by individuals or other corporations; and the permanent endowment funds of such institutions must not be invested in real estate.

It is further provided, that educational institutions, in order to be exempt from taxation, shall not be conducted for the profit of any person or persons, natural or corporate, directly, or under any guise or pretense whatsoever.

Whenever any building or land, or part thereof, used for educational purposes, shall be leased or shall be a source of revenue or profit, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town.

WASHINGTON**Exemption Provisions**

Constitution.— Such property as the legislature may by general laws provide, shall be exempt from taxation.

Statutes.— The following property shall be exempt from taxation: all property, real and personal, owned by any school or college in the state, supported in whole or in part by gifts, endowments or charity, the entire income of which school or college, after paying the expenses thereof, is devoted to the purposes of such institutions, and which is open to all persons upon equal terms: provided, that such property is used solely for educational purposes, or the revenue therefrom be devoted exclusively to the support and maintenance of such institution.

The real property so exempt shall not exceed ten acres in extent, and shall be used exclusively for college or campus purposes. Except, however, that any school of collegiate grade and accredited by the state board of education shall be entitled to an exemption of not more than forty acres of real property used exclusively for such purposes, but no corporation shall be entitled to more than one such larger exemption, and where the college is under the direction or control of any religious denomination such larger exemption shall be allowed to one college only directed or controlled by such religious denomination. Real property owned or controlled by such institution and leased or rented by them for the purpose of deriving revenue therefrom shall not be exempt from taxation.

Non-Exemption Provisions

Statutes.— Real and personal property used by any school or college, is not exempt, unless owned and used solely and exclusively for educational purposes, the income received therefrom devoted to their uses, and open to all persons upon equal terms.

Real property, used exclusively for college or campus purposes, in excess of ten acres is taxable on such excess; except that any school of collegiate grade and accredited by the state board of education is entitled to an exemption of not more than forty acres, but no corporation is entitled to more than one such larger exemption.

Where a college is directed or controlled by any religious denomination but one exemption of forty acres shall be allowed such denomination. Real property owned or controlled by such institution and leased or rented by them for the purpose of deriving revenue therefrom shall not be exempt from taxation.

WEST VIRGINIA**Exemption Provisions**

Constitution.— Property used for educational purposes may, by law, be exempted from taxation.

Statutes.— The following property, real and personal, shall be exempt from taxation: property belonging to colleges, seminaries,

academies, and free schools, used for educational, literary or scientific purposes, including books, apparatus, annuities, money and furniture.

Such exemption from taxation shall apply to all property, including the principal and the income therefrom, held for a term of years or otherwise under a bona fide deed of trust, transfer or assignment, by a trustee or trustees required by the terms of such trust to apply, annually, the income derived from such property to education, when not used for private purposes or profit.

Non-Exemption Provisions

Statutes.—Property belonging to educational institutions is not exempt, unless used for educational purposes. The principal and income of trust funds, for educational purposes, is not exempt if used for private purposes or profit.

WISCONSIN

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property owned by any educational association used exclusively for the purposes of such association, and the real property necessary for the location and convenience of the buildings of such association and embracing the same, not exceeding ten acres; provided such real or personal property is not leased or otherwise used for pecuniary profit; and the lands reserved for grounds of a chartered college or university, not exceeding forty acres. The occasional leasing of such buildings for schools, public lectures or concerts, shall not render them liable to taxation.

The lands, not exceeding ten acres, together with the buildings thereon, not being within the limits of any incorporated city or village, owned by corporations organized under the laws of the state for moral and educational purposes and used by them exclusively for the holding of annual encampments or assemblies, for moral and educational purposes. Such exemptions shall cease to be enjoyed by any such corporation if it shall at any time appear that a dividend has been declared on its stock, or that a division of profits has been made, in any manner, among all or any of its members.

Non-Exemption Provisions

Statutes.—Property used for educational purposes, in order to be exempt, must be owned and used exclusively for such purposes; if leased or otherwise used for pecuniary profit, such property shall not be exempt from taxation. However, the occasional leasing of the buildings for schools, public lectures or concerts shall not render them liable to taxation.

Land, owned and used for the buildings of any educational association, in excess of ten acres is taxable on such excess.

Lands, reserved for grounds of a chartered college or university, in excess of forty acres are taxable on such excess.

Lands, with buildings thereon located outside the limits of an incorporated city or village owned and used by educational corporations for holding annual encampments or assemblies for moral and educational purposes, in excess of ten acres are taxable on such excess. Further, such corporations are not exempt from taxation, if it shall at any time appear that a dividend has been declared on its stock, or that a division of profits has been made, in any manner, among all or any of its members.

WYOMING

Exemption Provisions

Constitution.— There shall be exempt from taxation such property as the legislature may by general law provide.

Statutes.— The following property shall be exempt from taxation: lands, with the buildings thereon, used for schools, so long as such lands and buildings are not used for private profit.

All property devised, bequeathed or given for non-sectarian public educational purposes in the state, or for the purpose of non-sectarian public education of the youths of the state shall be considered as charitable trusts, and the said property, so long as the same is not diverted from the purposes herein expressed, shall be exempt from taxation, including inheritance taxation.

Non-Exemption Provisions

Statutes.— Lands and buildings used for schools, in order to be exempt, must be used for educational purposes; if used for private profit such property is not exempt from taxation.

All property devised, bequeathed or given for non-sectarian public educational purposes, if diverted from such purposes, it is not exempt from taxation.

**PROVISIONS OF THE CONSTITUTIONS AND THE STATUTES
OF THE VARIOUS STATES RELATIVE TO EXEMPTION
AND NON-EXEMPTION FROM TAXATION OF PROPERTY
USED FOR CHARITABLE PURPOSES**

ALABAMA

Exemption Provisions

Constitution.—The legislature shall not tax: lots, with buildings thereon, in incorporated cities or towns or within one mile of any city or town to the extent of one acre; and lots, with buildings thereon, one mile or more distant from such cities or towns to the extent of five acres, when used exclusively for purely charitable purposes.

Statutes.—The following property shall be exempt from taxation: all property, real and personal, used exclusively for purposes purely charitable; but property, real or personal, owned by any charitable institution, society or corporation, let for rent or hire or for use for business purposes, shall not be exempt from taxation, notwithstanding the income from such property shall be used exclusively for charitable purposes.

All property, real or personal, used exclusively for hospital purposes, to the amount of \$20,000, where such hospitals maintain wards for charity patients and give treatment to such patients, provided that the treatment of charity patients constitutes at least fifteen per cent of the business of such hospitals.

Non-Exemption Provisions

Constitution and Statutes.—Real or personal property owned by any charitable institution, society or corporation and let for rent or for use for business purposes, even though the income from such property is to be used exclusively for charitable purposes, shall not be exempt from taxation.

Hospitals, maintaining wards for charity patients and where the treatment of charity patients constitutes at least fifteen per cent of the business of such hospital enjoy an exemption of \$20,000 in real or personal property. Any excess over \$20,000 is taxable.

Any lots, with buildings thereon, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, are taxable on any excess over one acre and five acres respectively.

ARIZONA

Exemption Provisions

Constitution.—Property of charitable associations or institutions not used or held for profit may be exempted from taxation by law.

Statutes.—The following property is exempt from taxation: Hospitals, asylums, and poor houses, owned by the public, and other charitable institutions for the relief of the indigent or af-

ficted, schools for the education of Indians exclusively, and the lots or lands appurtenant thereto, with their fixtures and equipments, so long as the same shall be used for those purposes only, and not used or held for profit.

Non-Exemption Provisions

Constitution and Statutes.—Property of charitable institutions, in order to be exempt, must be used for such purposes only, and not used or held for profit.

ARKANSAS

Exemption Provisions

Constitution.—The following property shall be exempt from taxation: buildings and grounds and materials used exclusively for public charity.

Statutes.—The following property shall be exempt from taxation: all buildings belonging to institutions of purely public charity, together with the land actually occupied by such institutions, not leased or otherwise used with a view to profit, and all moneys and credits appropriated solely to sustaining and belonging exclusively to such institutions.

Non-Exemption Provisions

Statutes.—Lands and buildings belonging to institutions of purely public charity, in order to be exempt, must be used exclusively and actually occupied by such institutions; if leased or otherwise used with a view to profit such property is not exempt from taxation.

CALIFORNIA

Exemption Provisions

Constitution.—All buildings, and so much of the real property connected therewith as may be required for the occupation of institutions sheltering more than twenty orphan or half-orphan children, receiving state aid shall be free from taxation; provided, that no building or real or personal property so used which may be rented and the rent received by the owner therefor shall be exempt from taxation.

Statutes.—No statutory provision. The constitution provision is self-executing.

Non-Exemption Provisions

Constitution.—Buildings, or any real or personal property, rented for the purpose of sheltering any orphan or half-orphan children, and rent received by the owner therefor shall not be exempt from taxation.

COLORADO

Exemption Provisions

Constitution.—Lots, with the buildings thereon, if said buildings are used solely and exclusively for strictly charitable purposes, shall be exempt from taxation, unless otherwise provided by general law.

Statutes.—The following property shall be exempt from taxation: lots, with the buildings thereon, if said buildings are used for strictly charitable purposes.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless used solely, exclusively and strictly for such purposes.

CONNECTICUT

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: Personal property owned by or held in trust within the state for religious organizations, whether or not incorporated, if the principal or income shall be used or appropriated for charitable purposes.

Orphan asylums, homes for children, reformatories, infirmaries and schools owned and conducted by any religious organization, and the land on which they stand.

All property of any hospital society which is supported wholly or in part by state appropriations.

Non-Exemption Provisions

Statutes.—Property, real or personal, used for charitable purposes is not exempt, unless used exclusively for such purposes. In the case of real estate the land must be owned in order to be exempt from taxation.

DELAWARE

Exemption Provisions

Constitution.—The general assembly may, by general laws, exempt from taxation such property as, in its opinion, will best promote the public welfare.

Statutes.—The following property shall be exempt from taxation: all real and personal property of any corporation created for charitable purposes and not held by way of investment.

Legacies for charitable purposes.

Lands, tenements and property of certain charitable organizations are limited as to the amount of tax exempt property which may be held as follows:

1. House of refuge for women, not to exceed in value \$25,000, exempt from all county and state taxation.
2. Homes for incurables, to the value of \$15,000, exempt from all county taxes.
3. Day nurseries for babies, to the value of \$25,000, exempt from all county taxes.
4. Homes or associations for the use of deaconesses, not to exceed in value \$10,000, exempt from county and municipal taxes.
5. Property of the Delaware commission for the blind owned as an investment and not used by the commission in its work is not exempt.

6. Property of organizations engaged in settlement work, owned as an investment and not used in its work is not exempt from taxation.

Non-Exemption Provisions

Statutes.—Real and personal property used for charitable purposes, if held by way of investment, is not exempt from taxation.

Lands, tenements and property of certain charitable organizations are limited as to the amount of tax exempt property:

1. Home of refuge for women, not to exceed in value \$25,000, exempt from all county and state taxation.

2. Homes for incurables, to the value of \$15,000 exempt from all county taxes.

3. Day nurseries for babies, to the value of \$25,000, exempt from all county taxes.

4. Homes or associations for the use of deaconesses, not to exceed in value \$10,000, exempt from county and municipal taxes.

5. Property of the Delaware commission for the blind owned as an investment and not used by the commission in its work is not exempt.

6. Property of organizations engaged in settlement work owned as an investment and not used in its work is not exempt.

FLORIDA

Exemption Provisions

Constitution.—There shall be exempt from taxation property held and used exclusively for charitable purposes.

Statutes.—Such property of charitable institutions as shall be actually occupied and used by them solely for the purpose for which they have been or may be organized, but property of such institutions which is rented wholly or in part and the rents, issues and profits only used by such institutions shall not be exempt from taxation, nor shall any property held by them as an investment or for speculation be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless held and used exclusively for such purposes.

Property of charitable institutions, which is rented wholly or in part and the rents, issues and profits only used by such institutions, shall not be exempt from taxation; nor shall any property held by them as an investment or for speculation be exempt from taxation.

GEORGIA

Exemption Provisions

Constitution.—The general assembly may, by law, exempt from taxation all institutions of purely public charity.

Statutes.—The following property shall be exempt from taxation: all institutions of purely public charity.

Non-Exemption Provisions

Constitution and Statutes.—Institutions for charitable purposes are not exempt from taxation unless they are institutions of purely public charity.

IDAHO**Exemption Provisions**

Constitution.—The legislature may allow such exemptions from taxation as shall seem necessary and just.

Statutes.—The following property is exempt from taxation: property belonging to any charitable corporation or society, and used exclusively for the purposes for which such corporation or society was organized.

Hospitals, with their furniture and equipment, used for benevolent purposes, with the ground appurtenant thereto and used therewith, from which no profit is derived.

Non-Exemption Provisions

Statutes.—Property belonging to any charitable organization, is not exempt, unless used exclusively as such.

Hospitals used for benevolent purposes from which any profit is derived, are not exempt.

ILLINOIS**Exemption Provisions**

Constitution.—Such property as may be used exclusively for charitable purposes, may be exempted from taxation; but such exemption shall be only by general law.

Statutes.—The following property shall be exempt from taxation: all property of institutions of public charity and of beneficent and charitable organizations, and all property of old people's homes when such property is actually and exclusively used for such charitable or beneficent purposes, and not leased or otherwise used with a view to profit.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes in order to be exempt must be used exclusively for such purposes; if leased or otherwise used with a view to profit such property is not exempt from taxation.

INDIANA**Exemption Provisions**

Constitution.—The general assembly may exempt from taxation property used for charitable purposes.

Statutes.—The following property shall be exempt from taxation: every building used for charitable purposes, and the tract of land on which such building is situate; also the lands purchased with the bona fide intention of erecting buildings for such use thereon, not to exceed forty acres; also the personal property, endowment funds and interest thereon belonging to any charitable institution and to be used for its purposes.

Any charitable institution that is the specific or residuary legatee of any devise or bequest, any money or choses in action going to

or belonging to any charitable institution while the same is in the hands of the executors.

Any money or property given by will, or otherwise, to any executor or other trustee to be by him used and applied for the use and benefit of any charitable purpose.

Any buildings and the lands upon which the same are situate, which buildings and lands were acquired by means of any devise, or bequest, and which are used for the charitable purpose of dispensing gratis, medicines and medical advice and aid to poor persons. Income of building to be used exclusively for such purposes.

All annuities payable by charitable organizations to any person who has made any gift, bequest or devise to such organization, and which has been accepted for the purposes of such organization.

All real and personal property owned by any corporation for the relief and support of orphans, retired, superannuated and disabled ministers and missionaries, their widows and other dependents.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless such property belongs to a charitable institution and is used for its purposes.

Lands, purchased with the bona fide intention of erecting buildings thereon for charitable purposes, if in excess of forty acres, are taxable on such excess.

IOWA

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all grounds and buildings used by charitable institutions and societies solely for their appropriate objects, not exceeding three hundred twenty acres in extent and not leased or otherwise used with a view to pecuniary profit.

Moneys and credits belonging exclusively to charitable institutions and societies and devoted solely to sustaining them, but not exceeding in amount or income the amount prescribed by their charters or articles of incorporation; and other personal property belonging to such institutions and used solely for their purposes.

Non-Exemption Provisions

Statutes.—Property of charitable institutions and societies in order to be exempt must be used solely for their appropriate objects, if leased or otherwise used with a view to pecuniary profit such property is not exempt from taxation.

Moneys and credits, belonging exclusively to charitable institutions and societies and devoted solely to sustaining them, are not exempt as to any excess in amount or income over that prescribed in their charter or articles of incorporation.

Grounds and buildings used by charitable institutions and societies in excess of three hundred and twenty acres are taxable on such excess.

KANSAS**Exemption Provisions**

Constitution.—All property used exclusively for charitable purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all that portion of any building and the grounds upon which such building stands, belonging to any charitable corporation, organization or society, situated under any audience or assembly room used by such charitable organization, shall be wholly exempt from taxation when the portion of the building, so situated, is leased or rented, and the net rents or earnings are applied exclusively to charitable purposes.

All moneys and credits belonging exclusively to charitable institutions or associations, appropriated solely to sustain such institutions or associations, not exceeding in amount or in income, arising therefrom, the limit prescribed by the charter of such institution or association.

Non-Exemption Provisions

Statutes.—Moneys and credits belonging exclusively to and used by charitable institutions or associations are not exempt as to any excess over the limit prescribed by their charter.

KENTUCKY**Exemption Provisions**

Constitution.—The following property shall be exempt from taxation: institutions of purely public charity.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Institutions for charitable purposes are not exempt from taxation unless they are institutions of purely public charity.

LOUISIANA**Exemption Provisions**

Constitution.—The following property shall be exempt from taxation: property devoted to charitable undertakings; but the exemption shall extend only to property and grounds thereunto appurtenant, used for the above purpose, and not leased for profit or income.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property devoted to charitable undertakings in order to be exempt must be used for such purposes only; if leased for profit or income such property is not exempt.

MAINE**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: real and personal property of all charitable institutions incorporated by the state; but so much of the real estate of such corporations as is not occupied by them for their own purposes, shall be taxed in the municipality in which it is situated.

Non-Exemption Provisions

Statutes.—So much of the real estate of charitable corporations as is not occupied by them for their own purposes, is to be taxed in the municipality in which it is situated.

MARYLAND**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: buildings, equipment and furniture of hospitals, asylums, and charitable institutions and the grounds appurtenant thereto, in any city or incorporated town of the state, which are necessary to the respective uses of such institutions.

Buildings, equipment and furniture of hospitals, asylums and charitable institutions of any county in the state, but not within any city or incorporated town, and the ground not exceeding forty acres appurtenant, respectively, thereto and necessary for the respective uses of such institutions.

No real estate or any estate therein, heretofore or hereafter acquired and held for future use and not for investment by any hospital or asylum not organized or conducted for profit, shall be subject to state, county or municipal taxation for a period of four years dated from January 1, 1924.

Non-Exemption Provisions

Statutes.—Property, real and personal, used for charitable institutions, in order to be exempt, must be necessary to the respective uses of such charitable institutions.

Grounds, with buildings thereon used for charitable institutions, hospitals or asylums and located outside of any city or incorporated town, in excess of forty acres, are taxable on such excess.

Real estate acquired by any hospital or asylum, not organized or conducted for profit, shall not be subject to taxation for a period of four years from January 1, 1924, if held for future use and not for investment.

MASSACHUSETTS**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property of charitable institutions, incorporated

in the commonwealth, the real estate owned and occupied by them or their officers for the purposes for which incorporated, and real estate purchased by them with the purpose of removal thereto, until such removal, but not for more than two years after such purchase.

Real or personal property of such charitable institution or corporation, occupied or used wholly or partly as or for an insane asylum, insane hospital, or institution for the insane or for the treatment of mental or nervous diseases, shall not be exempt unless at least one-fourth of all property so occupied or used, wholly or partly, on the basis of valuation thereof, and one-fourth of the income of all trust and other funds and property held for the benefit of such asylum, hospital or institution and not actually occupied or used by it for such purposes, is used and expended entirely for the treatment, board, lodging or other direct benefit of indigent insane persons, or indigent persons in need of treatment for mental diseases, as resident patients, without any charge therefor to such persons, either directly or indirectly.

Real estate acquired after May 4, 1911, by any association or private corporation formed or incorporated for the care of the insane, shall not be exempt as above noted unless the city council of the city or the inhabitants of the town, in which it is situated, have by vote lawfully taken consented to the acquisition of such real estate, to be so exempt.

If any of the income or profits of the business of a charitable institution or corporation is divided among the stockholders or members, or is used or appropriated for other than charitable purposes, its property shall not be exempt.

Non-Exemption Provisions

Statutes—Property, real and personal, of charitable institutions is not exempt unless owned and occupied by such institutions for the purposes for which incorporated.

Real estate purchased by a charitable institution or corporation with the intention of removal thereto is not exempt from taxation for a longer period than two years after such purchase unless such institution or corporation, within such two-year period, has removed thereto.

Real or personal property of a charitable institution used for the care of the insane or for mental or nervous diseases is not exempt from taxation unless at least one-fourth of all property so used, on a basis of valuation, and one-fourth of the income from trust and other funds is used and expended for the care and maintenance of the indigent insane as resident patients.

If any of the income or profits of the business of a charitable institution or corporation is divided among the stockholders or members, or is used or appropriated for other than charitable purposes, its property shall not be exempt from taxation.

MICHIGAN

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: such real estate as shall be owned and occupied by charitable institutions incorporated under the laws of the state with the buildings and other property thereon while occupied by them solely for the purposes for which they were incorporated. No real estate, however, owned by such charitable institution used for agricultural, industrial or commercial purposes shall be exempt from taxation.

The personal property of charitable institutions incorporated under the laws of the state.

Non-Exemption Provisions

Statutes.—Real estate, buildings and other property of charitable institutions is not exempt unless owned and occupied by such institutions solely for their purposes. Any real estate owned by a charitable institution and used for agricultural, industrial or commercial purposes shall not be exempt from taxation.

MINNESOTA

Exemption Provisions

Constitution.—Institutions of purely public charity shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all public hospitals and institutions of purely public charity.

Non-Exemption Provisions

Constitution and Statutes.—Institutions for charitable purposes are not exempt from taxation unless they are institutions of purely public charity or public hospitals.

MISSISSIPPI

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: all property, real or personal, belonging to any charitable society and used exclusively for the purpose of such society and not for profit.

Property appropriated to and occupied and used by hospital or charitable institution.

Real or personal property, belonging to charitable organizations, which is used for hospital purposes and which maintains one or more charity wards, and where all the income from such hospital is used entirely for such purposes.

Non-Exemption Provisions

Statutes.—Property, real or personal, used for charitable purposes, in order to be exempt, must belong to such charitable insti-

tutions or societies and be occupied and used exclusively by such organizations; if used for profit such property is not exempt from taxation.

MISSOURI

Exemption Provisions

Constitution.—Lots in incorporated cities or towns, or within one mile of the limits of any such city or town, to the extent of one acre, and lots one mile or more distant from such cities or towns, to the extent of five acres, with the buildings thereon, may be exempted from taxation, when the same are used exclusively for purposes purely charitable.

Statutes.—The statutory provision is the same as the constitutional provision; except that the statutes provide that such property shall be exempt.

Non-Exemption Provisions

Constitution and Statutes.—Property used for charitable purposes is not exempt, unless used exclusively for such purposes.

Any lots, with buildings thereon, in excess of one acre in cities or towns or within one mile thereof, and similar property in excess of five acres one mile or more distant from any city or town, are taxable on any excess over one acre and five acres respectively.

MONTANA

Exemption Provisions

Constitution.—Property used exclusively as hospitals and not used or held for private or corporate profit, and institutions of purely public charity, may be exempt from taxation.

Statutes.—Property used exclusively as hospitals and not used or held for private or corporate profit, and institutions of purely public charity, are exempt from taxation, but no more land than is necessary for such purposes is exempt.

Non-Exemption Provisions

Constitution and Statutes.—Property used as hospitals and institutions of purely public charity is not exempt, unless used exclusively for such purposes. In the case of hospitals, a further provision is made, that only such hospitals are exempt as are not used or held for private or corporate profit. In the case of both hospitals and institutions of purely public charity, no more land is exempt than is necessary for their purposes.

NEBRASKA

Exemption Provisions

Constitution.—The legislature by general law may exempt property owned and used exclusively for charitable purposes, when such property is not owned or used for financial gain or profit to either the owner or user.

Statutes.—The following property shall be exempt from taxation: property owned and used exclusively for charitable purposes when such property is not owned or used for financial gain or profit to either the owner or user.

Non-Exemption Provisions

Constitution and Statutes.—Property for charitable purposes, in order to be exempt, must be owned and used exclusively for such purposes; if owned or used for financial gain or profit, to either the owner or user, such property is not exempt.

NEVADA

Exemption Provisions

Constitution.—Property used for charitable purposes may be exempted from taxation by law.

Statutes.—Property on which any hospital stands and which is used for charitable purposes, or on which any orphan asylum stands, together with the buildings, while occupied for the objects and purposes of such institutions, shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property of hospitals, in order to be exempt, must be occupied and used for charitable purposes; and orphan asylums, in order to be exempt, must be occupied and used for the objects and purposes of such institutions.

NEW HAMPSHIRE

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the personal property of charitable institutions and societies, incorporated or organized within the state, and the real estate owned and occupied by them and their officers for the purposes for which they are established, provided none of the income or profits of the business of such corporation or institution is divided among the stockholders or members, or is used or appropriated for other than charitable purposes.

In the case of each charitable institution or society the exemption is limited to \$150,000.

Towns may increase the exemption of \$150,000 to such an amount as they may vote, by a majority of those present at any regular town meeting; and cities are authorized to increase such exemptions to such an amount as the city government may vote and the mayor approve.

Towns and cities may, by a vote, exempt from taxation other real estate owned by charitable organizations which have established and maintained homes for dependent children or indigent aged people, where the income of such real estate is devoted solely to the support of such homes; provided, that the whole exemption to one organization shall be limited to \$150,000.

Non-Exemption Provisions

Statutes.—The property of charitable societies or institutions is not exempt from taxation if any of the income or profits of the business of such societies or institutions is divided among the stockholders or members, or is used or appropriated for other than charitable purposes.

Real estate owned by charitable organizations, which maintain homes for dependent children or indigent aged people, is not exempt from taxation unless the income from such real estate is devoted solely to the support of such homes.

Each charitable institution or society is limited to an exemption of \$150,000; but any excess is taxable unless cities or towns vote to increase such exemption.

NEW JERSEY**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—There shall be exempt from taxation: all buildings actually and exclusively used for asylums or schools for feeble-minded or idiotic persons and children; or for charitable or hospital purposes.

There shall also be exempt from taxation the land whereon any of the buildings are erected, and which may be necessary for the fair enjoyment thereof, and which is devoted to charitable and to no other purposes, and which does not exceed five acres in extent.

There is further exempt from taxation the furniture and personal property in such buildings if used in and devoted to charitable purposes.

The buildings and the land on which they stand, used for charitable purposes, are not exempt if conducted for profit.

The exemption of the buildings and lands used for charitable purposes shall extend to cases where the charitable work therein carried on is supported partly by fees and charges received from or on behalf of beneficiaries using or occupying the building; such building, however, must be wholly controlled by a charitable organization and the entire income therefrom used for charitable purposes.

The exemption to apply only where the charitable organization owns the property and is incorporated or organized under the laws of the state for charitable purposes.

All endowments and funds collected, held and administered exclusively for charitable or hospital purposes within the state shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes, in order to be exempt, must be owned and actually and exclusively used for such purposes; if conducted for profit such property is not exempt from taxation.

Land, with the buildings thereon devoted to charitable purposes, in excess of five acres, is taxable on such excess.

NEW MEXICO

Exemption Provisions

Constitution.—All property used for charitable purposes shall be exempt from taxation.

Statutes.—The statutes are silent with respect to the exemption of institutions for charitable purposes. The provision in the constitution, however, is self executing.

Non-Exemption Provisions

Constitution and Statutes.—In order to be exempt from taxation the property must be used for charitable purposes.

NEW YORK

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the real and personal property of a corporation or association organized exclusively for charitable, hospital or infirmary purposes, or for two or more such purposes, and used exclusively for carrying out thereupon one or more of such purposes.

But no such corporation or association shall be entitled to any such exemption if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes, or as proper beneficiaries of its strictly charitable purposes; or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association, or for any of its members or employees or if it be not in good faith organized or conducted exclusively for one or more of such purposes.

The real property of any such corporation or association entitled to such exemption and held by it exclusively for one or more of such purposes and from which no rents, profits or income are derived, shall be so exempt, though not in actual use therefor by reason of the absence of suitable buildings or improvements thereon, if the construction of such buildings or improvements is in progress, or is in good faith contemplated by such corporation or association; or if such real property is held by such corporation or association upon condition that the title thereto shall revert in case any building not intended and suitable for one or more of such purposes shall be erected upon said premises or some part thereof.

The real property of any such corporation, not so used exclusively for carrying out thereupon one or more of such purposes but leased or otherwise used for other purposes, shall not be exempt, but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out thereupon one or more such purposes of any such corporation or association, then such lot or building shall be so exempt only to

the extent of the value of the portion so used, and the remaining or other portion, to the extent of the value of such remaining or other portion, shall be subject to taxation.

A lot or building owned and actually used for hospital purposes, by a free public hospital, depending for maintenance and support upon voluntary charity, shall not be taxed as to a portion thereof leased or otherwise used for the purposes of income, when such income is necessary for and is actually applied to the maintenance and support of such hospital.

Property held by trustees named in a will or deed of trust or appointed by the supreme court of the state for hospital purposes, shall be exempt to the same extent and subject to the same conditions and exceptions as if held by a corporation.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless used exclusively for such purposes.

Further, there shall be no exemption from taxation allowed a corporation or association organized exclusively for charitable, hospital or infirmary purposes, if any officer, member or employee thereof shall receive or may be lawfully entitled to receive any pecuniary profit from the operations thereof, except reasonable compensation for services in effecting one or more of such purposes, or as proper beneficiaries of its strictly charitable purposes; or if the organization thereof for any such avowed purpose be a guise or pretense for directly or indirectly making any other pecuniary profit for such corporation or association or for any of its members or employees, or if it be not in good faith organized or conducted exclusively for one or more of such purposes.

The real property of any corporation organized exclusively for charitable, hospital or infirmary purposes and not used exclusively for carrying out thereupon one or more of such purposes but leased or otherwise used for other purposes, shall not be exempt from taxation; but if a portion only of any lot or building of any such corporation or association is used exclusively for carrying out thereupon one or more such purposes of any such corporation or association, then such lot or building shall be so exempt only to the extent of the value of the portion so used, and the remaining or other portion, to the extent of the value of such remaining or other portion shall be subject to taxation.

Income received by a free public hospital from any portion of its property which is leased, if such income is applied to the maintenance of such hospital, it is not taxable.

NORTH CAROLINA

Exemption Provisions

Constitution.—The general assembly may exempt property held for charitable purposes.

Statutes.—The following real and personal property shall be exempt from taxation: building and land upon which situated,

lawfully owned and held by churches or religious bodies, when secured through gift by will, and when the income from said property is used exclusively for charitable or benevolent purposes, and when said income does not exceed twenty-five hundred dollars annually.

Real estate belonging to and actually and exclusively occupied and used by orphan or other asylums, reformatories, hospitals, and nunneries, which are not conducted for profit, but purely and completely as charities.

Personal property, including endowment funds, belonging to orphan or other asylums, reformatories, hospitals and nunneries, which are not conducted for profit, but purely and completely as charities.

Non-Exemption Provisions

Statutes—Property, real and personal, of orphan or other asylums, reformatories, hospitals and nunneries, in order to be exempt, must belong to and be actually and exclusively occupied and used by such institutions; if conducted for profit such institutions are not exempt from taxation.

The income from property owned and held by churches or religious bodies and used for charitable purposes in excess of \$2,500 annually is not exempt on such excess.

NORTH DAKOTA

Exemption Provisions

Constitution.—Property used exclusively for charitable purposes shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all buildings and contents thereof belonging to institutions of public charity, including public hospitals under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institution not leased or otherwise used with a view to profit; and all money and credits appropriated solely to sustaining and belonging exclusively to such institutions.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless used exclusively for such purposes; if buildings and land actually occupied by a charitable institution, are leased or otherwise used with a view to profit they are not exempt from taxation.

However, public hospitals under the control of religious or charitable institutions and used wholly or in part for public charity are exempt from taxation.

OHIO

Exemption Provisions

Constitution.—Institutions used exclusively for charitable purposes may, by general laws, be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: property belonging to institutions used exclusively for charitable purposes.

Property, real, personal, and mixed, the net income of which is used solely for the support of institutions used exclusively for children's homes for poor children, the real estate on which said institutions are located, and the buildings connected therewith.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless it belongs to charitable institutions and is used solely and exclusively for charitable purposes.

OKLAHOMA

Exemption Provisions

Constitution.—All property used exclusively for charitable purposes shall be exempt from taxation.

All property owned by the Murrow Indian Orphan Home and Whittaker Orphan Home, so long as the same shall be used exclusively as free homes or schools for orphan children, and for poor and indigent persons, and all fraternal orphan homes, and other orphan homes, together with all their charitable funds, shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all property and mortgages on same used exclusively for charitable purposes.

All property owned by Murrow Orphan Home, and by the Oklahoma State Home, so long as the same shall be used exclusively as free homes for children, and for poor and indigent persons. All other orphan homes, together with all charitable funds.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless owned and used exclusively for charitable purposes.

OREGON

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: the personal property of all charitable institutions incorporated within the state, and such real estate belonging to such institutions as shall be actually occupied for the purposes for which they were incorporated.

Non-Exemption Provisions

Statutes.—Property, real and personal, of charitable institutions is not exempt unless it belongs to such institutions and is actually occupied for charitable purposes.

PENNSYLVANIA

Exemption Provisions

Constitution.—The general assembly may, by general laws, exempt from taxation institutions of purely public charity.

Statutes.—All hospitals and institutions of charity, with the grounds thereto annexed and necessary for the occupancy and enjoyment of the same, founded, endowed, and maintained by the public or private charity: provided, that the entire revenue derived by the same be applied to the support of and to increase the efficiency and facilities thereof, the repair and the necessary increase of grounds and buildings thereof, and for no other purpose, shall be exempted from all and every county, city, borough, township, bounty, road, school, and poor tax; provided, that all property, real and personal, other than that which is in actual use and occupation for the above purposes, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes, and nothing herein contained shall exempt same therefrom.

All property, real and personal, in actual use and occupation for the above purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

All real property owned by one or more institutions of purely public charity, used and occupied partly by such owner or owners and partly by other institutions of purely public charity and necessary for the occupancy and enjoyment of the institutions using it, shall be exempt from all and every county, city, borough, township, road, school, and poor tax.

Non-Exemption Provisions

Statutes.—In order to be exempt from taxation, the entire revenue derived by hospitals and charitable institutions must be applied to the support of and to increase the efficiency and facilities of such hospitals and institutions and be used for the repair and the necessary increase of grounds and buildings and for no other purpose.

All property, real or personal, other than that which is in actual use and occupation for hospital and charitable purposes, and from which any income or revenue is derived, shall be subject to taxation, except where exempted by law, for state purposes.

Further, all property, real and personal, in actual use and occupation for hospital and charitable purposes, shall be subject to taxation, unless the person or persons, association or corporation, so using and occupying the same, shall be seized of the legal or equitable title in the realty and possessor of the personal property absolutely.

RHODE ISLAND**Exemption Provisions**

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: buildings and personal estate owned by any incorporated public charitable institution, and the land upon which such buildings stand and immediately surrounding the same to an extent not exceeding one acre. But no property or estate whatever shall hereafter be exempt from taxation in any case where any part of the income or profits thereof or of the business carried on thereon is divided among its owners or stockholders.

The property, real and personal, held for the aid or support of the aged poor, or for the aid or support of poor friendless children, or for the aid or support of the poor generally, or for a hospital for the sick or disabled, and almshouses and the land and buildings used in connection therewith, shall be exempt from taxation.

Non-Exemption Provisions

Statutes.—No property or estate of an institution for charitable purposes shall be exempt from taxation in any case where any part of the income or profits of such institution or of the business carried on, is divided among its owners or stockholders.

Land, with buildings thereon used by a public charitable institution, in excess of one acre is taxable on such excess.

SOUTH CAROLINA**Exemption Provisions**

Constitution.—There shall be exempted from taxation the property of all charitable institutions in the nature of asylums for the infirm, deaf and dumb, blind, idiotic and indigent persons, except where the profits of such institutions are applied to private uses. As to real estate this exemption shall not extend beyond the buildings and premises actually occupied by such asylums.

Statutes.—The following property shall be exempt from taxation: all property belonging to institutions for purely public charity and used exclusively for the maintenance and support of such institutions.

The South Carolina Baptist Hospital in the City of Columbia with all houses, furniture and property of every kind belonging to such hospital and used for the purpose of such hospital, shall be exempt from taxation for state, county, school, municipal and special taxes.

Non-Exemption Provisions

Constitution and Statutes.—Property used for charitable purposes, in order to be exempt, must belong to and be used exclusively by institutions of purely public charity; if the profits of such institutions are applied to private uses they are not exempt from taxation.

SOUTH DAKOTA**Exemption Provisions**

Constitution.—The legislature shall, by general law, exempt from taxation, property used exclusively for charitable purposes.

Statutes.—The following property shall be exempt from taxation: all property belonging to any charitable society, or used exclusively for charitable purposes.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless it belongs to a charitable society or is used exclusively for charitable purposes.

TENNESSEE**Exemption Provisions**

Constitution.—The legislature may exempt from taxation such property as may be held and used for purposes purely charitable.

Statutes.—The following property shall be exempt from taxation: all property belonging to any charitable institution when used exclusively for the purpose for which such institution was created, or is unimproved and yields no income. All property belonging to such institution used in secular business and competing with a like business that pays taxes to the state shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

Non-Exemption Provisions

Statutes.—In order to be exempt from taxation the property of any charitable institution must be used exclusively for such purpose, or be unimproved and yield no income. Any of such property, used in secular business in competition with a like business that pays taxes to the state, shall be taxed on its whole or partial value in proportion as the same may be used in competition with secular business.

TEXAS**Exemption Provisions**

Constitution.—The legislature may, by general laws, exempt from taxation institutions of purely public charity.

Statutes.—The following property shall be exempt from taxation: All buildings belonging to institutions of purely public charity, together with the lands belonging to and occupied by such institutions not leased or otherwise used with a view to profit, unless such rents and profits and all moneys and credits are appropriated by such institutions solely to sustain such institutions.

Non-Exemption Provisions

Constitution and Statutes.—Lands and buildings used for charitable purposes, in order to be exempt, must belong to and be occupied by institutions of purely public charity; if leased or otherwise used with a view to profit, unless the rents and profits and all moneys and credits are appropriated by such institutions solely to sustain them, they are not exempt from taxation.

UTAH

Exemption Provisions

Constitution.—There shall be exempt from taxation lots with the buildings thereon used exclusively for charitable purposes.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Property used for charitable purposes is not exempt, unless it is used exclusively for such purposes.

VERMONT

Exemption Provisions

Constitution.—No constitutional provision.

Statute.—The following property shall be exempt from taxation: Real and personal estate granted, sequestered or used for charitable uses. Building used as an orphanage, home or hospital; lands adjacent to such orphanage, home and hospital kept and used as a lawn, play-ground or garden.

The lands or buildings exclusively used for the support of orphanages, homes or hospitals which, without pay, receive and care for indigent, old or infirm patients or inmates, shall be exempt from taxation, when such lands or buildings are located in the town in which such institutions are situated.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless it is used exclusively for such purposes.

VIRGINIA

Exemption Provisions

Constitution.—The following property shall be exempt from taxation, both state and local; but the general assembly may hereafter tax any of the property hereby exempted: real estate belonging to, actually and exclusively occupied, and used by, and personal property, including endowment funds, belonging to orphan or other asylums, reformatories, hospitals and nunneries, which are not conducted for profit, but purely and completely as charities.

Whenever any building on land or part thereof, used for charitable purposes, shall be leased or shall be a source of revenue or profit, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town.

Statutes.—The statutory provision is the same as the constitutional provision.

Non-Exemption Provisions

Constitution and Statutes.—Real and personal property and endowment funds used for charitable purposes are not exempt from taxation unless actually belonging to, and exclusively occu-

pied and used by charitable institutions which are not conducted for profit, but purely and completely as charities.

Whenever any building or land, or part thereof, used for charitable purposes, shall be leased or shall be a source of revenue or profit, all of such buildings and land shall be liable to taxation as other land and buildings in the same county, city or town.

WASHINGTON

Exemption Provisions

Constitution.—Such property as the legislature may by general laws provide, shall be exempt from taxation.

Statutes.—The following property shall be exempt from taxation: all orphanages, orphan asylums, institutions for the reformation of fallen women, homes for the aged and infirm, and hospitals for the care of the sick, when such institutions are supported in whole or in part by public donations or private charity, and all of the income and profits of such institutions are devoted, after paying their expenses, to the purposes of such institutions, and the grounds, whenever such orphanages, institutions, homes and hospitals are built and when used exclusively and not otherwise for their purposes.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt, unless it is used exclusively for such purposes.

WEST VIRGINIA

Exemption Provisions

Constitution.—Property used for charitable purposes may, by law, be exempted from taxation.

Statutes.—The following property, real and personal, shall be exempt from taxation: property used for charitable purposes, and not held or leased out for profit; property belonging to any public institution for the education of the deaf, dumb or blind, or any hospital not held or leased out for profit; house of refuge, lunatic or orphan asylum; homes for children or for the aged, friendless or infirm, not conducted for private profit.

Such exemption from taxation shall apply to all property, including the principal and the income therefrom, held for a term of years or otherwise under a bona fide deed of trust, transfer or assignment, by a trustee or trustees required by the terms of such trust to apply, annually, the income derived from such property to charitable purposes, when not used for private purposes or profit.

Non-Exemption Provisions

Statutes.—Property used for charitable purposes is not exempt from taxation, if held, leased out, or conducted for private profit. The principal and income of trust funds for charitable purposes, is not exempt, if used for private purposes or profit.

WISCONSIN

Exemption Provisions

Constitution.—No constitutional provision.

Statutes.—The following property shall be exempt from taxation: personal property owned by any benevolent association used exclusively for the purposes of such association, and the real property necessary for the location and convenience of the buildings of such association and embracing the same, not exceeding ten acres; provided such real or personal property is not leased or otherwise used for pecuniary profit. The occasional leasing of such buildings for schools, public lectures or concerts, shall not render them liable to taxation.

All the real and personal property of any orphan asylum or orphan home in the state, and the real estate of the Home of the Friendless in the city of Milwaukee, not exceeding one lot, while the same are actually used for such homes.

All real property, not exceeding 160 acres, and personal property of any religious corporation, society, institute or body, which is actually used and occupied for a home for feeble minded, so long as such property is actually so used.

Non-Exemption Provisions

Statutes.—Property used for benevolent or charitable purposes, in order to be exempt, must be used exclusively for such purposes; if leased or otherwise used for pecuniary profit, such property is not exempt from taxation. The occasional leasing of such buildings for schools, public lectures or concerts, shall not render them liable to taxation.

Land on which buildings located for charitable purposes in excess of ten acres is taxable on such excess.

Land, used and occupied for home for feeble-minded by any religious corporation, in excess of 160 acres is taxable on such excess.

WYOMING

Exemption Provisions

Constitution.—There shall be exempt from taxation such property as the legislature may by general law provide.

Statutes.—The following property shall be exempt from taxation: lands with the buildings thereon, used for orphan asylums, or hospitals, so long as such lands and buildings are not used for private profit.

Non-Exemption Provisions

Statutes.—Property used for the purpose of orphan asylums or hospitals is not exempt from taxation, if used for private profit.

Provisions of the Statutes of the Various States Relative to Exemption from the Inheritance Tax of Property Transferred to Religious, Educational and Charitable Organizations or Societies.

CITATIONS TO THE STATUTORY PROVISIONS

- Alabama. No inheritance tax law.
 Arizona. Laws 1922, Ch. 26, Sec. 4, Subd. 1, p. 95.
 Arkansas. Stats. 1919, Sec. 10221, Subd. 1, p. 2623.
 California. Stats. and Amdts. to Codes 1921, Ch. 821, Sec. 6, Subd. 1, p. 1506.
 Colorado. Comp. Laws 1921, Sec. 7488.
 Connecticut. Public Acts 1925, Ch. 47.
 Delaware. Laws 1917, Ch. 7, Sec. 146; p. 14.
 Florida. No inheritance tax law.
 Georgia. Laws 1926 (Extra Sess.) No. 10, p. 15-17.
 Idaho. Comp. Stats. 1919; vol. 1, Sec. 3375, Subd. 1.
 Illinois. Rev. Stats. 1921; Ch. 120, Sec. 422.
 Indiana. Annot. States. 1921, vol. 6, Sec. 10143-d, Subd. 1.
 Iowa. Code 1924, Sec. 7308, Subd. 2.
 Kansas. Rev. Stats. 1923, Sec. 79-1501.
 Kentucky. Laws 1924, Ch. 111, Sec. 2.
 Louisiana. Laws 1921, Act. No. 127.
 Maine. Laws 1919, Ch. 187.
 Maryland. Annot. Code, vol. 2, Art. 81, Sec. 124.
 Massachusetts. Laws 1922, Ch. 403, Sec. 1, p. 426-427.
 Michigan. Public Acts 1923, No. 257, Sec. 1.
 Minnesota. General Stats. 1923, Sec. 2293, Subd. 2c.
 Mississippi. Laws 1924, Ch. 134, Sec. 6, Subd. (a), (3); Sec. 8, Subd. (a), (3).
 Missouri. Laws 1921 (1st Extra Sess.) Sec. 561, p. 28.
 Montana. Laws 1923, Ch. 65, Sec. 1, Sec. 4, Subd. 1.
 Nebraska. Comp. Stats. 1922, Sec. 6153.
 Nevada. No inheritance tax law.
 New Hampshire. Public Laws 1926, vol. 1, Ch. 72, Secs. 1, 2.
 New Jersey. Comp. Stats. Cumulative Supp. 1911-1924, vol. 2, Secs. 208-537; Laws 1925, Ch. 102; Laws 1926, Ch. 294.
 New Mexico. Laws 1923, Ch. 51.
 New York. Tax Law 1926, Sec. 221; Estate tax, Sec. 249-c, Subd. 3.
 North Carolina. Consol. Stats. 1919, vol. 2, Sec. 7772; Public Laws 1925, Ch. 101, Sec. 6, Subd. 3.
 North Dakota. Laws 1919, Ch. 225, Sec. 1; Sec. 4, Subd. 1.
 Ohio. General Code 1926, Secs. 5334, 5335, Subd. 3 (a) (b) (c) (d).
 Oklahoma. Comp. Stats. 1921, vol. 2, Secs. 9856, 9861.
 Oregon. General Laws, 1925, Ch. 338, Sec. 1191.
 Pennsylvania. Purdons Digest, 1921, vol. 8, Sec. 2, p. 8496-97.
 Rhode Island. General Laws 1923, Sec. 524, Subd. 1.
 South Carolina. Acts 1925, No. 143, Sec. 1.
 South Dakota. Laws 1923, Ch. 107, Sec. 6832, Subd. 6.
 Tennessee. Code Supp. 1926, Sec. 75-a-2, Subd. 4.
 Texas. Rev. Civil Stats. 1925, vol. 2, Arts. 7119, 7122.
 Utah. Laws 1919, Ch. 64, Sec. 3185.
 Vermont. Laws 1919, No. 48, Sec. 1090.
 Virginia. Code 1924, Sec. 44 (1), p. 1852.
 Washington. Comp. Stats. 1922, vol. 3, Sec. 11218.
 West Virginia. Annot. Code 1923, Ch. 33, Sec. 2 b, p. 588.
 Wisconsin. Stats. 1925, vol. 1, Sec. 72.04 (1).
 Wyoming. Laws 1925, Ch. 78, Sec. 2.

PROVISIONS OF THE STATUTES

ALABAMA**Statutes**

Alabama has no inheritance tax law.

ARIZONA**Statutes**

All property transferred to religious, charitable or educational corporations and used exclusively for their purposes is exempt from tax.

ARKANSAS**Statutes**

All property transferred to any corporation or association engaged in charitable, benevolent or educational work or to be held in trust for such objects is exempt from tax.

CALIFORNIA**Statutes**

All property transferred to any corporation, society, institution or association engaged in any charitable, benevolent or educational work or to be held in trust for such objects is exempt from tax. Property transferred to be limited for use within the state by organizations organized or existing under the laws of the state.

COLORADO**Statutes**

All transfers of property for the use of religious or charitable purposes exclusively, or for schools and colleges not for profit are exempt. All such institutions to be situated within the state and the property be limited for use within the state.

CONNECTICUT**Statutes**

All property transferred exclusively for religious, educational or missionary purposes, or in trust for any religious, educational or missionary corporation wherever situated is exempt from tax.

DELAWARE**Statutes**

Any property or estate passing to or for the use of, or in trust for any charitable, educational or religious society or institution is exempt from tax.

FLORIDA**Statutes**

Florida has no inheritance tax law

GEORGIA**Statutes**

Georgia adopts the provisions of the Federal Estate tax which provides for deducting from the value of the gross estate: the amount of all bequests or transfers to or for the use of any corporation organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual, and which gifts are to be used exclusively for such purposes.

IDAHO**Statutes**

All property transferred to any society, corporation or institution engaged in or devoted to any charitable, benevolent, educational or other like work or in trust for such organizations is exempt from tax.

ILLINOIS**Statutes**

Property transferred to or for the use of any hospital, religious, educational, bible, missionary, tract, benevolent or charitable purpose, or to any trustee, bishop or minister to be held and used exclusively for religious, charitable or educational purposes is exempt from tax.

INDIANA**Statutes**

All property transferred to the bishop, rector, pastor, trustee, board of trustees, or governing body of any educational or religious institutions, who shall use the property solely for religious, charitable or educational purposes, or to corporations of the state organized solely for religious, charitable or educational purposes, which shall use the property exclusively for the purpose of their organization, is exempt from tax.

IOWA**Statutes**

Property passing to societies or institutions incorporated for educational, religious or charitable purposes, or to hospitals, is exempt from tax.

KANSAS**Statutes**

All property transferred to or for the use of educational, religious and charitable societies or institutions is exempt from tax, if such use entitle the property so passing to be exempt from taxation.

KENTUCKY**Statutes**

All transfers to educational, religious or other institutions, societies, or associations, whose sole object and purpose is to carry

on charitable, educational or religious work within the state, or for or upon trust for any charitable purpose in the state, are exempt from tax. No exemption allowed if any member, officer or shareholder of any of the above organizations receives any pecuniary profit, other than reasonable compensation for services.

LOUISIANA

Constitution

Donations and legacies to charitable, religious or educational institutions located within the state shall be exempt from inheritance tax.

Statutes

The statutory provision is the same as the constitutional provision.

MAINE

Statutes

All property passing by will to or for the use of any educational, charitable or religious institution in the state is exempt from the inheritance tax.

MARYLAND

Statutes

The inheritance tax law of Maryland does not appear to exempt from taxation transfers made to religious, educational and charitable organizations or for their purposes.

MASSACHUSETTS

Statutes

All property passing by will for the use of charitable, educational or religious societies or institutions, or for or upon trust for any charitable purposes to be carried out within the commonwealth is exempt from the inheritance tax.

MICHIGAN

Statutes

Transfer of any property, real or personal, in trust or otherwise, to any religious, educational or charitable institution is exempt from the inheritance tax.

MINNESOTA

Statutes

Devises, bequests, gifts or transfers to or for the use of any corporation or association organized and operated within the state for religious, charitable or educational purposes, exclusively, or to a trustee or trustees exclusively for such purposes, provided no part of such bequest or transfer inures to the profit of any private stockholder or individual, shall be exempt from the inheritance tax.

MISSISSIPPI**Statutes**

In the case of a resident there is deducted from the value of the gross estate, and in the case of a non-resident from the value of the net estate, the amount of all bequests, legacies, devises, or gifts to or for the use of any corporation or association organized and operated exclusively for religious, charitable, or educational purposes, or to a trustee or trustees, exclusively for such purposes, and where no part of the net earnings of such corporations or associations inures to the benefit of any private stockholder or individual.

MISSOURI**Statutes**

All transfers of property or any beneficial interest therein to be used, and actually used solely for religious, charitable, or educational purposes in the state, shall be exempt from the inheritance tax, and such property shall be exempt from the tax where the same descends from a trustee or trustees to other trustees who hold property for the uses of the foregoing institutions.

MONTANA**Statutes**

All property transferred to corporations or voluntary associations of the state organized solely for religious, charitable or educational purposes, which shall use the property so transferred exclusively for the purpose of their organization within the state, shall be exempt from the inheritance tax.

NEBRASKA**Statutes**

No exemption appears to be allowed in the case of transfers to or for the use of religious, educational or charitable organizations or institutions.

NEVADA**Statutes**

Nevada has no inheritance tax law.

NEW HAMPSHIRE**Statutes**

All transfers of property to or for the use of educational, religious, or other institutions, societies or associations of public charity in the state, or for or upon trust for any charitable purpose in the state shall be exempt from the inheritance tax.

NEW JERSEY**Statutes**

New Jersey does not exempt from the inheritance tax property passing to or for religious, educational or charitable purposes; but provides as follows:

“Property passing to churches, hospitals and orphan asylums, bible and tract societies, religious and charitable institutions and organizations, shall be taxed at the rate of five per centum.”

There is, however, an exemption from the inheritance tax in the case of property passing to or for the use of any institution, solely educational, for whose benefit there may be appropriations made by the legislature.

NEW MEXICO

Statutes

Estates, passing to a corporation, voluntary association or society, to an amount not exceeding \$500.00, are exempt from the inheritance tax.

NEW YORK

Statutes

Any property devised or bequeathed for religious ceremonies, observances or commemorative services of or for the deceased donor, or to any person who is a bishop where such request or devise is for his official as distinguished from his personal use, or to any religious, educational, charitable, missionary, hospital or infirmary corporation, wherever incorporated, including corporations organized exclusively for bible or tract purposes, shall be exempt from the transfer tax

For the purpose of the tax (on the estates of resident decedents) the value of the net estate shall be determined by deducting from the value of the gross estate:

The amount of all bequests, legacies, devises, or transfers, to or for the use of any corporation organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, but only if such contributions or gifts are to be used by such trustee or trustees exclusively for religious, charitable or educational purposes.

NORTH CAROLINA

Statutes

No inheritance tax shall be imposed or collected on legacies or property passing by will or otherwise to religious, educational or charitable corporations, not conducted for profit.

NORTH DAKOTA

Statutes

All property transferred to corporations of the state organized under its laws solely for religious, charitable, or educational purposes, which shall use the property so transferred exclusively for the purposes of their organization within the state, shall be exempt from the inheritance tax.

OHIO**Statutes**

The succession to any property passing to or for the use of public institutions of learning within the state, or institutions of learning within any state of the United States which state does not impose an inheritance, estate or transfer tax on property given, devised or bequeathed by a resident thereof to an institution of learning within this state, or to or for the use of an institution for purposes only of public charity, carried on in whole or in substantial part within this state, shall not be subject to the inheritance tax.

Privately owned institutions of learning which are not operated for profit and which admit all classes of students on the same terms are considered institutions of public charity and therefore entitled to be exempt from the inheritance tax.

Private charities are not exempt from the inheritance tax, nor are churches or religious organizations.

OKLAHOMA**Statutes**

All property transferred to corporations of the state organized under its laws solely for religious, charitable or educational purposes which shall use the property so transferred exclusively for the purposes of their organization within the state shall be exempt from the inheritance tax.

OREGON**Statutes**

Devises, bequests, legacies and gifts to benevolent, charitable or educational institutions, societies, associations or corporations organized or existing within the state and actually engaged in the state in carrying out the objects and purposes for which so organized or existing, or to a corporation, association or society to be organized for such purposes under the laws of the state pursuant to the terms of the instrument providing such devise, bequest or gift; and devises, bequests, legacies or gifts to any corporation, society, institution, person or persons or association of persons in trust for such charitable, benevolent or educational purpose where such devise, bequest, legacy or gift is limited by the donor for use within the United States, shall be exempt from the inheritance tax.

PENNSYLVANIA**Statutes**

Property passing by will to corporations organized for religious, educational or charitable purposes are taxable under the inheritance tax at the rate of ten per centum which is the rate on collaterals.

RHODE ISLAND**Statutes**

All property or interests transferred to any corporation, association, or institution, located in the state, which is exempt from

taxation by charter or under the laws of the state, or to any corporation, association, or institution located outside the state, which if located within the state would be exempt, or to any person in trust for the same, shall be exempt from the inheritance tax.

SOUTH CAROLINA

Statutes

All property which shall pass to or for the use of any educational or religious institution or public charities in the state, or at, for or upon trust for any charitable purpose in the state, shall not be subject to the inheritance tax.

SOUTH DAKOTA

Statutes

Property transferred to a public hospital, academy, college, university, seminary of learning, church or purely charitable institution within the state, shall be exempt from the inheritance tax.

TENNESSEE

Statutes

All property devised or transferred to any church for purely religious purposes, to any school or college for purely educational purposes, or to any hospital or bona fide charitable institution, shall be exempt from the inheritance tax.

TEXAS

Statutes

There is no exemption from the inheritance tax in the case of property passing to or for the use of a religious, educational or charitable organization located within or without the state.

UTAH

Statutes

No exemption from the inheritance tax appears to be allowed in the case of property passing to or for the use of religious, educational and charitable organizations or societies.

VERMONT

Statutes

Property transferred by will to a bishop in his ecclesiastical capacity for religious uses within the state or to a charitable, educational or religious society or institution created and existing under and by virtue of the laws of the state and having its principal office therein shall be exempt from the inheritance tax.

VIRGINIA**Constitution**

Any legacy or devise made according to law for the benefit of any religious, educational or charitable institution, shall be exempt from the inheritance tax.

Statutes

Any gift, devise or bequest made exclusively for charitable, educational or religious purposes within the state, shall be exempt from the inheritance tax.

WASHINGTON**Statutes**

All bequests and devises of property within the state when the same are for one of the following charitable purposes, namely: the relief of the aged, indigent and poor people, maintenance of sick or maimed, the support or education of orphans or indigent children; and all bequests and devises made to schools and colleges in the state supported in whole or in part by gifts, endowments or charity, the entire income of which school or college, after paying the expenses, is devoted to the purposes of such institution and which is open to all persons upon equal terms, shall be exempt from the payment of the inheritance tax.

WEST VIRGINIA**Statutes**

All property transferred to a person or corporation, in trust, or use solely for educational, religious or charitable purposes, provided the property so transferred for such purposes, is used exclusively in the state, shall be exempt from the inheritance tax.

WISCONSIN**Statutes**

All property transferred to corporations of the state organized under its laws, solely for religious, charitable or educational purposes, which shall use the property so transferred, exclusively for the purposes of their organization within the state, shall be exempt from the inheritance tax.

WYOMING**Statutes**

All property which shall pass by will to or for the use of charitable, educational or religious purposes, shall be exempt from the inheritance tax.

**Provisions of the Statutes of the Various States Relative to
Exemption from the Income Tax of Religious, Educational and
Charitable Organizations or Societies.**

CITATIONS TO THE STATUTES

- Delaware. Laws 1921. Ch. 9, Sec. 5, Subd. b, Sec. 9, Subd. 4.
Massachusetts. General Laws 1921, vol. 1, Ch. 62, Sec. 8, Subd. (e).
Mississippi. Laws 1924, Ch. 132, Sec. 11, Subd. (b), (7), Sec. 12, Subd. 10,
11.
Missouri. Rev. Stats. 1919, vol. 3, Sec. 13113, Subd. 6; Laws 1921 (1st
Extra Sess.) Sec. 13110, Subd. 10, p. 188-189.
New Hampshire. Public Laws 1926, vol. 1, Ch. 65, Sec. 7.
New York. Tax Law 1926, Sec. 359, Par. 2, Subd. g, Sec. 360, Par. 10,
Subd. b.
North Carolina. Public Laws 1925, Ch. 101, Sec. 204, Subd. 3, Sec. 306,
Subd. 9.
North Dakota. Laws 1923, Ch. 312, Sec. 27, Subd. 6; Laws 1925, Ch. 201,
Sec. 19, Subd. (8).
Oklahoma. Comp. State 1921, vol. 2, Secs. 9938, Subd. f, 9939, Subd. 7.
South Carolina. Laws 1926, Income Tax Act Approved 12 Oct. 1926. Sec. 6,
Subd. 3.
Virginia. Code Supp. 1926, Sec. 10, Subd. 2, p. 244.
Wisconsin. Stats. 1925, vol. 1, Secs. 71.04(7), 71.05(2).

PROVISIONS OF THE STATUTES

DELAWARE

Statutes

Corporations organized for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual are exempt from the income tax.

MASSACHUSETTS

Statutes

Income of intangible personal property of religious, charitable and educational institutions is exempt from the income tax.

MISSISSIPPI

Statutes

Income received by any religious denomination or by any institution or trust for religious, bible, tract, charitable, missionary, hospital, infirmary or educational purpose is exempt from the income tax.

MISSOURI

Statutes

There shall not be taxed any income received by any corporation or association organized and operated exclusively for religious, charitable, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual.

NEW HAMPSHIRE

Statutes

No tax to be levied upon any income received and used, by any educational, religious, or charitable organization incorporated or organized in the state, for the purposes for which it is established; provided none of the income or profits of such organizations is divided among its stockholders or members or is used for purposes other than those for which it is established, or which is received by any trustee for the use of such organization for such purposes.

NEW YORK

Statutes

There shall be exempt from taxation income received by any officer of a religious denomination or by any institution or trust for religious, bible, tract, charitable, missionary, hospital, infirmary or educational purposes, or for two or more of such purposes, if such income be used exclusively for carrying out one or more of such purposes.

NORTH CAROLINA

Statutes

There shall be exempt from the income tax corporations organized for religious, charitable or educational purposes, no

part of the net earnings of which inures to the benefit of any private stockholders or individual.

NORTH DAKOTA

Statutes

The following shall be exempt from the income tax; corporations organized and operating exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

OKLAHOMA

Statutes

Corporations organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual shall be exempt from the income tax.

SOUTH CAROLINA

Statutes

The following organizations shall be exempt from the income tax: corporations organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

VIRGINIA

Statutes

No income tax shall be imposed on religious, educational, benevolent and other corporations or associations of individuals not organized or conducted for pecuniary profit.

WISCONSIN

Statutes

There shall be exempt from the income tax, the income of all religious, educational and benevolent, or other corporations or associations of individuals not organized or conducted for pecuniary profit.

Provisions of the Statutes of the Various States Allowing as a Deduction from the Income Tax Contributions for Religious, Educational or Charitable Purposes.

DELAWARE

Statutes

There is allowed as a deduction any part of the gross income which pursuant to the terms of the will or deed creating the trust, is during the taxable year paid to or permanently set aside for any corporation, organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

MISSISSIPPI

Statutes

In computing net income there shall be allowed as deductions contributions or gifts to organizations, incorporated or unincorporated which are operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which organizations inures to the benefit of any private stockholder or individual, to an amount not in excess of ten per centum of the net income.

MISSOURI

Statutes

In computing the net income in the case of a citizen or resident of the state there shall be allowed as deductions: contributions or gifts made within the taxable year to corporations, associations and societies organized and operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which organizations inures to the benefit of any private stockholder or individual, to an amount not in excess of fifteen per centum of the taxpayer's net income.

NEW YORK

Statutes

In computing net income there shall be allowed as deductions contributions or gifts made within the taxable year to or for the use of: any corporation or association operated exclusively for religious charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual, provided that the amounts to be deducted shall not in the aggregate exceed fifteen per centum of the taxpayer's net income.

In the case of a taxpayer, other than a resident of the state, the deductions shall be allowed only as contributions or gifts made to corporations or associations incorporated by or organized under the laws of the state.

NORTH CAROLINA**Statutes**

In computing net incomes there shall be allowed as deductions: contributions or gifts made by individuals within the income year to corporations or associations operated exclusively for religious, charitable or educational purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual, to an amount not in excess of fifteen per centum of the taxpayer's net income.

NORTH DAKOTA**Statutes**

In computing net income there shall be allowed as deductions: contributions or gifts made within the income year to any corporation, association or trust, or fund, or foundation, organized and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual; provided, that such contributions or gifts may be deducted only to an amount which in all the above cases combined does not exceed fifteen per cent of the taxpayer's net income.

OKLAHOMA**Statutes**

In computing the net income taxable, there shall be allowed as deductions from the net income of any person: all charitable donations not to exceed fifteen per centum of the taxpayer's net income.

WISCONSIN**Statutes**

Individuals, in reporting incomes for purposes of taxation shall be allowed the following deductions: contributions or gifts made within the year to any corporation, foundation, or association operating within the state, organized and operated exclusively for religious, charitable or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of ten per centum of the taxpayer's income.

**Provisions of the Statutes of the Various States Exempting
from Taxation Certain Businesses or Industries****CITATIONS TO THE STATUTES**

- Alabama.** Code 1923, vol. 1, Secs. 3022-3023, 3025, 3026.
Delaware. Rev. Code 1915, Sec. 1098.
Georgia. Constitution, Art. 7, Sec. 2, Subd. 2 A, Code Supp. 1926, vol. 13, p. 1017; Annot. Code 1926, vol. 12, Sec. 1001 (1).
Kentucky. Constitution, Sec. 170, Stats. 1922, Secs. 2980a, 3074, 3278.
Louisiana. Constitution, Art. 10, Sec. 4.
Mississippi. Constitution, Art. 7, Secs. 182, 192, Code 1917, vol. 1, p. 208, 211; Code Supp. 1921, Secs. 6878, Subd. (v), 6879, 7049 d; Laws 1922, Ch. 138, Ch. 139, Ch. 259; General Laws 1926, Ch. 163, Ch. 171.
New Hampshire. Public Laws 1926, vol. 1, Ch. 60, Sec. 19.
New Mexico. Annot. Stats. 1915, Secs. 5429, 5431, 5432.
New York. Tax Law 1926, Sec. 4, Subd. 12.
Oklahoma. Constitution, Art. 10, Sec. 6, Comp. Stats. 1921, vol. 1, p. 203; Comp. Stats. 1921, vol. 2, Secs. 9576, 9577, 9578.
Rhode Island. General, Laws 1923, Ch. 58, Secs. 806, 807, 809, 810; Laws 1926, Ch. 925.
South Carolina. Constitution. Art. 8, Sec. 8, Code 1922, Vol. 1, p. 577; Acts 1923, No. 233; Acts 1924, No. 595, No. 650, No. 729; Acts 1925, No. 462, No. 468.
Vermont. General. Laws 1917, Secs. 689, 692; Laws 1919, No. 26.
Wisconsin. Stats. 1925, vol. 1, Sec. 70, 11 Subd. 17.

PROVISIONS OF THE STATUTES

ALABAMA . .**Statutes**

All raw material, including coke, for manufacturing purposes, and all manufactured articles including pig iron, in the hands of the producer or manufacturer, exempt from taxation for one year after its production or manufacture.

Cotton mills, factories in general and ship building plants exempt from county and municipal taxation for not to exceed five years. Exemption applies to real estate, building and equipment and capital stock.

Manufactories of calcium cyanamid exempt from state, county and municipal taxation for a period of ten years. Exemption applies to buildings and equipment but not to the real estate.

DELAWARE**Statutes**

The real estate of any manufacturing or industrial improvement corporation to the extent of five acres is exempt from state, county and municipal taxes for a period of ten years from the date that such property has manufacturing improvements placed thereon. This provision applies to the following cities: New Castle, Delaware City and New Port.

Similar provision, as to ten year period, applies to the real estate in certain wards of the city of Wilmington; but the land exempt is limited to that occupied by and necessary to the manufacturing or industrial improvements.

GEORGIA**Constitution**

Factories, buildings or plants for the manufacture or processing of cotton, wool, linen, silk, rubber, clay, wood, metal, creamery or cheese plant; or for the production or development of electricity may, as to buildings and equipment, be exempt from all county, incorporated town or city ad valorem taxes for a period not to exceed five years from the date of erecting such plants or buildings. Such exemptions to be approved by majority of electors of county, city or town proposing such exemption.

Statutes

The statutory provision is the same as the constitutional provision, but a referendum is provided for.

KENTUCKY**Constitution**

The general assembly may authorize any incorporated city or town to exempt manufacturing establishments from municipal taxation, for a period not exceeding five years, as an inducement to their location.

Statutes

The general council of cities of the first and second class are authorized, by ordinance to exempt from municipal taxation, for a period not exceeding five years, manufacturing establishments, as an inducement to their location in the city. The common council of cities of the third class, two-thirds of its members concurring, may exempt manufactories from taxation for a period of five years.

LOUISIANA**Constitution**

There is exempt from taxation for ten years from the date of completion, the capital stock, franchises and property of all corporations constructing, owning and operating within the state a combined system of irrigation, navigation and hydro-electric power; provided not less than \$3,000,000 shall have been expended in the construction of either system prior to January 1, 1927. There is also exempt the real property necessarily connected with, and appurtenant to, each canal system and forming part thereof, or forming a part of its necessary capital or reserves.

There is exempt from taxation for ten years from date of completion, all pipe lines, pumping plants and other property actually used in the transportation and distribution of natural gas, for fuel and light purposes, wholly within the state; such line shall have been constructed after the adoption of the constitution and shall have been completed prior to January 1, 1926; this exemption not to apply to any property within a municipality, nor to pipe lines built to cities or towns already supplied with natural gas.

There is exempt from taxation for fifteen years from the date of the adoption of the constitution (1921) all buildings, fixtures and machinery used for manufacturing or commercial purposes, located on lands situated on the navigation canal leased from the board of commissioners of the Port of New Orleans. To be entitled to exemption owner shall have invested \$25,000 or more in the physical property of such enterprise and keep constantly employed at least 25 persons therein.

Statutes

The statutory provision is the same as the constitutional provision.

MISSISSIPPI**Constitution**

The legislature may grant exemption from taxation in the encouragement of manufactures and other new enterprises of public utility extending for a period not exceeding five years, the time of such exemptions to commence from date of charter, if to a corporation; and if to an individual enterprise, then from the commencement of work.

Provision shall be made by general laws whereby cities and towns may be authorized to aid and encourage the establishment of manufactories, gas works, water works, and other enterprises of public utility, other than railroads, within the limits of such cities or towns, by exempting all property used for such purposes from municipal taxation for a period not longer than ten years.

Statutes

All permanent factories or plants for the manufacture of textiles, building materials, machinery, clothing, packing products and other goods now in the course of establishment or which shall be established in the state before January 1st, 1920, shall be exempt from all state, county and levee taxation for a period of five years.

In 1922 new factories and new enterprises of public utility hereafter established were to be granted exemption from ad valorem taxation on tangible property used in or necessary to the operation of the service or industry; but not upon the products, for a period of five years.

In 1926 hardwood carbonizing and distillation plants for the manufacture of wood alcohol and other products from hardwood were exempted from ad valorem taxation for county and municipal purposes for five years at the discretion of the local governing authorities.

Factories for making paper bags, paper boxes, paper dishes and other paper products and the tangible property owned by such factory and necessary to its operation to be exempt from ad valorem taxation for a period of five years. No exemption granted on the finished products of such factories.

All permanent new hotels of 50 or more rooms constructed before January 1st, 1924 to be exempt from county and municipal taxation for a period of five years at the discretion of the local governing boards.

NEW HAMPSHIRE

Statutes

Any town may by vote authorize its proper officers to make contracts with individuals to exempt from taxation for a term not exceeding ten years all materials of wood, copper, iron and steel used in the construction and building of ships and vessels in such town, and the ships and vessels constructed therefrom while in the process of construction.

NEW MEXICO

Statutes

There shall be exempt from taxation, for a period of six years, certain factories erected and operated on or before April 1st, 1909. Such factories are as follows: best sugar, broom, woolen mills, smelters, water power plants, cement and plaster manufacturing plants, refining or reduction works, waterways, pipe lines, ditches,

canals and flumes for the purpose of supplying water to such factories.

Machinery and fixtures exempt and not to exceed one hundred acres for each factory or mill and upon which they shall be constructed.

All irrigation ditches, canals and reservoirs for the purpose of storing or conducting water for irrigation purposes shall be exempt from taxation for a period of six years from the commencement of construction.

New railroads exempt from taxation until the expiration of six years from and after the completion of its railroad and branches.

NEW YORK

Statutes

All vessels registered at any port in this state and owned by an American citizen or association, or by any corporation incorporated under the laws of the state, engaged in ocean commerce, between any port in the United States and any foreign port, are exempted from all taxation in this state, for state and local purposes; and all such corporations, all of whose vessels are employed between foreign ports and ports in the United States are exempted from all taxation in this state, for state and local purposes upon their capital stock, franchises and earnings, until and including December 31, 1932.

OKLAHOMA

Constitution

The legislature may authorize any incorporated city or town by a majority vote of its electors voting thereon, to exempt manufacturing establishments and public utilities from municipal taxation, for a period not exceeding five years, as an inducement to their location.

Statutes

All property, both real and personal, used exclusively for the manufacture of cotton, by cording, splinting or weaving in cloth, or other manufactured product, and all moneys invested or loaned and used in or for the operation or carrying on of such business, is hereby exempted from taxation by the state, or any taxing authority therein, for a period of ten years from and after the passage and approval of this act. (This law became effective March 30, 1915.)

Domestic corporations that shall bring to the earth's surface any underflow water in sufficient volume for practical use for irrigation or domestic uses, shall be exempt from taxation for a period of five years from such test, as to any and all personal property owned or used in such development and operation.

Any incorporated city or town may by ordinance exempt from municipal taxation for a period of five years, the personal property of any corporation developing and operating gravity under-

flow water plants for the purpose of furnishing pure water for use in and by any such city or town.

RHODE ISLAND

Statutes

The electors of any town or city qualified to vote on a proposition to impose a tax may vote to exempt, or they may authorize the town or city council to exempt from taxation, for a period not exceeding ten years, such manufacturing property as may be located in such town or city in consequence of such exemption, and the land on which such property is located.

The electors of the towns of South Kingstown and Narragansett, or either of such towns, may vote to exempt, or may authorize the town council to exempt from taxation, the real and personal property located within such town, of any railroad corporation, whose right of way and tracks lie wholly within the boundaries of the state until and unless, in the fiscal year preceeding the date for assessment of taxes in such town, the net receipts of such railroad applicable to dividends or other form of distribution of corporate earnings shall in such year amount to a sum that is not less than two per cent of the aggregate valuation of the property of such railroad, or of the total capital stock paid in and earned surplus of such railroad.

Electors of city of Woonsocket authorized to vote to exempt or voters may authorize the city council to exempt from taxation for a period not to exceed ten years such manufacturing property of any person, firm or corporation as may hereafter be located in such city in consequence of such exemption and also the land on which such property is located.

SOUTH CAROLINA

Constitution

Cities and towns may exempt from taxation, by general or special ordinance, except for school purposes, manufactories established within their limits for five successive years from the time of the establishment of such manufactories: Provided, That such ordinance shall be first ratified by a majority of such qualified electors of such city or town as shall vote at an election held for that purpose.

Statutes

Factories for the manufacture of cotton, woolen, rubber, pottery, pulp, leather, soap and hardwood and established in the counties of Aiken, Anderson, Dillon, Georgetown, Oconee, Richland and Sumter, shall be exempt from all county and township taxes for a period of five years from the time such factories would become liable for such taxes.

Any and all manufactories desiring to locate in the counties of Cherokee, Clarendon, Georgetown, Greenwood, Lancaster, Laurens, Marion, Richland, Saluda, Sumter, Williamsburg and

York with a capital of not less than one hundred thousand (\$100,000.00) dollars shall be exempt from all county taxes, except for school purposes, for five years from the time of their establishment.

VERMONT

Statutes

Manufacturing establishments, quarries, mines and such machinery, tramways, appliances and buildings as are necessary for use in the business; machinery put into unoccupied buildings and capital and personal property used in such business, if the amount invested exceeds one thousand dollars, may be exempted from taxation for a period not exceeding ten years from the commencement of business if the town so votes.

A town may, at an annual meeting whose warning contains an article for that purpose, or at a special meeting duly warned, for that purpose, vote to exempt for a period not exceeding five years at a time real and personal estate used and occupied for hotel purposes.

WISCONSIN

Statutes

The following property shall be exempt from taxation: the property of any corporation or association formed under the laws of the state, used exclusively for the purpose of manufacturing oxide of zinc or metallic zinc from native ores of the state. Such property shall be exempt from taxation for a period of three years.

STATE OF NEW YORK

5

**FISCAL PROBLEMS OF CITY SCHOOL
ADMINISTRATION**

A REPORT

BY THE

**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

February 1, 1928



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**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

Of the Senate.

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THOMAS I. SHERIDAN

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LETTER OF TRANSMITTAL

February 1, 1928

To the Senate and Assembly of the State of New York:

In 1919 the Special Joint Committee on Taxation and Retrenchment in the course of its study of municipal finance made a preliminary examination of the interrelation of local boards of education and of the city governmental authorities. The report of the committee on this subject will be found in Legislative Document, 1920, No. 80.

The study which we have made during the current year was undertaken for the following reasons:

1. During the past five years the State of New York has adopted an entirely new policy in the distribution of State aid for local education. Under this policy the State is appropriating over seventy-eight millions of dollars for local education. It has seemed to us appropriate for a committee whose primary interests are taxation and retrenchment to inquire into the methods which are used in controlling this large expenditure.

2. The committee has received from time to time statements that the relationship existing between local boards of education and local municipal authorities is not satisfactory.

3. The State Conference of Mayors and Other City Officials, at its conference at Niagara Falls in May, 1927, passed resolutions urging upon the State an investigation primarily directed toward "securing a proper cooperation and mutual consideration between those who have the expending of moneys for the education departments in our cities, and those who have the expending of moneys for other departments of those municipalities."

After a preliminary examination of the problem, the committee decided to limit the study to the cities of the State, though we are fully aware that the same problems exist in the villages and towns. Following a preliminary canvass of the situation by means of carefully prepared schedules, copies of which are presented in the appendix of this report, hearings were held in Buffalo, Syracuse, Albany and New York, to which representatives of the boards of education and of the city administrations in all of the cities of the State were invited. Through these hearings much valuable testimony has been secured. Your committee wishes to express its appreciation to the municipal and school authorities who cooperated in making this report possible. We are deeply indebted also to the responsible officials of the State Department of Education, who devoted an entire day to a conference with the committee for the discussion of the various problems of school adminis-

tration, and particularly to Mr. Ernest E. Cole, counsel for the department. The cooperation of Mr. William P. Capes has been of great value to the committee.

This report does not contain a complete picture of school administration in this State. It is intended to deal only with the scattered problems upon which we have specific recommendations to offer at this time.*

(Signed)

SEABURY C. MASTICK,
Chairman.

WALTER L. PRATT,
Vice-Chairman.

JOHN F. WILLIAMS,
WILLIAM J. HICKEY,
THOMAS I. SHERIDAN,
RICHARD B. SMITH,
HERBERT A. BARTHOLOMEW,
JOHN H. CONROY.

* The published reports of the Special Joint Committee on Taxation and Retrenchment are as follows:

Retrenchment in City Government; 1920 Legislative Document 80.

The Tax System of New York State; 1921 Legislative Document 57.

A Critical Survey of the Tax System of the State of New York, with a Statistical Analysis of the Tax Burden on Corporations; 1922 Legislative Document 72.

Retrenchment in County, Town and Village Government, with a Review of the Progress in City Government Since 1920 and a Statistical Analysis of Local Government Costs; 1923 Legislative Document 55.

Forest Taxation, with sections dealing with Public Utility Taxation, The Gasoline Tax, The Bank Tax, and County Salary Standardization; 1924 Legislative Document 91.

State Aid, Local Taxes and Revenues and The Development of the State Tax System; 1925 Legislative Document 97.

State Expenditures, Tax Burdens and Wealth—A Study of the Growth of the Functions of the State Government and the Relation of Total Tax Burden to the Income of the People of the State; 1926 Legislative Document 68.

The Gasoline Tax; 1926 Legislative Document 69.

The Debt of the State of New York, Past, Present and Future; 1926 Legislative Document 70.

Tax Exemption in the State of New York; 1927 Legislative Document 86.

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CHAPTER I

FINDINGS AND RECOMMENDATIONS

CHAPTER I

FINDINGS AND RECOMMENDATIONS

Cordial Relations Between School and City Authorities

The relations existing between local school authorities and city authorities at the present time are more harmonious than they were in most cities at the time of our study in 1919. As far as we have been able to judge from the evidence submitted to the committee and from other investigations which we have made, the relations are quite satisfactory except in relatively few cities. In 1919 more or less serious friction was found in over half of the cities of the State. It is our observation that this significant and commendable change has been brought about by a more reasonable attitude on both sides and by the improved financial situation. Educational authorities are increasingly ready to realize that educational expenditures must be gauged with some recognition of other municipal requirements, and municipal authorities have devoted more time to the consideration and understanding of the unusual strains which have been thrown upon education during recent years, not only in bringing educational equipment and services up to date, but in meeting the very large additional burden which has been thrown upon departments of education through the increase in the relative number of children demanding an education. The increase of State aid as a result of the policies advocated by this committee in 1925 and 1926, and the introduction of scientific methods of assessment have served to relieve the financial situation in many cities in such a way as to make possible a more reasonable spirit of cooperation. The financial stringencies in local finance which developed with the increase of prices during the World War made it extremely difficult for the various divisions of municipal government to operate without friction, especially where an independence of control or a division of responsibility made forbearance and cooperation essential.

There seems to be less friction than formerly in those cities where the administration has definite control over the education budget, and also in those municipalities where there is complete separation. There still exists an unsatisfactory condition in those municipalities where the educational authorities have complete or practically complete control of the budget and the city authorities are held responsible for the tax rate. The provisions of law relative to the power to issue school bonds is causing considerable friction in those cities where school bonds are subject to the 10 per cent. constitutional limit. This difficulty will increase as these municipalities draw closer to their borrowing limit.

Improved Business Methods in School Management

The testimony taken by this committee shows that since 1919, when our previous study was made, there has been a noticeable improvement in the business management of city schools. In every school system definite attention is now given to the preparation of the school budget and special meetings of the board of education are held to consider the program of expenditure in advance. In a number of the school systems, improvement programs are worked out for a number of years in advance in order that the purchase of school sites and the program for building construction may be arranged so as to meet anticipated requirements without resulting in a violently fluctuating tax rate. In a number of cities, the purchase of school supplies has been brought together and placed in the hands of a single responsible official. In the larger school systems, committees of the board of education have ceased to function as administrative agencies in recognition of the fact that administrative work can be performed more efficiently by full time employees than by unpaid part time citizen committees. In a number of school systems, business superintendents have been appointed to take charge of all of the business details with the end in view of placing these upon a more efficient basis and of relieving the superintendent of schools so that he may give his time primarily to the educational administration.

We have been impressed by the interest which the members of the boards of education have expressed in the economical administration of schools and by their readiness to consider any program which may advance efficient administration.

Our inquiries with regard to furnaces and fuel have disclosed the fact that intelligent consideration is being given to the use of smaller sized coal and to other economies in heating. In a number of cases the fuel bill has been reduced as much as 50 per cent. as a result of intelligent study of the situation.

Though there are undoubtedly a number of cities in which the business of schools is still handled on the basis of favoritism, we are convinced that a new attitude of efficiency in school administration is represented in a majority of the boards of education in the cities of the State at the present time.

Organization

While the committee has given extensive consideration to problems of organization and to such questions as the election of school boards, the appointment of school boards, the power of removal of members of school boards, the term of school board appointments, and to the relation of boards of education to city governments, we are not prepared at this time to suggest any general legislation dealing with these matters. We find that in some cities, elected boards of education are functioning with complete success, and that in other cities, appointed boards of education have a similar record. Though we had expected early in our study to find that conditions would demand general legislation

establishing a uniform system throughout the State, we are forced to conclude that differences in local conditions, but more especially in traditions, make it unwise to recommend at this time any uniform system. The establishment of a uniform plan by law would inevitably result in sweeping changes in some communities where the situation at present is entirely satisfactory. Though uniformity has much to be said in its favor, it cannot outweigh the advantage of continuing existing institutions as long as these institutions are satisfactory.

In many of the cities the chief concern at present relates to efficient management of the business affairs of the school systems. Many school superintendents have neither the training nor the time to manage satisfactorily the business affairs of the schools. When committees of boards of education undertake this work, satisfactory results are frequently not obtained for the reason that unpaid school commissioners or trustees have not sufficient time to devote to the many necessary details. Boards of education *as administrative agents* are no more effective than other municipal boards. The remedy is the creation of the office of business superintendent to have charge of the purchase of supplies and the management of the school plant. Educational authorities are in favor of a business manager provided he is subordinate to the superintendent. Others feel that the business manager should be directly responsible to the board of education and that should any differences of opinion or conflicts of authority occur, the board should be the arbiter. Both plans are now in operation in this State, and school representatives have expressed satisfaction with the plan under which they are operating. Boards of education now have authority to create the office of business manager,¹ but as the law now provides that the superintendent of schools is the chief executive officer of the board,² it is held by some that such office must be subordinate to the superintendent. In order to clarify this situation, we recommend *that the Education Law be amended to give to the board of education specific authority to create the office of business superintendent to be responsible to the board or to the superintendent as it may determine, and to prescribe his duties.*

One of the weaknesses resulting from the more or less independent relationship existing between the boards of education and city authorities appears to be the lack of familiarity of the board of education with the fiscal requirements and plans of the city. In not a few cities we were informed by members of boards of education, that the school budget is prepared and finally fixed without any knowledge or consideration of the financial needs of the city. In view of the fact that the same taxpayers must pay the education bill as well as the city bill, it is our belief that the budgets which determine these taxes must be prepared by the same group of men, or at least by groups which are thoroughly

¹ Subdivision 2, section 868, Education Law.

² Subdivision 1, section 870, Education Law.

acquainted with all of the problems involved. In order to encourage such interchange of information and plans, we recommend *that the law be amended to provide that the mayor, or some member of the budget making body designated by him, shall have the right to attend all school board meetings at which the budget or any capital outlays are to be considered and to participate in any discussion or debate thereon.* In a number of cities this is the situation already. We believe that such a plan will definitely establish an opportunity for systematic cooperation which will be an advantage both to the city and to the board of education.

As a result of the testimony presented by the city of Syracuse, we have been impressed by the need of systematic fire inspection in school buildings. Because of the unique responsibility of the community, such inspection should be more systematic and more frequent in the schools than in any other institutions. The cooperation of the fire department is, of course, essential. Our investigations show that inadequate systematic attention is being given to this matter in many school systems. We, therefore, recommend *that definite action be taken by all city school boards to place responsibility on some specific individual to arrange, in cooperation with the municipal fire department, for frequent fire inspections of school property and for the presentation of reports thereon to the superintendent and to the board of education.*

Fiscal Administration

As a result of the testimony presented by the city of Syracuse, in 1919, we recommend that the division of authority for the control of educational expenditures and the levy of school taxes be eliminated either through making the board of education entirely responsible to the taxpayers, or through placing the entire responsibility in the hands of the municipal officials. Our study of the situation at the present time has not altered our view of the situation. As steps toward the realization of such a program, we have the following specific recommendations to offer:

1. *That the law be amended to provide that where the school tax is collected separately and absolute power is denied city administrations to reduce or increase school budgets as adopted by boards of education, such budget as adopted shall be sent directly by the board of education to the tax collecting official.* In other words, boards of education and not the city administration are to be required to levy the tax where they are, as a matter of fact, already responsible for the budget.

2. *That the law be amended to provide that when the school budget is not subject to change finally by the city administration, boards of education must publish the budget and provide for a hearing thereon in advance of its adoption by the board.* In some cities the only public hearing on the school budget is before a body which has no authority to change the budget.

3. *That the law be amended to require boards of education to issue a financial report annually unless school finances are included*

in the city financial report. Some boards of education now make no regular financial report.

4. *That the law be amended to require the submission of a detailed budget when the law directs that it be sent to the city administration for revision or for the levy of taxes. In some cities boards of education have refused to submit the details supporting their budgets.*

5. *That wherever school and city taxes are collected on the basis of the same tax bill, the tax bill shall show as a separate item the amount and the rate for schools (including in such amount debt service), and a similar statement relating to all other city expenditures not including schools, so that the taxpayer may make a ready comparison between what is expended or levied for education, and what is expended or levied for all other city purposes.*

6. *That wherever the school budget is subject to determination finally by the city administration, the municipal budget, both in its detailed schedules and in its summary, shall show the entire expenditures for education, including debt service for the year, whether financed by local revenues or by state aid, in order that the taxpayer may have a true picture of all local educational expenditures instead of merely the amount which is locally financed.*

We believe that these recommendations will serve to clarify the situation in the cities of the State.

There is nothing in the Education Law controlling the disposition by boards of education of surpluses or unexpended balances at the end of the fiscal year. We have encountered situations in which boards of education have carried over surpluses from year to year, thus building up large funds, of which the taxpayers have no knowledge, for use at a later date for any desired purpose. As a matter of general principle, we do not believe that it is sound policy for any governmental agency to accumulate an unnecessarily large balance of this sort. It can only be accumulated by taking from the taxpayers money which is not immediately needed, and it tends to encourage extravagance and may make possible the expenditure of funds in directions which would not be tolerated if the money were not actually on hand waiting to be used. We believe, therefore, that surpluses and unexpended balances, except in the case of capital projects, should lapse at the end of each year and be used to reduce the budget of the next year. We, therefore, recommend *that the law be clarified by providing that any surpluses or unexpended balances in school budgets be used to reduce the budget for the following year.*

Article 33a of State Education Law, section 855, paragraph 7, makes it mandatory upon the New York city board of estimate and apportionment to appropriate for schools an amount equivalent to not less than 4.9 mills on every dollar of assessed valuation on real and personal estate in the city of New York. We recommend the repeal of this provision. At the present time the appropriation for education exceeds this minimum amount so that this section serves no useful purpose. In any event, we believe that

the principles of sound administration and home rule demand that in a matter of this sort the law should contain no specific required levy, but that the matter should be left to the determination of the municipal budget making authorities. We, therefore, recommend *that paragraph 7 of this provision of the Education Law be amended by striking out the 4.9 mill required minimum levy in New York city.* This change can only be brought about by legislative enactment because of the fact that education is specifically excluded from the home rule powers of the cities of the State.

School Bonds

As cities approach their borrowing limit or exhaust their borrowing power, the question of authority to issue school bonds will create very complex and embarrassing situations in those municipalities where bonds for school purposes are subject to the 10 per cent. constitutional limit. This situation has already become acute in a few cities. With the development of the State program for the elimination of grade crossings and stream pollution, it will become serious in many more. In some cities school bonds can be issued only by the city administration; in others, bonds are authorized by boards of education; in still others, bonds are subject to a referendum which is authorized either by the school board or by the city authorities. In about one-fourth of the cities, school bonds are not subject to the 10 per cent. constitutional limit as they are either specifically exempted by statute, or are school district bonds by virtue of the fact that city and school district boundaries are not coterminus. In a few cities, according to the testimony taken, some school bonds are issued under the provision of the city charter and are regarded as city bonds. Other bonds in the same cities are issued under the provisions of the Education Law as either school district or city school bonds. In these instances it has not been definitely determined whether or not bonds are subject to the 10 per cent. constitutional limit.

From this brief statement it will be seen that the situation is extremely complex and uncertain. Wherever credit is involved, uncertainties and complexities are to be avoided. They inevitably result in higher interest rates and additional charges for legal opinions with regard to bond issues, because all doubts must be resolved against the community desiring to issue bonds. Your committee is therefore strongly of the opinion that this situation requires immediate attention. It has been suggested to the committee that the law be amended to provide that where school bonds are subject to the 10 per cent. constitutional limitation, the authority to authorize the bonds or to authorize a referendum on them shall be exclusively lodged in the city administration. While individual members of the committee believe that such a change would be desirable, the committee as a whole, is not prepared to introduce legislation on this important matter without considering the general and special statutes of the State dealing with the issuance of municipal obligations. We therefore recommend *that*

a special investigation be made of the uses of credit by all authorities of local government within the State, and that a comprehensive program be prepared on the basis of such a study which will place the issuance of bonds by the local units of government within the State upon a systematic basis.

School Construction

Section 451 of the Education Law, provides that no school house shall be erected, repaired, enlarged, or remodeled, except in cities of the first and second class, until the plans and specifications shall have been submitted to and approved by the commissioner of education. Specific reference is made to standards of ventilation, heating, and lighting. It has been urged by some before your committee that the ventilation, heating, and lighting clauses are a limitation upon the general power of approval and that the powers of the department legally do not extend to such matters as general appearance and the inclusion of auditoriums and playrooms. On the other hand, the State Educational Department has from the beginning interpreted this section as conferring upon the department the right to approve or reject any feature whatsoever in connection with its consideration of school plans. Those who accept this view state that the specific mention of standards in the field of ventilation, heating, and lighting, are not to be construed as limitations of the power of approval, but that they serve rather to establish minimum requirements in these fields. It is to be noted that this power over the construction of school buildings does not extend to the larger cities. First and second class cities have complete control of their own building programs and specifications. In the evidence which has been laid before us, there is but one serious criticism of the requirements which have been established by the State. This has to do with assembly and playrooms in the smaller schools. The testimony shows that education authorities generally agree that auditoriums and gymnasiums are essential. Some city authorities disagree. Testimony well establishes the fact that in all except two cities, auditoriums and gymnasiums are not now being used as extensively as they could and should be. The fact that the State Board of Regents makes it mandatory for every third class city to provide assembly and play space in every new and reconstructed school, forces those municipalities, with limited resources, to give these facilities preference over classroom facilities. The reason for this was stated by the State Education Department representatives to be that unless auditoriums and gymnasiums are required, some cities might give preference to classrooms, and postpone indefinitely construction of assembly and playrooms. Even if we agree that assembly and play facilities are essential, it does not follow that these facilities should be made mandatory for every school in every city. This is an absurdity as has already been shown in Hornell, which, with a population of only 15,000, has now six auditoriums, and in Ogdensburg, which with a population of 18,000, has four auditoriums and two gymnasiums.

We do not believe that it was the intent of the Legislature to place in the hands of the State Department of Education such extensive powers, nor do we believe that any central authority should be authorized to require local boards of education to construct expensive and little used auditoriums against their own better judgment, especially where nearby auditoriums are available. Our decision in this field is not a little influenced by the fact that the State Department of Education is called upon to pass upon some five hundred school building plans in a given year, with a staff composed of a director of the division of school buildings, a field representative, a consultant architect in the office, and four clerical employees. Under the circumstances, it is quite obvious that many of the plans are considered and amended without any knowledge of the immediate environment of the buildings involved. In view of this situation, we believe that the efforts of the State should be directed toward the school districts which lie entirely outside of the cities where it is difficult for the educational authorities to secure satisfactory architectural services. We therefore recommend that the *Education Law* be amended by providing in section 451, that the approval of the State Commissioner of Education shall be limited in cities of the third class to such parts of the plans and specifications as relate specifically to ventilation, heating, lighting, sanitation, and other details of construction as are specifically set forth in this section and sections 452 and 453. It is further recommended that the Board of Regents rules be modified so as to permit the construction or remodeling of schools without gymnasium or auditorium when it is possible to use such facilities in other buildings.

We have given consideration to the suggestions which have been made in a number of cases that the State develop architectural services for the smaller school districts to take the place of or supplement the private architectural services which are now retained by local boards of education in the smaller cities. In the construction of schools, it has been pointed out that boards of education in the smaller communities cannot secure satisfactory architectural talent locally, and that they are in any case compelled to go outside for such services. It is pointed out, also, that uniform plans and specifications can be used with minor adaptations and that a considerable amount can be saved by eliminating the architect's fees. The experience of the State of Virginia in this field has been laid before us. In view of the fact, however, that our study has been confined to city school departments, we are not prepared at this time to make any general recommendation.

School Libraries

In the majority of the cities of the State, there exist side by side, free public libraries for the general use of citizens including the school children, and school libraries which are open only to children of given schools. In a number of cities, the public library maintains

branch libraries in school buildings open to all. In some of these buildings there are to be found in addition, school libraries open only to school children. We have inquired into this topic with the thought that some more economical arrangement can be instituted, and have discovered that the situation in the State is far from uniform. In some cities the public library is one of the activities of the board of education, and a close relationship exists between the public library and the school libraries. Another arrangement encountered by this committee is that in which the superintendent of schools or the president of the board of education is *ex officio* a member of the public library board. In a number of cases the librarian of the public library has been selected by the school board to supervise the school libraries. In the majority of cases, however, the bodies are independent and there is a tendency on the part of the city librarian to pay little or no attention to the library requirements or needs of the schools, and a tendency on the part of the schools to develop their own libraries without the aid of the public library. While we recognize that the provision of the Education Law requiring school libraries is sound, and that it is legitimate for the State to insist on such libraries, we believe that greater efficiency could be secured through encouraging co-operation between the two authorities. It has been pointed out that under the present provisions of section 493 of the Education Law, State aid for school libraries is not available unless independent school libraries are maintained. This section appears to stand in the way of a progressive program for the development of school libraries. We therefore recommend *that the law be changed so as to permit boards of education to combine school and branch libraries or to abandon school libraries if the city has an adequate library system and satisfactory arrangements can be made to use the city library for school reading courses, either by providing for a loan collection system, or by setting aside specific space and books in the libraries for special use of student groups when requested by teachers, and further that where such arrangements are satisfactory to the State Commissioner of Education, State aid for libraries be continued for the purchase of school library books.* Under this program the local board of education is in the first instance responsible for working out a satisfactory arrangement. On the approval of the plan by the State Department there will be a continuation of State aid. We believe that this will make possible a satisfactory adjustment of the difficulties which are reported at the present time.

Recreation

The Education Law authorizes school boards to purchase sites and apparatus for playground and athletic centers,¹ to have control, care and custody of such property,² and to employ instructors and others for recreation work.³ The General Municipal Law in

¹ Subdivision 6, section 210.

² Subdivision 3, section 868.

³ Subdivision 2, section 868.

section 241 gives to cities power to purchase land and equipment for playground and recreation purposes. Section 242 provides that cities may vest authority to establish and maintain playgrounds and recreation centers in school boards, park boards, or recreation commissions as the legislative body may determine. As a result of this dual authority, recreation in some cities is under the jurisdiction of the city authorities, in others it is under the education authorities, and in still others, recreation is being divided by both the city and school authorities acting independently in some instances and cooperating in others. The testimony presented to your committee shows that there is cooperation between municipal and school authorities in a few cities, that cooperation is lacking or is not very effective in others, and that in some cities where recreation is under the supervision of the municipal officials, school recreation facilities are not used during the summer vacation. In a few cities where recreation work is carried on only by the school authorities, playgrounds are not used during the summer vacation. This overlapping of authority is producing unsatisfactory, wasteful, and complicated conditions in many municipalities. It is further complicated by the fact that in some municipalities, school district and city boundaries are not coterminus. It has been suggested to this committee that the municipal authorities should be by law placed in charge of the entire recreation program, and that the city should be given legal authority to assume complete responsibility of recreation and to make use of the playgrounds and other property owned by the schools where necessary, in such a program. We are not prepared to recommend such action at the present time. While we recognize the legal conflict which now exists, we believe that the solution for the time being is to be found in cooperation between the city and the board of education. *Wherever the city is prepared to set up adequate direction of recreation and to make appropriations therefor, we are inclined to believe that the board of education should relinquish to the city authorities responsibility for the recreation program, because, after all, a properly conceived community recreation program reaches somewhat beyond the scope of the board of education.* Under such circumstances, the board of education should turn over to the recreation commission control and responsibility over school playgrounds and other property which may be required under such restrictions as may be appropriate.

Health Service in the Schools

One of the important developments in recent years in school administration is the provision of health service. In some cities this school health service is exclusively under the supervision of the educational authorities, and in others, it is under the exclusive supervision of the city health authorities. In still other cities, though there is a nominal separation, the educational authorities have appointed the same individuals to take charge of the work in the schools who are engaged by the city in city health work. When school authorities have charge, health work is active during the en-

tire year and covers parochial schools in only a few cities. In the majority of the cities, however, the health work during the summer and in the parochial schools is under the jurisdiction of the city authorities. Where health work in schools is done exclusively by city health authorities, both the city and education officials report that it is satisfactory and does not in any way interfere with school work. Although educational authorities report that there is cooperation between city and school health authorities in those cities where the work is divided, facts obtained from other sources show that such cooperation is not always effective.

From the study which we have made, we believe it is preferable to have all of the health work of the city, including that in the schools, placed under a single municipal health department. We are not prepared, however, to introduce legislation at this time, to bring this about, because in some cities the health work in the schools appears to be more efficiently handled than the health work entrusted to the city government. In such cases, a transfer of the health work in the schools to the municipal health department would not in all probability improve the health service in the schools. We are not prepared to force such a situation. We believe, however, that the time will come when all of the health work of the community should be handled through a single department. This will readily be conceded in the larger cities. We believe it is desirable in the smaller cities as well, because it will permit them to provide full time service in health work, where at the present time both the city and the board of education must depend upon part time service because of the limited nature of the work required. We recommend that boards of education in cooperation with municipal health officials, make special examination of the health service which is being rendered under their control, and of the work being rendered by the city departments of health to determine whether the health work of the schools should or should not be placed under the city department of health.

The Improvement of Education in the State of New York

Although your committee did not undertake to inquire into the school curriculum, the quality and quantity of education service were referred to many times during the hearings in the various cities. The evidence shows that there is a difference of opinion as to the value of some of the special services now being offered in the public schools; also as to the thoroughness of the teaching of the fundamentals. It is apparent that the time has come for a complete reconsideration of the curriculum and an appraisal of the results which are being secured under the various educational methods with which experiments are being made. Though the State Department of Education itself can make valuable contribution in this field as is indicated below, we believe it is desirable to have an intelligent group of outside specialists and laymen to review the entire educational program of the State from a detached point of view. We therefore recommend *that the State create a special com-*

mission representing educators and laymen, employers and employees, city populations and rural populations, to make a study of the educational program of the State with special reference to the curriculum and the work of the public schools of the State. We believe that such a commission should be adequately financed and given a period of two years for its study.

Our conferences with the State Department of Education and our study of school administration in the State have convinced us that there should be established in the State Department a division of research properly equipped to gather information and pursue studies, and to issue reports on the many problems arising in connection with school administration. At the present time the State Department of Education is responsible to the State for the general supervision of an expenditure of between four and five hundred million dollars financed in part by the State and in part by the localities. The State of New York cannot continue to make this large outlay without establishing and maintaining a research division adequately equipped to undertake systematic researches in this field of public administration. Though special studies will be necessary from time to time, under the auspices of special commissions and legislative committees, the bulk of the public research work in the education should be handled directly by the State Department itself, and the State Department should have in its possession information and statistics which can be relied upon by such special investigating commissions as may be established from time to time. We therefore recommend *that there be established in the State Department of Education, a division of research adequately financed to carry on systematic collection of information and to hire specialists in various fields when necessary to undertake special studies in educational problems and in problems of school administration.*

The investigation which this committee has conducted this past year has been confined to cities of the State. In the course of our studies, not a little criticism has been received with regard to the situation in the village and country school districts. It is in these sections that there appears to be the greatest criticism of the legal requirements with regard to education. From the standpoint of taxation and retrenchment, it is apparently in these districts also that the greatest maladjustment and wasteful administration are to be found. We therefore recommend *that the Special Joint Committee on Taxation and Retrenchment be instructed to make an examination of the business methods of union free and common school districts for report to the Legislature at its session in 1929.*

We believe that a study of the curriculum by an impartial commission, the development of a research division in the State Department of Education, and an examination of the business methods of local boards of education, from the standpoint of taxation and retrenchment, will place the State in a position to move intelligently toward the improvement of the general education system within the State of New York.

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The activities of the department of education naturally fall into two major classes, those of an educational nature and those of a business nature. With the rapid increase in the educational budget and the value of physical property under the control of the board of education, the question has arisen as to whether or not more efficient management can be obtained by providing for a business superintendent in whose hands will be concentrated responsibility for the business details of school administration.

The Present Situation in New York State

At the present time, there are various methods of business control in use in the school systems in the cities of New York State. In many of the third class cities, it appears that the committees of the board of education take upon themselves the management of all business activities; in some the committees have delegated all business affairs to the clerk of the board under their direct supervision, while there are others where this function is performed by the superintendent of schools. In the larger and wealthier third class cities and in cities of the first and second class, there has been a tendency to appoint an official sometimes directly responsible to the superintendent and sometimes responsible to the board of education, to have charge of the business activities of the schools.

The organization in New York city, as stated by Mr. Frederick D. Chambers, auditor of the New York City Department of Education, is as follows:

The business side is divided among four deputies reporting to the superintendent. The volume of business is so big, even if you had a business manager, he would be an intermediary between the four deputies and the superintendent. Under the State Education Law, the superintendent of schools, as in other states, is the chief executive officer and has supervision and direction. Under the by-laws, the business of the board is outlined in detail; the bureau of supplies purchases all kinds of equipment and fuel; the bureau of construction and maintenance is in charge of the planning and construction of new buildings, and repair of old buildings, except heating and ventilating apparatus and electricity; the bureau of plant operation has charge of heating and elevators and is in charge of cleaning the buildings; then there is the bureau of finance of which I am the head. Under the by-laws of the board all the payments of every character, of course originating by some

act of these other three bureaus, must come through my office, and I have to report to the board of education vouchers I have examined and certified through the comptroller. So there you have the business organization of the board. * * * In matters of policy we go to the superintendent of schools and talk the matter over with him. If he wishes, he takes it to the board of education. I think that form of organization is about as good as a city can get.

To this list might be added the janitorial service which is organized as the custodian service under the direction of a supervisor.

In Rochester the following business administrative offices have been set up:

Superintendent of school buildings and grounds, with the following duties: The superintendent of buildings shall have general supervision over all the grounds and buildings under control of the board of education. He shall have general supervision over the work of all janitors in the employ of the board. He shall have charge of all repairs made to the buildings, machinery, and furniture, and renewals of the same, and shall compare the bills for such work with the time and material shown on the daily reports sent in by the janitors. He shall, from time to time, report to the board the condition of all buildings, and, as far as possible, see that all fire hazards are removed from the buildings. He shall see that the fire extinguishers are set up in proper places, are always ready for use, and are recharged once each year.

Confidential examiner of accounts, with the following duties: The confidential examiner of accounts shall keep records showing the receipts and expenditures of the board, subdivided to show unit costs so that data may be readily available for budgets and reports. He shall receive and care for all moneys taken in by the board, such as nonresident tuition fees, lunchroom and book rental receipts, etc. He shall check the payrolls and keep an account of all sums paid to employees of the board.

Secretary of the board of education and purchasing agent, with the following duties: The secretary of the board of education shall keep a record of the proceedings of the board. He shall have charge of the purchase and distribution of all supplies used in the schools, and he shall keep a record of such supplies and the receipts therefor from the proper officials. He shall perform such other duties as may be required of him by the board of education.

It is to be noted that all of these officials are appointed by the board and are considered to be responsible to the board. Though there is no single business superintendent, it is stated by the Rochester board of education that the business functions are gradually being centered in the confidential examiner of accounts. This inappropriate title is a designation made by the local civil service commission.

In Buffalo, Niagara Falls, and Mount Vernon a deputy superintendent has been made responsible for business administration. In Jamestown and Gloversville, the clerk of the board has been

placed in charge of business management. In Yonkers there is a property manager, and in Watertown and New Rochelle a superintendent of buildings has been entrusted with a considerable part of the business details. These are samples of the methods which are being followed in the different cities of the State.

Need for a Business Manager

The testimony before the committee reveals that there is a growing feeling among both city and school officials throughout the State that it is necessary to develop a well defined department to administer the business activities of the board of education.

Mr. Hugh Governor, chairman of the finance committee of the New Rochelle board of education, made this statement to the committee with regard to the need for a business manager:

I have been appointed chairman of a special committee to study that problem (a business manager in the school system) and I am going to give some time to it. I think there ought to be one. I think that when a city gets so that it has a population of 50,000, like ours, with an expense of one million and a quarter of overhead and operating expenses, it ought to have a good rugged business manager, separate and apart from the educational head, the superintendent, some man who will sit in good solid, sober judgment on these financial problems, who will have to be shown that it is necessary that they need all the sums they are asking for.

We have a splendid superintendent of schools, but he has never done anything but school work. His whole life has been devoted to the education side of it. That is so in most schools. I do not know whether there are any school superintendents here or not. They will probably disagree with me, but I know from my experience that school superintendents usually like to be recognized as the executive head of their department of education. They are all very good men, and ours is an exceptionally good man, but from my experience on our board, * * * I am led to believe that there ought to be at the head of the board of education what you might call a business manager. You must get a man of the right fibre, big enough so that he will function, and will not simply camp down in the town and plan to live there the rest of his life and avoid corners and making decisions, and mapping out a course which may bring a rub here and there. * * * Take, for example, a budget like ours running this year into one million and a half. Suppose you had to pay a business manager \$10,000, and you cannot get a good one less than that. But what is this in a budget of a million and a half?

Mr. H. S. Clark, of the Syracuse board of education, has this to say with regard to the need for a business manager:

I feel that in a school system of over 30,000 pupils, spending more than three million dollars of the city's money every year, a business manager is warranted and necessary. The responsibility of administering the finances and the maintenance of school departments properly is more than any superintendent in connection with his educational matters should carry.

Mayor Frederick G. McLaughlin, of White Plains, feels that "whatever economy can be secured in school expenditures will be due to some such man as a business manager."

Similar statements were made before your committee by mayors, members of boards of education, school superintendents, and other officials from all sections of the State. It is only in the smallest cities in which any question was raised as to the need of a responsible business superintendent in a city school system.

Activities of a Business Superintendent

What functions should be assigned to a business superintendent? Though the precise duties will vary somewhat from city to city, the following authoritative outline will serve to give a concrete picture of the business activities, some or all of which may be entrusted to a business superintendent:

Activities primarily secretarial: Recording proceedings of the board of education and its committees; having the custody of all records of the board and board correspondents; signing records of the board, warrants, contracts; making reports to the State; keeping personnel records, and all other matters of a secretarial nature.

Activities primarily financial: Preparing payrolls; reporting the conditions of various funds; collecting and distributing school funds under proper authorization; keeping financial records; auditing claims against the board; preparing the annual budget; insuring school property; assessing property for taxation; computing taxes; making the annual financial report.

Activities pertaining to the purchase of supplies: Listing of supplies needed; advertising for bids and supplies; purchase of supplies; storing and distributing supplies; preparing annual budget for supplies; keeping records for determining unit costs; superintending of printing for the board.

Activities pertaining to the operation and maintenance of the physical plant: Supervising the maintenance staff; overseeing of repair work and alteration; certifying of bills of maintenance; supervising operation of plant; preparing specifications for supplies used in operation and maintenance, including fuel; issuing permits for use of school property; having general custody of plant.

Activities pertaining primarily to capital outlay: Acquiring title of property by purchase or condemnation; supervising the issuance of bonds; approving plans and specifications of architects; supervising the work of buildings at every stage; certifying contractors' and architects' claims; appraising grounds and buildings; advertising for bids and letting of contracts; keeping construction records, plats of sites, and plans of buildings; supervising the manufacture of school furniture and installation of equipment.¹

¹ Engelhardt and Engelhardt, *Public School Business Administration*, page 102, Bureau of Publications, Teachers' College, Columbia University.

It is to be noted that many of the activities listed above are performed by the regular city departments and employees in those cities in which education is not completely separated from the city administration. The inclusion of such activities in the above list is not to be taken as a recommendation of this committee that they should be placed under the school business superintendent. We are endeavoring, at this point, only to indicate the general scope of the business functions which may be entrusted to the board of education.

To Whom Should the Business Superintendent be Responsible?

If the business management of a school system is centralized and placed in the hands of a business superintendent, to whom should this superintendent be responsible? In the testimony taken by your committee three answers have been given. They are represented by the following statements:

"The business manager should function as an assistant superintendent of schools." (Dr. George W. Wiley, of the State Department of Education.)

"The business manager should be subordinate to the board of education and not to the superintendent of schools." (G. Carlton Brown, speaking for Mayor Hanna, of Syracuse.)

"There should be a business manager in the schools appointed by and responsible to the city council." (George W. Knox, Corporation Counsel, Niagara Falls.)

The following excerpts will serve to explain these points of view in greater detail.

Speaking for Mayor Hanna of Syracuse, Mr. G. Carlton Brown says: "The mayor has certain things he would like you gentlemen to know. He is very strongly for a business manager of the school system. His personal idea is that the business manager should be subordinate to the board of education and not to the superintendent of schools. His argument is that the board of education can be considered as a single unit in charge of the entire school system and the superintendent of schools should be the man in charge of the academic side of it, and the business manager in charge of the physical plant, both of them being responsible to the single unit, the board of education, which is in charge of the school system."

Corporation Counsel, Clarence M. Platt, of the city of Rochester, says: "It may very well be advisable to have a business manager in the schools, but at the present time it is assumed in theory that the board of education is a business manager. Centering, however, the business management in the hands of a single executive is consonant with ordinary business. A careful adjustment will have to be made between the powers of the superintendent of schools and a business manager."

Mayor Frederick Gillmore, of the city of Utica, believes that "there should be a manager of schools responsible to the board of education."

On the other hand, a vast amount of evidence was submitted supporting the contention that the business manager should be subordinate to the superintendent. Mr. Harry F. Jerge, president of the board of education of Buffalo, when asked if the business manager should be independent of the superintendent of schools, replied "No, sir, I think you would have a conflict of authority there at all times. I have given a great deal of thought and study to that. It is your superintendent who knows what he wants in the way of a building and what he wants in rooms, and in the way of everything connected with the school. If he had one thought in connection with it, being superintendent in charge of the teachers and children, and this other man, who is simply going to construct the building, had another thought, you will find conflict of authority. I don't think they will ever get along in that way."

The same point of view is expressed by Mr. A. J. Stoddard, superintendent of schools in Schenectady, as follows: "I think the arrangement should be just as we have it. Mr. Townsend is assistant superintendent in charge of business affairs. I would be much opposed to a separate business department. I do not mean by that that Mr. Townsend and I would quarrel, but I think there should be one person responsible to the board and to the people. I believe very strongly in what we have. Mr. Townsend works with me and I work with him, and he and I confer only on policies or major items. Mr. Townsend attends to all the details. I think it is very poor economy for any city to ask the superintendent of schools to do that when there is other work he should be doing."

Mrs. G. H. Danforth, president of the board of education of Rochester, is strongly in favor of having the business manager subordinate to the superintendent, as her testimony shows: "I do not see how you could have two coordinate heads. I can understand how you can have an expert business manager, but it seems to me he must be under the superintendent, because the whole question of educational facilities and the financial end are so mixed up. The question of salary values must come up, and every question of that kind. It would be the business manager's business in one way, but the policy of increase would necessarily be in the superintendent's hands. Unless you have one supreme authority, you would have to have a pair of angels to get along together."

The view that a business manager should be responsible to the superintendent has been summarized by Dr. George M. Wiley, of the State Department of Education: "You cannot disassociate administration or business from your educational service. I believe thoroughly in a business manager in large school systems, but if your administration sets up a business manager, in my judgment, he should function in the same staff arrangement with your superintendent and your board of education as an assistant superintendent of schools. He should be directly responsible as an assistant superintendent to your superintendent, and to the board of education. Then you can fix administrative responsibilities in

the business part as you can in the educational, and your board of education is responsible for both lines of service. Your business service is organized to serve your educational service, and the whole to serve the school system of the community. I think, administratively, it would be disastrous to have a double-headed system."

Educational Authorities Favor Unification

Conferences with education authorities and an examination of reports and books dealing with school administration indicate that practically all of the professional educators favor the establishment of a single responsible administrative head in each school system, and a subordination, therefore, of the business superintendent, wherever such an officer is appointed. This conclusion is forcefully stated by Professor G. D. Strayer, as follows:

"The fetish of the efficiency of the business man has often operated to interfere with sound principles of administration. Not only in the administration of schools, but also in the administration of private enterprises, efficiency demands that there be a chief executive officer to whom all other executives are responsible. In our larger cities, the superintendent of schools has been chosen for this office usually after a long period of successful experience as an executive in smaller cities, or in subordinate executive positions in the larger city which he serves. Even though the superintendent of schools may not be entirely familiar with all of the details of accounting, purchasing, planning of buildings, letting of contracts, and the like, it seems only reasonable to suppose that he has sufficient executive ability to direct the activities of that part of the school organization having to do with these affairs. To set up a separate business organization with coordinate authority is to propose that the business affairs of the school system can be conducted without reference to the educational program which the schools are providing and in the furthering of which all administrative activities find their real significance."¹

In his study of administrative relationships in cities having the dual or multiple type of control, that is, with an independent business manager, Dr. H. P. Smith finds that:²

1. The administrative and personal relationships not easily subjected to objective study constitute a vital aspect of the functioning of school administration in multiple type cities.

2. The administrative set up in multiple type cities is fundamentally weak, since it fails to center administrative responsibility in one executive and permits points of view other than educational to determine policies and dominate activities.

3. The harmonious relationships characteristic of school administration in many multiple type of cities is due primarily to the

¹ Strayer, G. D. *Proceedings, Department of Superintendents, National Association*, pages 165-166, 1925. Washington, D. C.

² Smith, Harry Pearce, *The Business Administration of the School System*, p. 91.

personnel in the executive positions rather than to the administrative set up.

4. The solution is a single executive office in whom responsibility is centered and whose point of view is primarily educational.

It must not be supposed, however, that this opinion is unanimous, as will be seen from the following statement of William Dick before the National Association of Public School Business Officials:

"It is in line with the commonly accepted belief of school boards throughout the country that the all absorbing duties of the superintendent in prescribing, supervising, and controlling the scholastic and pedagogical branch of the school system, with its various and ever growing activities, require that he be relieved of the cares and annoyances of its financial responsibilities and accounting.

"The superintendent of schools is, as he should be, an enthusiast in his adopted profession of teaching, and his doctrine often is, that it is his duty to recommend such introduction to the system and extensions of it, which, in his judgment, seems necessary regardless of its attendant expense. This perhaps is the proper position for him to assume, but it must be admitted, with an educational expert, with such convictions at the helm, there must be limitations, if the confidence and support of the taxpayer is required to foot the bills. As a check, therefore, if for no other reason, it would seem with the business manager receiving as he does the school statistics which the superintendent submits regularly to the board, and with the items of costs in his keeping, he should have direct management of compiling the various statistics applicable to the cost of maintenance and operation of the school system."¹

Provisions of Law in Other States

The following summary of the situation in several cities and states indicate that both plans of organization are in operation.

In New Jersey, the school code makes it optional with the board of education as to whether or not they shall appoint a business manager. The law provides:

Section 87. Paragraph 71. The business manager shall have charge of and care of the public school buildings and all other property belonging to the school district.

Section 88. Paragraph 72. * * * All plans and specifications for the selection, improvement, or repair of public school houses shall be drawn by or under the supervision of the business manager, if there be one, and shall be approved by the board of education, said business manager, if there be one, shall supervise the construction and repair of all school buildings.²

¹ Dick, William. *Proceedings, National Association of Public School Business Officials*, page 85, 1923.

² New Jersey School Laws, 1921, page 40.

The Detroit board of education rules and regulations provide:

The business manager shall be the secretary of the board and shall be directly responsible to, and under the direction of the superintendent of schools for the efficient construction, maintenance, and operation of buildings, purchase, storage, and distribution of supplies, and auditing and insuring of school property.

The board of education of Chicago has established a business department directly responsible to the board:

The business manager shall have general charge and control, subject to the approval of the board, of the business department and the employees therein.

The following regulations amended in 1924 are those under which the Boston, Massachusetts, board of education operates:

Section 55. 1. The superintendent shall be the executive officer of the board in all matters relating to instruction and discipline in the schools.

Section 90. 1. The business agent shall be the executive officer of the board in charge of accounts, receipt of income, preparation of payrolls, purchase, storage, and distribution of supplies, including printing, postage, and the transportation of pupils.

The rules and regulations of the Grand Rapids, Michigan, board of education revised to 1924 have the following provision:

The affairs of the board of education shall be administered by two general departments known respectively as the educational department and the business department.

In St. Joseph, Missouri, educational administration is divided into three departments as shown by the following quotation from the rules and regulations of the St. Joseph board of education, adopted in April, 1916.

The administration of the school affairs of the school district of the city of St. Joseph shall be divided into three departments, namely, (1) education; (2) finance; (3) maintenance; at the heads of which shall be respectively the superintendent of schools, the secretary and business agent, and the chief engineer.

The Pennsylvania School Law has the following provision:

He (the secretary of the board of school directors) shall have general supervision of all the business affairs of the school district, subject to the instruction and direction of the board of school directors.

Recommendations of the Committee

As a result of our investigation of this problem, your committee has come to the following conclusions:

1. There should be a single superintendent of business responsible for the management of the business affairs of the schools in all of the larger cities of the State.¹

2. The local board of education should determine whether such business superintendent should be responsible to the board directly, or to the superintendent of schools.

3. The State Education Law should be amended to give local boards of education specific authority to create the office of business superintendent, to specify his duties, and to define his responsibilities as they may see fit.

¹ This finding is not to be taken as applying to New York City. Though we were favorably impressed by those who came before us, our examination of that city was not sufficiently extended to warrant any conclusions with regard to the efficiency of the present methods of handling the business administration of the schools.

CHAPTER III

THE PLACE OF EDUCATION IN LOCAL GOVERNMENT

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Colonial Origin

It is impossible to consider the place of education in local government without a brief review of the development of free public education in the State of New York. It is in itself a fascinating story. The first steps toward the development of schools came during the Dutch period. To the Dutch credit is due for establishing in New York the first common schools. Though these schools were closely connected with the church, they were from the beginning financed at least in part by direct taxation.¹ The establishment of schools was considered a normal municipal function.² The English who acquired control in 1674 showed little interest in this colony in elementary schools, and the common schools disappeared. This undoubtedly arose from the fact that in England elementary education was furnished either through tutors in the better families, or through church schools. Because of the prominent place which England's two great universities, Oxford and Cambridge, occupied in the minds of English colonists, they turned their public attention not to the establishment of common schools, but to the development of a university, and King's College, which has since developed into Columbia University, was the first result of their efforts in New York. William and Mary, in Virginia, and Harvard, in Massachusetts, are further evidences of the same interest in higher education.

It is stated by those who have made careful studies of this early period that the most important agency for the promotion of common schools in New York before the Revolution was the Society for the propagation of the Gospel in Foreign Parts, which was a missionary body of the Church of England.³ The schools which were established, however, were private and tuition was charged, though funds were often provided to pay the tuition of the worthy poor by benevolent individuals. This was the situation at the time of the Revolution.

Education as a Governmental Function

The establishment of independent state government made no marked change in the schools of the State. But in the century

¹ Hedden, Stewart, *Historical Outline of Policy*, Board of Regents, 1922, p. 4.

² Cf. N. Y. Colonial Documents. Volume I, p. 620.

³ Pratt, *Annals of Public Education in the State of New York*. Shepmoe, *The Rise and Progress of the School System of the State of New York*, 1891. Bourne, *History of the Public School Society*, 1873. Fitch, *The Public School*, 1904.

which followed, changes took place which are of the greatest importance, not alone in the history of government, but also in the history of civilization. This gradual unfolding of education as a governmental function can only be outlined here. The more important events in this evolution within the State of New York are noted in the following paragraphs.

State aid for elementary education began in 1792.¹ This aid was extended to private and church schools, and must not be taken to imply the existence of free public schools. This is shown by the fact that one of the purposes of the grant was to furnish the tuition of indigent pupils. The policy was early developed of requiring the localities to raise money by taxation, to match the state grant.

The most important force after the Revolutionary War encouraging the development of free public education was the Society for the Establishment of a Free School for the Education of Poor Children Who Do Not Belong to or Are Not Provided for by Any Religious Society.² It is an interesting fact that this free school society sought to establish schools through private charity and not through the establishment of education as a governmental function. The first attempts to establish a system of common schools throughout the State was in 1812.³ Though isolated free schools were developed as in Cohoes in 1850, and in Newburgh in 1852,⁴ the State as a whole did not establish the principle of *free* public schools, maintained from taxes, until 1867.⁵

While the state itself developed an increasing interest in encouraging public education from the time of its organization, it was not until 1894 that education was established constitutionally as a *State function*, when the following clause was added to the constitution: "The Legislature shall provide for the maintenance and support of a system of free common schools wherein all the children of this State may be educated."⁶ State or local aid to denominational education was prohibited in 1874.⁷

The establishment of education as a State function in 1894 brought about no immediate change in State policy. As a matter of fact the constitutional change of 1894 was little more than the recognition of a change which was taking place gradually over a period of at least half a century. Compulsory education was, however, first established in 1894,⁸ and there was from this period on a continuing growth of State supervision. The more important steps taken were: the establishment of a teachers' pension fund,⁹ the consolidation of the Board of Regents and the Department of

¹ Laws of 1792, Chapter 69.

² Laws of 1805, Chapter 108.

³ Laws of 1812, Chapter 242.

⁴ Laws of 1850, Chapter 341; Laws of 1852, Chapter 156.

⁵ Laws of 1867, Chapter 406.

⁶ Article 9, section 1.

⁷ Article 8, section 11.

⁸ Laws of 1894, Chapter 671.

⁹ Laws of 1895, Chapter 767.

Education,¹ the establishment of the principle of minimum teachers' salaries,² and the expansion of State aid for education on a rational basis.³

Summary of Tendencies

An examination of the many bills which have been passed by the Legislature, and of the municipal charters, which were adopted during this long period of school development, indicates rather clearly the following general tendencies:

1. Common schools commenced as independent, private and individual enterprises in the State of New York. Public education became a governmental function only gradually. Free common schools were not generally established until after the Civil War.

2. Though the State of New York has taken a growing interest in the establishment and maintenance of public schools, education was not recognized as a State function until 1894.

3. The management and control of common schools, from the earliest days, has been a local responsibility. The growth of State supervision and the expansion of State aid have not been allowed to interfere with this basic policy of decentralization.

4. Throughout this entire period there has been a growing public interest in education. Neither the growth of State aid, nor the enlarged support for education has served to lessen the interest of the citizens of the State in the development of their own local schools. Evidences of this are everywhere visible as in the enthusiasm of the citizens for their schools, the increased attendance, the unselfish service of individuals on committees dedicated to the improvement of the schools and in such practical contributions to school betterment as Mrs. E. H. Harriman's work for the public schools at Arden and Stirling, and Owen D. Young's construction of a school house at Vanhornsenville.

5. In the rural areas the control of local schools was almost without exception placed in the hands of specially created school districts with specially elected officers.

6. In the incorporated cities, though there were exceptions, the control of education was entrusted directly to the municipal authorities. In the cities, education was a municipal function. During the early period of statehood, in many of the cities, the mayor and the members of the legislative body were constituted as the educational authority of the municipality, in other words, education was regarded as one of the regular municipal departments. This was true in New York city at various times; in Buffalo from 1837 to 1914; in Rochester from 1832 to 1841; in Hudson from 1841 to 1881; and in a number of other cities. In certain instances there was no board of education.⁴

¹ Laws of 1904, Chapter 40.

² Education law, Article 33-b; Laws 1919, Chapter 645; Laws 1920, Chapter 73 and 620.

³ Laws of 1925, Chapter 675; Laws of 1927, Chapter 572.

⁴ Hedden, Steward. *Historical Outline of Policy*, pp. 39-80. Board of Regents, 1922.

7. The development of independent boards of education in the cities arose at the same time that independent boards and independently elected officials were constituted to deal with various municipal functions. In New York city, for example, following the development of the elected mayor in 1834, we entered upon a period characterized by the election of other important local officials and the establishment of independent boards to direct municipal activities. The culmination of this tendency was reached in the charter of 1849. Close on the heels of this movement came the notorious period of legislative interference. This resulted also in a subdivision of the functions of local government and the establishment of independent authorities for each of the functions. As Professor Howard Lee McBain says in summing up this period, "Both the council and the mayor were stripped of all but their names, or were left at best with a pitiful remnant of power. The city was in fact, governed by a number of commissions, each independent of the other. A more extravagant and unworkable type of government could scarcely have been devised."¹ The New York city police department was taken from the control of the city and placed under a commission, the members of which were appointed by the State.² A similar policy was followed with regard to the fire department,³ and in 1866 the board of health came under the control of the State. The board of education was made elective in New York city in 1856,⁴ though in 1871, a department of public instruction was set up under the city charter centralizing the school system under the mayor. Many changes have been made since that time though in general the plan has been continued of establishing an appointed board of education functioning under the control of the city government in fiscal affairs.

8. Though there has been a tendency to bring together again the scattered elements of municipal government and to abolish boards of control, starting perhaps with the famous Tweed charter of New York city in 1870, a tendency which is still evident in the recently adopted charter in Rochester, education alone of the functions entrusted by the State to local control, has stood outside of this general trend. In all of the cities of the State we still have boards of education and in many of the cities of the State these boards of education are to all intents and purposes independent governmental authorities.

The Present Place of Education in Local Government Administration

In the cities of New York State, the local community is responsible for the administration of schools in accordance with such standards as have been established by the State, and with the

¹ *Evolution of Types of City Government*, National Municipal Review, Vol. VI, No. 1, p. 25.

² Laws of 1860, Chapter 209.

³ Laws of 1865, Chapter 249.

⁴ Laws of 1856, Chapter 79.

assistance which is extended to these local communities through the program of State aid.

The management of the schools in the cities of the State is vested in boards of education. The relation of these boards to the city government is not the same in all cities. In twenty-nine cities the city government, either through the mayor or the common council, is directly connected with the board of education through the power of appointment of members of the board. In thirty cities, the board of education is elected either at a general election, a special election, or a school meeting.

The financial relations of the board of education and the city government indicate even a greater independence on the part of the board of education. There are three methods of determining the amount that may be expended by the city school systems in the State of New York. In thirteen cities, the final authority to fix the school budget, with the exception of salaries which now average about 80 per cent. of the total, is vested absolutely in the board of estimate and apportionment. In New York city, the board of estimate has the right to fix any appropriation in excess of an amount equal to 4.9 mills on every dollar of assessed valuation of the real and personal property of the city.¹ The charters of eighteen cities provide that the mayor may veto items in the school budget and that the board of education may restore any vetoed items by a two-thirds, a four-fifths, or a unanimous vote. In twenty-seven cities final authority over the school budget is vested in the board of education. Those cities in which the city administration has the right to fix the budget of the board of education, with the exception of salaries, are: Albany, Beacon, Binghamton, Buffalo, Elmira, New York, Niagara Falls, Oswego, Poughkeepsie, Rochester, Schenectady, Syracuse, Troy, and Yonkers. Those cities in which the mayor has the power to veto are: Amsterdam, Cortland, Fulton, Glen Cove, Gloversville, Johnstown, Kingston, Mount Vernon, New Rochelle, Oneida, Oneonta, Plattsburg, Rome, Rensselaer, Salamanca, Watertown, Watervliet, and White Plains. In the following cities, boards of education have absolute power to fix appropriations for education: Auburn, Batavia, Canandaigua, Cohoes, Corning, Dunkirk, Geneva, Glens Falls, Hornell, Hudson, Ithaca, Jamestown, Lackawanna, Little Falls, Lockport, Mechanicville, Middletown, North Tonawanda, Norwich, Newburgh, Ogdensburg, Olean, Port Jervis, Sherrill, Saratoga, Tonawanda, and Utica.

In the levy of the tax for educational purposes and in the collection of that tax, the boards of education are, however, much more closely connected with the city governments. In only fourteen cities of the State is the city school district noncoterminous with the city boundaries so that the levy and collection of the tax is entirely separate. A few cities, in which the boundaries are coterminous, have by statute separated the levy and collection of

¹ Education Law, Article 33-a, section 855, paragraph 7.

city and school taxes. In the remaining cities, which form a large majority of the municipalities of the State, and which include all of the larger cities, school taxes are levied by the city just as city taxes are levied, and collected in the same way and at the same time. In all of these cities it is considered that constitutional or legal general tax limits apply as well to amounts levied for the schools, even where the amount of the school levy cannot be controlled by the governing body of the city.

In forty-one of the cities, city bonds are issued to finance school construction. In twenty-two of these cities the governing authority of the city authorizes the bonds; while in nineteen cities a referendum is held for the approval of the bond sale. It appears that bond elections can be called in a number of these cases by the board of education without confirmation by the city council. In seventeen cities, made up primarily of the school districts which do not coincide with city boundaries, the bonds issued are school district bonds. These are all subject to a referendum or school meeting election. There is at least one city, and perhaps more, in which bonds may be issued either by the city, or by the school district. In one case which came to the attention of the committee, a bond project which was defeated by the voters of the city was immediately submitted to the school district electorate and endorsed.¹ In practically all cases in which bonds are issued by the school district and not by the city corporation, we have found that the city corporation is of relatively recent origin, and that there was in existence at the time of the incorporation of the city a union free school district, the general outlines of whose powers were carried over, or merely allowed to continue, under the new charter.

City or school bonds issued by the city for schools are generally considered to fall within the city debt limit as set by the State constitution. After an exhaustive and painstaking study of the State constitution, the laws and the judicial decisions, Professor Howard Lee McBain has expressed the opinion that it would be dangerous to assume that the debts even of independent school corporations, which are territorially coterminous with cities, need not be reckoned as part of the limited city debt.² The bonds of the fourteen non-coterminous districts, and possibly the bonds of a few other cities which have carried over their union free school district status, are, however, not subject to inclusion in the respective city debts. It appears, therefore, that in the majority of our cities, bonds issued for schools are a part of the limited city debt, even where the city governing authority has no control over their issuance.

From these facts with regard to the organization of city school systems and their relation to local authorities, it will be seen that there is in the State of New York no established general policy except for the provision of a board of education. All other

¹ Beacon, New York.

² McBain, H. L. *Constitutional Questions Involved in Certain Proposals for Educational Reorganization in New York*. Board of Regents, 1923.

matters show an infinite variety. We appear to be in the midst of a period of transition.

Fiscal Stringencies and City-School Relations

Over the past ten years there has been more or less serious criticism of the relations existing between city authorities and boards of education, arising from the anomalous conditions described above. A period of transition is inevitably a period of friction. But the difficulties were vastly accentuated by the financial crisis through which the cities have passed. When prices were rising sharply, budgets and tax rates were hard to adjust so as to meet legal requirements, to say nothing of the desires of the taxpayers. There were times when any one of the larger city departments could have used all of the increased revenues which it was thought were available. The same was true of the schools. Under the circumstances it is not surprising that there should have been some friction and recriminations. The same thing would have occurred as between the police department and the public works department, and between other agencies of government, had it not been for the fact that those departments are controlled by a single responsible executive and a single legislative authority, in each city. It was of course extremely difficult also to apportion borrowing capacity equitably between the city and the schools. Here again streets, sewers, water supply, and other major improvements could in many cases have exhausted all the borrowings which the city was entitled to make. The same was true of the schools. All of these improvements were postponed during the war, and the cities were therefore faced with unusual needs all along the line. This was particularly serious in the case of schools, because a greater percentage of children are now demanding an education; and in the case of highway improvements, because of the advent of a motorized civilization which requires hard surfaced roads, wider streets, the elimination of grade crossings, more bridges, and more spreadout cities. And the end of this transformation is not yet in sight. Under these conditions it is surprising that there was not a great deal more friction between the city authorities and the school authorities with respect to their respective shares of the available resources.

The financial crisis in city government has now largely passed. This changed fiscal situation has been due primarily to:

1. Stabilization of prices which has enabled prices, incomes, the value of taxable property, and the attitude of the voters to become readjusted to the new price level.
2. The development of new sources of city revenue through the sharing by the State of its revenues with the localities and through the reduction of the direct State tax.
3. The development of the new and expanded program of State aid for schools.
4. The increase of assessed value of property subject to taxation, usually as the result of the introduction of more scientific systems

of assessment. This has given more leeway under tax limits and has expanded borrowing powers.

Your committee, in cooperation with the State Tax Department, has taken a prominent part in developing and advancing the general State program which has brought about these desired results.

Integrating Influence of Budget Systems

Another factor which served to increase the friction between boards of education and city authorities is the introduction of the municipal budget. Nothing practical had been done to develop public budgets in the United States until 1906 and 1907. There were only five states which had enacted legislation providing for a state budget system at the beginning of the World War. The national budget system was not established until 1921. But at the present time, nearly every city has a budget, nearly every state has a budget, and the national government has a budget. Not only has this nation accepted the idea that governmental units must have budget systems, but we are as a nation becoming budget-minded. It is of the essence of the budget idea that all of the proposed expenditures and all of the anticipated revenues of a government shall be brought together, considered in comparison, revised if necessary, and brought into balance in advance of the year to which they apply. It was, of course, inevitable that education in the cities where school taxes are levied by the city should be brought into this same picture. This has served to develop on the part of educators a new feeling of hostility to the city authorities. It may be said that the same friction has arisen wherever a genuine budget system has been introduced. In cities many regular departments have objected to being included in the municipal budget where their requirements are brought into comparison with those of other activities. In the states there has been a similar effort by institutions and departments to keep out of the budget system, or to break it down. Even in the Federal government the introduction of the budget system has not had smooth sailing. Budget Directors Dawes and Lord have found it necessary to rely on strong measures, and even President Coolidge found it necessary to remind the heads of departments and bureau chiefs of the Federal government that "* * * under the budget and accounting act the only lawful estimates are those which the Chief Executive transmits to the Congress. It is these estimates that call for your loyal support. Unless such support be given, you are not fulfilling your obligations to your office. * * * This law must be observed not only in its letter but in its spirit. I herewith serve notice again as Chief Executive that I propose to protect the integrity of my budget."¹

¹ Address before the Business Organization of the Government, June 30, 1924, p. 6.

Nevertheless, budget systems are now universal, and the city voters and the newspapers think in terms of budgets. And the same attitude is increasingly accepted by departmental and bureau chiefs in all branches of national, state, and local government, including inevitably the boards of education, school superintendents, and specialists in education and school management. Since 1919 there has been a marked change of attitude in this direction on the part of school men who have testified before your committee.

New Basis of Cooperation

The improved financial condition of the cities, and the general acceptance by the public and by the school administrators of the budget idea is furnishing a new basis of cooperation between the city authorities and the local boards of education. In Buffalo, for example, where there was at one time a great deal of friction, Mr. Hanavon, Deputy Commissioner of Finance, stated to your committee: "There is a great deal more harmony now between the school board and the city council than ever before." Mayor W. Allen Newell, of Ogdensburg, said: "The relation of the board of education to the common council is a very friendly relation." Similar statements were made in many other parts of the State both by city authorities and by educational authorities. We also find that the city authorities are not now badgering the boards of education as they were in a number of cities during the last decade. There is a greater effort on the part of mayors to understand education and to make room for the school program. The committee is deeply impressed by the general spirit of cooperation and understanding which is apparent throughout the State. It is in marked contrast to the situation which existed in 1919 when this same problem came before us.

Criticisms of Existing Arrangement

We do not feel, however, that this improved situation is necessarily a final solution of the problem. This opinion has been expressed before us by a number of well informed officials. Corporation Counsel George W. Knox, of Niagara Falls, stated: "School budgets are submitted to the councils for confirmation, but under the statute, if the school budget is not confirmed by the council, it automatically is put through in the form in which it comes from the board of education at the end of twenty days. In other words, the councils can affirm or omit to confirm the budget, as they please. Whether they do or not, in a great many instances these budgets for the school year become automatically confirmed at the end of twenty days without any action by the council. The councils have no power in a great many instances to cut down or interfere with the school budget or change it in any way, so that they are placed before the public in the position of confirming expenditures, and therefore, are charged by the public with responsibility

for the expenditures and tax rates when really they have nothing to say about it, excepting as rubber stamps, confirming what has already been determined by the board of education."¹

Similar ideas were expressed before the committee by mayors and controllers of a number of cities. The following statements indicate their point of view:²

"I think it is an outrage to take away from the mayor of a city, who is responsible to the taxpayers, the authority for the expenditure of money, even a dollar."

"I think the council should have absolute control over the school budget if they are to be responsible for it. If they are to raise the taxes and provide the money, I do not see why they should not have a check on it."

"I have always maintained that I did not see why the department of education should set up a show of its own. If they are under the city government, let them make up their own tax budget on the same basis as other departments. * * * As long as they are a part of the municipal government, I think they should come under the same provisions as any other department."

"I do not think that any man should be made responsible for an act that is beyond his control. At the present time the board of education has more power than the man that appoints them. * * * I think there must be a change in that system."

"While it may be proper, in view of the fact that education is contended to be a State function, for the State to prescribe a minimum appropriation based on the assessed valuation in the community, yet the decision as to the specific purposes for which each and every part of the appropriation is to be used and the control over the manner of the expenditure should remain with the local authorities who are required to raise the money by taxation."

The idea that the board of education is not sufficiently acquainted with the needs of the city in other directions was brought out a number of times, as by Mayor Newell of Ogdensburg, who said:

"There is a feeling among a good many that the board of education goes it alone too much, that it is not closely enough linked up with the rest of the city."

A memorandum on school finance submitted to the committee by the New York State Conference of Mayors, speaks of the "ignorance and disregard" on the part of local boards of education "as to the financial necessities of other departments and activities carried on by the cities."³

Overlapping Activities

The attention of the committee has been called to the danger of developing unnecessary and overlapping activities on the part of boards of education and of city authorities. The situation is

¹ Public Hearing before Joint Legislative Committee on Taxation and Retrenchment, Buffalo and Syracuse, November 1927, p. 356.

² From Legislative Document (1920) No. 80, pp. 31-32.

³ See Appendix.

too well known to require an elaborate presentation here. It is sufficient to mention the chief points at which the danger of duplication exists. These are to be found primarily in the following services:

1. *Health Administration.* Both city departments of health and boards of education are responsible for health work with children in the community. In some of the cities school health service is exclusively under the supervision of educational authorities, and in others, it is under the exclusive supervision of the city health authorities. In other cases where there is a nominal separation, the educational authorities have appointed the same individuals who are engaged by the city in city health work, to take charge of the work in the schools. Where school authorities have charge, health work is active during the entire year and covers parochial schools, in only a few cities. In the majority of cities, however, the health work during the summer and in the parochial schools is under the jurisdiction of the city health department. Fortunately for your committee, this matter has been given careful attention by the American Public Health Association and the United States Public Health Service, who report as follows:

"The problem of organizing effective machinery for the promotion of the health of children of school age is greatly complicated by the fact that there are strong logical reasons for allying such work with the department of health on the one hand, and with the department of education on the other. Since the work is concerned with the school child, the educator contends, and with much reason, that it is in his province; but since the work consists in health promotion, the health officer claims the task as his. On the whole, we are inclined to believe that the arguments for alignment with the health department are the stronger ones in view of the value to school physicians and school nurses of membership in a strong professional organization devoted primarily to health conservation, and in view also of the importance of knitting the machinery which safeguards the health of the individual from the cradle to the grave into one continuous whole.¹

Though it may be said that this recommendation is not free from a bias in favor of the health departments, the same cannot be said of Dr. Carl E. McCombs, of the National Institute of Public Administration, who testified before the committee as follows:

"I think you could sum it up briefly in this way, that in the towns and villages it is usually better to have the health work for school children under the auspices of boards of education. In the cities it is generally better to have school health work administered by the city departments of health, although I think it should be optional with the people of the community, the local governing body, whether it shall be done by the department of health or the department of education."

To your committee it appears obviously preferable, from the standpoint of administration and from the standpoint of economy,

¹ U. S. Public Health Bulletin No. 136, p. 262.

to have all of the health work of the city, including that in the schools, placed under a single municipal health department. There are individual cities, however, in which such a change would not be desirable at the present time, because the health work in the schools appears to be more efficiently handled than the health work entrusted to the city government.

2. *Recreation.* Boards of education and city recreation commissions are both entrusted with the direction of recreation. The difficulty arising from such an arrangement has been overcome in many cities, either through placing the board of education in complete charge of the work or by turning over to the city department responsibility for the recreation program, and permitting this department to make use of school playgrounds in its program.

3. *Libraries.* The free public library is generally controlled in the cities in the State of New York by an independent library board. Boards of education also maintain school libraries open only to children of given schools. In a number of cities the danger of duplication has been eliminated through the joint use of librarians and reading rooms by the library authorities and by the school authorities. In several cities branch libraries open to the public are maintained in public school buildings.

4. *Professional and Technical Services.* City authorities and boards of education both require legal advice, engineering advice, architectural advice, and financial services as in the assessment of property for taxation, the levy of taxes, collection of taxes, the maintenance of accounts, the audit of expenditures and revenues, and the purchase of supplies. In a number of our cities many, if not all, of these services, are set up and maintained independently.

5. *Transportation.* In a few cities departments of education and city authorities are maintaining entirely independent fleets of trucks and are establishing entirely independent repair services for their motor vehicles. Though this is not as yet a serious problem, duplication in this field is likely to increase with the increased use of motor vehicles.

6. *Purchase and Sale of Land.* A serious duplication has been found to exist in a few cities in connection with the purchase and sale of land on the part of the boards of education and on the part of the city authorities. There has been competition in the selection of properties, and properties have been disposed of by one authority which were needed for another governmental purpose.

7. *Safety Services.* Fire protection and inspections, the handling of school children at traffic intersections near the schools, and the instruction of the children in the rules of safety are problems which require close cooperation with the fire and police departments. There is an opportunity for a greater correlation of activity in these fields than appears to exist at the present time in many of our cities.

We are calling attention to these possible fields of unnecessary duplication because it is our belief that the structure of government which is created in any given locality should make provision

for the clear assignment of such functions as these so that wasteful duplication may be avoided. We are perfectly aware, however, that such considerations are not the only matters involved in the establishment of a governmental organization, and that not all duplication is wasteful or avoidable. Definite consideration must, however, be given to these problems.

Separation of Power and Responsibility

From the comments made by city authorities and the existing dangers of wasteful duplication, it is evident that the present arrangement is not entirely satisfactory. As we analyze the situation it appears that the difficulty with our city-school relations is that we have permitted a vicious separation of *power* from *responsibility* in the local administration and financing of schools. In all of our cities the power is placed squarely in the hands of the local board of education; the control over school policy, curriculum, appointments, salaries, text books, and all other educational matters is vested in the board. But in a certain number of cities, responsibility rests not with the school board but with the elected officials, that is, with the mayor, with the members of the board of estimate, or with the councilmen, because they alone of the local officials have any direct responsibility to the voters. This situation is still further aggravated in some jurisdictions because of the fact that the power of the city to levy taxes and the power to borrow are rigidly restricted by the State Constitution.

Possible Readjustments

If it is true that our basic difficulty is the separation of power and responsibility, the solution is to be found in uniting these phases of control. This can be done either (1) by placing complete responsibility in the hands of the school board, or (2) by placing the general control of school matters in the hands of the local governing body and the financing of schools in the city budget.

If complete power is to be centralized in the board of education, this would mean:

1. The independent election of the school board.
2. Giving to the board of education the power to levy taxes for the support of the schools. In cities with a constitutionally limited tax rate, an amendment to the constitution would be necessary.
3. Giving to the board of education the power to borrow money and issue bonds for the purchase of land and the construction of schools. This could not be worked out satisfactorily without an amendment to the constitution.
4. It might prove necessary to establish certain definite limits for the taxing and borrowing powers of the board of education.
5. There would have to be a new definition of powers of the board of education and of the city with respect to health, recreation, and other noneducational services.

If, on the other hand, it is decided to place the power and the

responsibility in the hands of the city authorities, this would require:

1. An appointive board of education.
2. The inclusion of the school budget in the city budget.
3. The use of city credit to finance school construction.
4. The inclusion of the school building program in the general capital budget of the city.
5. The rearrangement of health, recreation, and other activities.

State Control Not an Issue

It should be noted that the problem of State control is not involved. In either case, education is just as much a "State function." The fact of the matter is that here in the State of New York, and also in all of the other states as well, the general control of common schools has been decentralized. It has been placed in the hands of local authorities. There is no movement on foot to change this situation. The entire question which is here involved is this: "What local governmental authority shall the State use for managing and financing local education? Is it preferable to make use of a separate single-functioned authority, or to employ a many-powered municipal corporation?"

From the standpoint of the State, this question cannot be answered without a consideration of other functions of local government, for after all, education is not the only activity in which the State has a distinct interest. Health, police, and tax administration are just as truly "State functions." For these functions also the same question arises: "Shall the State entrust the local control of these functions to independent *ad hoc* bodies, or shall it entrust them all to a single integrated authority?"

A Problem in Public Administration

This question is far from new. Many students of public administration and philosophers of government have devoted their attention to it. In 1861 John Stuart Mill wrote in his "Considerations on Representative Government":¹

"In each local circumscription there should be but one elected body for all local business, not different bodies for different parts of it. Division of labour does not mean cutting up every business into minute fractions; it means the union of such operations as are fit to be performed by the same persons, and the separation of such as can be better performed by different persons. The executive duties of the locality do indeed require to be divided into departments, for the same reason as those of the state; because they are of diverse kinds, each requiring knowledge peculiar to itself, and needing, for its due performance, the undivided attention of a specially qualified functionary. But the reasons for subdivision which apply to the execution do not apply to the control. The business of the elective body is not to do the work, but to see that it is properly done, and that nothing necessary is

¹ *Everyman Edition*, p. 351.

left undone. This function can be fulfilled for all departments by the same superintending body; and by a collective and comprehensive far better than by a minute and microscopic view. It is as absurd in public affairs as it would be in private that every workman should be looked after by a superintendent to himself."

A more recent point of view is expressed by Professor William Anderson in his recent "American City Government" as follows:¹

"The view taken by the student of local government is that a city is a unity. Within the same area there is not a park city and a school city and a police city, and so on. There is but one people and one group of taxpayers. As the family must consider how much it can afford to spend for food, and clothing, and housing and how much for charities and church support, and how much for education, so the city needs to consider as a single budget all of its necessary expenditures. Sometimes one expenditure must be reduced to leave more money for another purpose, but in the long run each object of expenditure will receive its due share of the appropriations."

It should be noted that Professor Anderson is, nevertheless, opposed to the immediate abolition of all boards of education.

Dr. W. F. Willoughby in his recent "Principles of Public Administration," though dealing almost entirely with the national and state governments, says it is of prime importance to bring all governmental agencies together into a single administrative machine, abolishing independent agencies and placing all functions under definite departments. He says:²

"* * * the advantages of the departmental system of organization, if properly carried out, are: that it correlates the several operating services of the government into one highly integrated and unified piece of administrative mechanism; that it insures the establishment of an effective system of overhead administration and control; that it makes definite the line of administrative authority and responsibility; that it lays the basis for, if it does not automatically effect, the elimination of duplication in organization, plant, equipment, personnel, and activities; that it makes possible effective cooperative relations between services engaged in the same general field of activity that can be obtained in no other way; that it furnishes the means by which overlapping and conflicts of jurisdiction may be avoided or readily adjusted; that it facilitates greatly the standardization of all administrative processes and procedure; that it permits of the centralization of such general business operations as purchasing, the custody and issue of supplies, the recruitment and handling of personnel, the keeping of accounts, the maintenance of libraries, laboratories, blueprint rooms, etc., and finally, that it furnishes the absolutely

¹ William Anderson, *American City Government*, Henry Holt and Company, 1925, p. 94.

² W. F. Willoughby, *Principles of Public Administration*. The Johns Hopkins Press, 1927, p. 85.

essential foundation for a properly organized and administered budgetary system."

What is here said applies with equal force to a municipal government. It is important to call special attention to the last matter mentioned—the budget—because it is at this point especially that the local taxpayer is affected.

Professor Herman G. James states:¹

"From the point of view of sound principles of governmental administration there is nothing to be said for the independent school authority. The system is generally defended on the plea that schools are too important a function to be subjected to 'politics' and that the independently elected school board is required to keep them out of politics. The main weaknesses of this position seem to be apparent. In the first place, it may be questioned whether school administration is so obviously more important than police protection and the conservation of public health, for instance, as to demand a departure from sound principles of unification and simplification. In the second place it is obvious that public education cannot and should not be taken 'out of politics' in the sense of control by public opinion, which involves the determination of the relative importance to be accorded to this function of municipal government as compared with the other activities. In the third place, the independent school board has not demonstrated itself to be beyond the reach of corrupt 'politics,' while the lack of interest in school elections frequently results in the selection of boards that are in no sense representative. Finally, the divorcing of this function from the control of the city government tends to that extent to diminish still further the already too limited interest shown by citizens in municipal affairs."

Outstanding authorities may be quoted on the other side as well, for example, Professor William B. Munro, who though far from committed to an elected board of education, nevertheless favors the independent school board with independent taxing power.² Dr. Lent D. Upson apparently agrees with Professor Munroe.³ It should be noted, however, that both Munro and Upson are dealing with immediate practical considerations and not with underlying principles of administration.

Professor Thomas H. Reed recognizes that it is "inconsistent to urge the concentration of power and responsibility, and then attempt to justify elective school boards" but says, nevertheless, that independent school boards are justifiable "in the material results they have achieved and in the sense of cordial confidence which characterizes the public's feeling for its schools."⁴

¹ Herman G. James, *Local Government in the United States*, D. Appleton and Company, 1921, p. 393.

² *Municipal Government and Administration*, Vol. II, pp. 333, 350.

³ *Practice of Municipal Administration*, Chapter 16.

⁴ Thomas H. Reed, *Municipal Government in the United States*, p. 324.

There is no need of calling attention to the fact that every educator of note, and most of the administrators connected with the State Department of Education are strongly convinced that the only solution of the difficulties arising in city-school relations is the complete divorcement of the schools from the city government. It may be pointed out, however, that *the problem of setting up the framework of democratic control for public education is not an educational question, but a problem of public administration*, and that educators and those who are primarily interested in the schools are not *ipso facto* qualified as experts to pass upon this question of control. We know that spending officers cannot be trusted to determine the amount of money which they shall be allowed to expend. By the same token, specialists in any limited field of government cannot be trusted to determine the general agencies of governmental control under which they shall operate. This general principle applies not to educators alone, but to all specialists. Park and playground enthusiasts, health administrators, and city planners have frequently insisted that the functions of local government in which they are concerned should be set up independently with independent financial powers. If we accepted the sober judgment of all of the specialized experts we would have in each city area a score of demi-governments, with no unifying power.

The Place of Public Education in English City Government

We have made a brief examination of governmental organization for the control of public education in France, Germany, and England in the thought that ideas may have been developed and applied which should be given consideration here in the State of New York. We find that public education in France and Germany is directly under the control of the central authorities and that no important share of the responsibility for the common schools rests upon the local units of government. Centralization is the keynote in the public administration of schools. England is the only important European nation which endeavors to decentralize the control of schools and to require the citizens of each locality to be responsible for the management of their own free public schools. In England also, central control of education has evolved much along the lines which have been followed in the State of New York. State aid for education has been developed more highly in England than in the United States. Approximately half of the cost of the public schools is met from such State aid. The history of the development of education in England is not unlike our own. It is significant to notice, therefore, that in the cities education is now recognized as one of the regular functions of the municipal government. Up until 1902, local control of education was exercised through locally elected boards of education, but in that year this entire system was abolished and education was made a department of the city government. The purpose of this reform was to abolish and consolidate the local

school districts, many of which were smaller than the boundaries of a single city, and to have in each geographical area a single governmental authority responsible for directing and correlating all of the functions of local government.

The method of managing education within the cities is also of interest. Though the governing body is the city council, the routine control is entrusted to the council committee on education. This committee in the city of Manchester, for example, consists of twenty members of the elected city council, supplemented by thirteen appointed members. This committee appoints a director of education and is subdivided into many subcommittees for purposes of visitation, and other matters. The director of education takes the place of our superintendent of schools. In the words of a former Lord Mayor of Manchester, E. D. Simon, "The director knows all about the schools, has the advantage of being able to compare one with another, keeps all the routine business in order, and can give the committee any desired information. He is necessarily a man of higher qualifications and far wider experience than the secretary to the board of a private school. The director presents all the business to the committee in the best way; the committee trusts his judgment, and gets through ordinary business with no waste of time."¹

This same general plan of organization is followed for the control of all of the municipal activities of the city government. There is a committee of the council on electricity, on health, on housing, and for each of the other municipal functions. Not all of these committees, however, include appointed citizen members. Each of the committees when responsible for administrative affairs, appoints a director who is the permanent professional head of the department. The various committees are held together so that there will be a unified municipal program through the borough clerk, who sits with all of the committees, and through the fact that the committees are all parts of the same governing body. Even so, there is considerable criticism in England over the lack of a central executive, and many suggestions have been advanced for the development of a business head for the city government, which will bring about a closer relationship between the departments.

From the standpoint of the study which we have made here in the State of New York, however, the significant fact is that in England where the trend of events has paralleled our own educational development, education is no longer entrusted to an independent local governmental authority, but is considered a distinct municipal function, and is administered as a department of the city government. At the time of the recent study of local government conducted by the Royal Commission on Local Government, this method of controlling education was accepted as sound and satisfactory.

¹ E. D. Simon, *A City Council from Within*, Longmans, Green and Company, 1926, p. 77-78.

Recommendations of the Committee

While the committee has given extensive consideration to problems of organization and to such questions as the election of school boards, the appointment of school boards, the power of removal of members of school boards, the term of school board appointments, and to the relation of boards of education to city governments, we are not prepared at this time to suggest any general legislation dealing with these matters. We find that in some cities, elected boards of education are functioning with complete success, and that in other cities, appointed boards of education have a similar record. Though we had expected early in our study to find that conditions would demand general legislation establishing a uniform system throughout the State, we are forced to conclude that differences in local conditions, but more especially in traditions, make it unwise to recommend at this time any uniform system. The establishment of a uniform plan by law would inevitably result in sweeping changes in some communities where the situation at present is entirely satisfactory. Though uniformity has much to be said in its favor, it cannot outweigh the advantage of continuing existing institutions as long as these institutions are satisfactory. Our first recommendation, therefore, is *that the cities of New York State be dealt with individually in any program of basic governmental reorganization which is proposed, in recognition of their several conditions and traditions.*

Though we do not advocate an immediate comprehensive revolution in the relations between the local boards of education and the city authorities, and the imposition of a uniform system throughout the State, we do feel, nevertheless, that steps should be taken to eliminate the obvious inconsistencies of organization which now exist. We are convinced that power and responsibility must be joined. We therefore recommend that legislation be enacted and procedure altered so that the boards of education which are now independent shall be made clearly responsible, and that in those cities in which municipal authorities are responsible, their control be more definitely recognized. To this end we make the following recommendations:

That the law be amended to provide that where the school tax is collected separately and absolute power is denied city administrations to reduce or increase school budgets as adopted by boards of education, such budget as adopted shall be sent directly by the board of education to the tax collecting official. In other words, boards of education and not the city administration are to be required to levy the tax where they are, as a matter of fact, already responsible for the budget.

That the law be amended to provide that when the school budget is not subject to change finally by the city administration, boards of education must publish the budget and provide for a hearing thereon in advance of its adoption by the board. In some cities the only public hearings on the school budget is before a body which has no authority to change the budget.

That the law be amended to require boards of education to issue a financial report annually unless school finances are included in the city financial report. Some boards of education now make no regular financial report.

That the law be amended to require the submission of a detailed budget when the law directs that it be sent to the city administration for revision or for the levy of taxes. In some cities boards of education have refused to submit the details supporting their budgets.

That wherever school and city taxes are collected on the basis of the same tax bill, the tax bill shall show as a separate item the amount and the rate for schools (including in such amount debt service), and a similar statement relating to all other city expenditures not including schools, so that the taxpayer may make a ready comparison between what is expended or levied for education, and what is expended or levied for all other city purposes.

That wherever the school budget is subject to determination finally by the city administration, the municipal budget, both in its detailed schedules and in its summary, shall show the entire expenditures for education, including debt service for the year, whether financed by local revenues or by State aid, in order that the taxpayer may have a true picture of all local educational expenditures instead of merely the amount which is locally financed.

We regard it of the utmost importance that all of the current expenditures which are to be made for the local public service within a given area be brought together and considered as a unit and in comparison with the revenues and taxes involved by responsible governing authorities. Where the school budget is part of the city budget, this may be brought about automatically. Where the board of education is independent of the city, it can only be effectuated by careful cooperative negotiations. The preparation of a balanced program is a delicate and complicated affair, and is not, in our judgment, a matter which may be left for adjustment to a "yes" or "no" vote of the citizens. What we have stated here applies with equal force to the capital program. The school building program must be an integral part of the general city improvement program. There is but one physical city, and there can be but one city plan, one zoning ordinance, and one long term improvement budget. The distribution of population and, therefore, the need for schools will be deeply affected if not controlled, in our future cities, by the city plan and the measures which carry it into execution. Education cannot stand aside; schools cannot be omitted from the program; an independent school building program cannot be set up,—it must be an inseparable part of the general program, articulated through planning and compromise with all of the other needs of the community, and related to the total financial resources of the city. Where the board of education is a department of the city government, this unity of program may be brought about automatically. Where the board of education is independ-

ent of the city, it can only be effectuated through careful, cooperative negotiations.

In order to encourage the interchange of information and plans, both on current and on long time budgets and programs, even where education is to be continued on an independent basis, we recommend *that the Education Law be amended to provide that the mayor, or some representative of the budget making body designated by him, shall be ex-officio a member of the board of education, without vote, and that it shall be his duty to attend all school board meetings at which the budget or any capital outlays are to be considered.* In a number of cities this is the situation already. We believe that such a plan will definitely establish an opportunity for systematic cooperation which will be an advantage both to the city and to the board of education.

CHAPTER IV

MEASURING EDUCATION

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What are the differences between an excellent school system, a good school system, a poor school system, and an inadequate school system? How can a group of thoughtful citizens find out the comparative rating of schools through which their children are receiving their education? How may a legislative committee charged with the responsibility of examining certain phases of school organization, control, and management, decide what existing methods produce desirable results and what methods produce undesirable results? These questions have thrust themselves to the fore with your committee during its consideration of the problem of school control and management because it is obviously impossible to evaluate what we now have, or to make suggestions for the future unless we can in some reasonable manner determine on a fact basis the results of present methods.

In the common affairs of life we resort as a matter of habit to the use of definite measurements in making comparisons between objects. If we are comparing boards, we measure the dimensions in feet and inches; if we are comparing the size of farms, we use acreage as the measure; if we are dealing with fuel, we use standards of weight, or in some connections, standards of heat. We measure cloth by the yard, time by the hour, heat by degrees. In every field of daily life, in most commercial transactions, and in the whole realm of modern science, we are relying increasingly on definite standards of measurement as a means of applying system, regularity, and intelligence to facts and events.

When we turn, however, to school systems, and for that matter to other governmental activities, we leave measurements and science behind, and deal primarily in opinions, preconceptions, and prejudices. If we are to make intelligent advances in public education, it is evident that there must be developed definite objective standards which can be used in measuring education. We are spending millions of dollars annually experimenting with the school curriculum, with school equipment, with school buildings, with State aid, with methods of control, and most important of all, with irretrievable years in the lives of growing boys and girls without having any definite scientific methods of measuring the successes or failures of our experiments. We are playing blind man's buff in the laboratory at the joint expense of the taxpayer and the next generation.

Experimental Measurements

Your committee is not the first group which has recognized this fact. Advanced educators and students of administration have called attention to the situation, but even so, little progress has been made because of the very great difficulties which lie in the way. In the following paragraphs we have endeavored to summarize the more important efforts which have been made to introduce something beside general opinion in evaluating school systems.

Ayres' Measurements ¹

In his system of measurements, Leonard P. Ayres was interested in determining the efficiency of State school systems. In his studies he made use of the following ten items:

1. Per cent. of school population attending school daily.
2. Average days attended by each child of school age.
3. Average number of days schools were kept open.
4. Per cent. that high school attendance was of total attendance.
5. Per cent. that boys were of girls in high schools.
6. Average annual expenditure per child attending.
7. Average annual expenditure per child of school age.
8. Average annual expenditure per teacher employed.
9. Expenditure per pupil for purposes other than teachers' salaries.
10. Expenditure per teacher for salaries.

It is readily seen that half of these items are educational and half financial in character. Ayres expressed all his measurements using 100 points as an arbitrary standard. The points scored under each item are then totaled, divided by ten, and the result taken as the final index number for the state under investigation.

Phillips' Measurements ²

Frank M. Phillips, then of George Washington University, now chief of the division of statistics of the United States bureau of education, has developed two sets of measurements applicable to state school systems for the purpose of determining their relative rank. Mr. Phillips' methods deal with educational opportunity, school attendance, school costs, and results.

First Method

1. Per cent. of school population 5 to 17 years of age inclusive in daily attendance.
2. Average days attended by each child 5 to 17 years of age inclusive.
3. Average days school was in session.

¹ Ayres, Leonard P. *An Index for State School Systems*, page 14, Russell Sage Foundation.

² Phillips, Frank M. *Educational Rank of the State*, 1924. American School Board Journal, April 1926, page 47.

4. Per cent. high school enrollment is of total enrollment.
5. Per cent. boys are of girls.
6. Average expenditure per child attending.
7. Average expenditure per child at school age.
8. Average expenditure per teacher employed.
9. Expenditure per pupil for purposes other than teachers' salaries.
10. Expenditure per teacher for salaries.

Second Method

1. Per cent. of illiteracy over ten years of age.
2. Ratio of number of children in average daily attendance to those of 5 to 17 inclusive.
3. Per cent. of enrollment in high school.
4. Average days attended by each child enrolled.
5. Average days school is in session.
6. Ratio of number of students taking teachers preparatory course to number of teachers employed.
7. Per cent. of high school graduates continuing school next year.
8. Total cost excluding salaries per pupil in average daily attendance.
9. Average annual salary of teachers, principals, and superintendents.
10. Total amount expended per pupil of school age except for debt service.

Every state is given a rank based on each item and the sum of the individual rankings determines the final index for the particular state.

Virginia's Measurements ¹

In order to give the counties of the State relative rankings in their educational work, the Virginia State Board of Education has devised "five financial and five academic factors upon which an index number for educational rating has been fixed."² The factors are:

1. Average annual salaries of teachers divided by ten.
2. Adequacy of local support—per capita enrollment times three.
3. Total cost per room divided by fifteen.
4. Per capita cost of instruction on enrollment times three.
5. Total per capita cost on enrollment times two.
Financial index (sum of 1 to 5).
6. Per cent. of attendance on population.
7. Per cent. of teachers holding above first grade certificates.

¹ Annual Report Superintendent of Public Instruction, Commonwealth of Virginia, School Years 1923-1924 and 1924-1925, page 23.

² Annual Report Superintendent of Public Instruction, Commonwealth of Virginia, School Year 1923-1924 and 1924-1925, page 22.

8. Term in days divided by two.
9. Per cent. of high school pupils on total enrollment times ten.
10. Adequacy of educational facilities.
Academic index (sum of 6 to 10).

The arithmetic average of the financial index and the academic index is taken as a general index and the relative rank of the counties determined accordingly.

Schrammel's Measurements ¹

In his study, Schrammel sought to secure "an equitable ranking of the states according to their educational efficiency," on the basis of the following criteria.²

1. The length of the school term in average number of days the schools were in session.
2. The per cent. of the total population enrolled in public elementary and secondary schools.
3. The per cent. of the school population, 5 to 18 years of age, enrolled in the public elementary and secondary schools.
4. The per cent. of pupils enrolled in the schools who are in average daily attendance.
5. The per cent. that public secondary school enrollment is of the total public school enrollment.
6. The per cent. of those enrolled who graduate from public secondary schools.
7. The per cent. of the total population of ten years of age and over that is illiterate.
8. The per cent. of illiteracy eliminated during the preceding decade.
9. The amount expended for education per capita of total population.
10. The amount for education per pupil in average daily attendance.
11. The amount expended for education per \$1,000 of "estimated true value of all property."

Each state was given a relative rank, 1-48, on each criterion and the total of the eleven rankings taken as the basis for determining the final relative rank of the state,—the state with the smallest ranking first, the second smallest total ranking second, and thus down the list for the forty-eight states.

Frasier's Measurements ³

In his study, Frasier examined the educational systems in 169 cities. These cities were divided into nine groups based upon the type of control of the board of education and running from the elected board, financially independent, to the appointed board,

¹ Schrammel, Henry E. *The Organization of State Department of Education*, p. 115, Ohio State University Press.

² *Ibid.*, p. 115.

³ Frasier, G. W. *The Control of City School Finances*, p. 14. Bruce Publishing Company.

financially dependent. It was "the function of this study to discover what method of financial control is best for a school system, hence the fact that a city spends more money cannot be used as a measure of superiority.¹ Frasier's method deals with the holding power, teaching facilities, and administrative efficiency of a school system. He made use of the following six factors:

1. The per cent. of 16- and 17-year-old children in school.
2. The per cent. of elementary classes having fewer than forty children enrolled.
3. The per cent. of children who have sixty square feet or more playground space.
4. The per cent. of teachers who have six or more years' training above the eighth grade.
5. The per cent. of children enrolled who attend school all day, and in adequate buildings owned by the city.
6. The per cent. of the increased cost of living from 1913-1914 to 1919-1920 that was met by increased salaries for elementary women teachers.

Frasier combined his ratings by a method of standard deviations outlined in Chapter VIII of his book.

McGaughy's Measurements²

In his study of 377 American cities, McGaughy is particularly interested in the effects of financial independence of the board of education. He accordingly classifies the cities selected as independent cities, dependent cities, and special cities.³

He then approaches the financial problem with these questions:⁴

1. Do the dependent or independent boards receive a larger proportion of their total revenue from local taxation?
2. Do cities which have the independent boards of education have higher tax rates for school purposes or for all municipal purposes?
3. Are dependent boards of education more inclined to incur bonded indebtedness for school purposes?
4. What type of board expends more money upon its school system or upon various items which make up the total expense for the schools?

In dealing with efficiency factors, other than financial, McGaughy follows the six elements of the Frasier index.⁵

Harrell's Tentative Index⁶

Harrell's purpose is to determine whether or not any relation exists between the various types of administrative control of

¹ Ibid., p. 68.

² McGaughy, J. R. *The Fiscal Administration of City School Systems*. Macmillan Company.

³ Ibid., page 2.

⁴ Ibid., page 2.

⁵ Ibid., page 50, table 37.

⁶ Harrell, C. Adair, *Educational Measurements*, ms, prepared for Special Joint Committee on Taxation and Retrenchment, 1927.

schools in New York State and the result, other than fiscal, of the influence of the type of control.

The cities of the State have been divided into four classes as follows:

1. Cities in which the board of education is elected and the budget as adopted by the board final.
2. Cities in which the board of education is elected, but the budget subject to review by other authorities.
3. Cities in which the board of education is appointed and the budget as adopted by the board final.
4. Cities in which the board of education is appointed and the budget subject to review by other authorities.

No attention is given to the influence that size, character of population, and type of economic life might have in any particular city, in the belief that the method of grouping and interpreting results will counteract any undue influence of these factors.

The next step was to give the cities¹ in the State a relative rating on each of the criteria which follow:²

1. The per cent. of pupils enrolled in schools who are in average daily attendance.
2. The per cent. of those enrolled who graduate from elementary schools.
3. The per cent. that secondary school enrollment is of the total public school enrollment.
4. The per cent. of those enrolled who graduate from public secondary schools.
5. The per cent. of those taking the regents examinations who passed them.
6. The per cent. of high school graduates continuing school next year.
7. The per cent. of elementary classes with fewer than forty pupils enrolled.
8. The per cent. of elementary pupils with fifty square feet of playground space per elementary pupil contiguous to the school.
9. The per cent. of elementary teachers holding certificates above the minimum requirements.
10. The per cent. of secondary teachers holding certificates above the minimum requirements.
11. The per cent. of total supervising hours to total teaching hours during a typical week.

The significance of these criteria is explained by Harrell as follows:

1. The per cent. of pupils enrolled in average daily attendance is valuable since it indicates the effectiveness of the school system

¹ Statistical data was gathered for each school system for 1921-1922 to 1926-1927, inclusive. All percentages are based on the summation of data for these years.

² In selecting these criteria, it was necessary to limit the consideration to those data which could be obtained from the annual reports made by the city schools to the state department of education.

in keeping the pupils in regular attendance and may reflect the general regard in which the school system is held by the community.

2, 3, 4. These criteria are indicative of the holding power of the school system and its ability to present its educational program in gripping manner.

5. The per cent. of those passing the regents examinations is at present the only criterion in which every school is more nearly placed upon the same basis. It is perhaps true that some teachers and even some schools train their pupils only to pass the regents examinations. But taking the state in its entirety, this seems to be a valuable criterion. Only day high school examinations are considered in this item.

6. The number of graduates continuing in school is in part affected by individual economic consideration. At the same time, however, it is significant of the ability of the school system to demonstrate the personal, social, and economic value of further training.

7, 8. These criteria are more properly the reflection of financial administration. They are, however, indicative of an appreciation on the part of the administration of two factors which are closely associated with the educational.

9, 10, 11. While the ultimate test of the efficiency of a teaching staff is not the type of certificate or manner of supervision, yet it is essential to set up criteria which will reflect the school authorities' appreciation of these important facts.

Criticism of Suggested Measurements

Our very brief examination of the various attempts which have been made to measure education leads us to state the following preliminary criticisms which are applicable to all of the measures which have come to our attention.

1. *Expenditures Do Not Constitute Results.* In a number of the indices it is assumed that a city which is spending more money for schools, measured either by tax rates or by expenditure per child, is thereby giving a better education to its children than is the city with smaller expenditures. This is a palpable fallacy. Undoubtedly it costs more to give a first class education than to give an inferior schooling. But it may not be concluded from the difference in cost alone that there is a difference in the result attained. In our conferences with educators during recent years, we have found this attitude of mind altogether too prevalent. It must not be assumed that an increase of teachers' salaries will in and of itself produce better teaching; that an increase in the per pupil cost of education will produce a better education; that an increase in the amount spent for coal or school books will produce better heating or better books. The money spent in and of itself is not a proper test. It is possible to spend more for the same or for an inferior product.

2. *Equipment is Not a Measure of Results.* In all of the plans of school measurement, it is apparently assumed that research has demonstrated a causal relationship between certain standards of equipment and certain accomplished results. For example, it is assumed that good education cannot be given in classrooms containing over forty pupils; that every school shall have at least a combined assembly and playroom; and that there shall be not less than one hundred square feet of outside playground per child. Though these equipment factors are undoubtedly of great importance, it must not be forgotten that the purpose of public education is not to build buildings and purchase equipment, but to educate, and that equipment cannot be used as a measurement until its causal relationship to education shall have been satisfactorily established. In a memorandum submitted by Willis Thomson, this point is brought out in the following statement:

"Large playgrounds are desirable, but the space in itself is not a positive criterion of the product. Supervision as measured by hours supervised and the size of the class cannot be taken as positive factors causing certain educational product until the correlation between these factors and the product is computed."

3. *Indexes Must Measure All Significant Differences.* As we examine the indexes which have been developed thus far, it is our feeling that the measurements selected are too few and too simple to reflect the significant differences in the school systems. This becomes of very great importance when indirect measures, such as equipment, are made use of. Should not more attention be devoted to the economic and social conditions of a community? This problem is raised in a memorandum submitted to the committee by Wayne Soper in the following question:

"Does not a city's per capita wealth or per school child wealth greatly influence the educational offering, and therefore the product? Does not character of population play a large part in determining the type of school system, at least the degree of acceptance of the principles of modern progress in education? We refer to cities of strictly foreign born and of the laboring class as against the typically American city of the more well to do classes."

Differences also of governmental and social tradition play an important part in governing the form of organization set up in a given section of the country. If it happens that this section of the country is also a section of high educational standards, should it be assumed that there is causal relation between these factors as has been done in some of the studies thus far presented? We are not prepared to accept such results.

The oversimplicity of the indices is again evident from the fact that they do not deal with certain of the improved newer services in education, except possibly through extremely indirect measurements such as holding power. This fact is brought out by Willis Thomson in the following statement:

"From such data could one tell anything about the training and experience of the teachers; tenure; the achievements of the pupils

in fundamental subjects; the efficiency and economy of the business administration; the development and management of extra-curricular activities; the provisions in operation to care for individual differences and exceptional children; the care of handicapped children; the provisions for taking care of the physical and social recreational needs of the children; the health program; the curricula and courses of study? When all these items have been studied carefully something will be known about the comparative ranks of different school systems."

Thomson suggests the following general procedure for building up a simple but significant index:

"Loomis in determining equipment costs and Harry in determining cost of living developed an index on a more scientific basis. They took a large number of factors and later drew out from this large number certain items which had a high correlation with the index as derived by using the large number of factors. In developing an index of educational efficiency the same procedure ought to apply. There are thousands of factors to measure the educational product and if necessary to go beyond the state reports for this information, it certainly should be done. To measure the educational product we have the factors of retardation, acceleration, classification of pupils, the vast field of the curriculum offered and its many subdivisions and ramifications, the holding power, subject achievement. In like manner there can be found many items, and I would not exclude those items closely related to financial administration. I would include those as teacher qualification, amount of playground space, supervision, size of classes, etc. After you have developed an index based on hundreds of criteria, it will be possible to take a certain small number of the total criteria which correlate highly with the index as found by using the total criteria and you will have an index with a scientific basis. For the further value of the study, it might be possible to separate those factors based on financial administration, and study their correlation and effect on the index and their value as a predictive measure of educational product."

4. *The Weighting of Factors to Be Used in Any Index Must Be Arrived at Scientifically.* In practically all of the indices which we have examined, the comparative importance assigned to individual items has been arrived at either by accident or by rule of thumb. There are statistical methods for determining the comparative importance of variable items in the development of indices. Further study of these same problems may make it possible to improve upon the methods which are now being used, but unquestionably the weighting cannot be left to chance or arbitrary opinion.

5. *The Only True Measure of Education is to Be Found in Individual and Community Development.* Education itself cannot be measured directly through expenditures, teachers' salaries, per pupil costs, holding power, examination marks, graduations, books read, or chair-warming-hours. Education takes place in the

life and character of the children and adults who come under its influence. The recognition of this basic fact has caused many prominent educators and laymen to conclude that any effort to measure education is futile because it involves a measurement of personality, knowledge, intelligence, and character, for which our scientific knowledge of humanity is not adequate. In this connection, it is appropriate to point out, nevertheless, that we are continually making decisions with regard to educational systems and educational results, and continually making comparisons and urging that this or that method, curriculum, or equipment, produces better results. In other words, intelligent, sober, and experienced men are forced to make decisions in these fields, the validity of which depends upon the accuracy with which they approximate scientific conclusions. The movement for the development of measurements is merely an effort to arrange, classify, and test the materials of which judgments are made. It is possible that such a process, even though not fully scientific at first, may serve to increase the accuracy of judgments. There was a time when the family physician felt the patient's brow, looked at his tongue, and counted his pulse and respiration, in order to determine whether the patient "had a fever." Now he uses a thermometer. Similarly, the assessor of real estate for the purposes of taxation has developed standards for the measurement of land value and for the measurement of building value, by means of which the assessment of property has been immeasurably improved. Even if final scientific criteria cannot be established immediately, the effort to develop measurements and establish even temporary standards is a step in the right direction, because it serves to systematize the making of judgments.

General Conclusions of the Committee

As a result of our study of school administration in the past year, the committee finds that it is essential that there be developed methods of measuring educational results. There appears to be no other scientific method by which educators or laymen can evaluate education. The examination which we have made of the measurements which have thus far been advanced show that no satisfactory measures have as yet been developed, though fruitful avenues of approach have been suggested. We recommend, therefore, that the State Department of Education charge its research division with the responsibility of carrying on a further study of this problem, with a view to the ultimate development of at least a tentative index of school efficiency and educational results which may be revised from time to time and used as a guide in this State, both by the local boards of education and by the authorities of the State who are responsible for the development of our educational system.

The Need for Research Within the Department of Education

The recommendation which we have just made with regard to the development of a tentative index of school efficiency and educa-

tional results, calls attention to the need of a definite bureau of research in the State Department of Education. The State Department of Education is responsible directly for the expenditure of eighty-six million dollars each year, and through its supervisory powers influences a further expenditure of not less than four hundred million dollars. There is no need of pointing out that so vast a responsibility cannot be discharged adequately without a continuous and extensive study of the many problems of school administration. An industrial enterprise of such proportions might easily expend a quarter of a million dollars a year in testing its products, in analyzing its materials, in examining its processes, and in experimenting with new devices. Surely the State of New York is neglecting the educational responsibility which is laid upon the State by the constitution unless it is prepared to approach the school problem with the same progressive spirit.

Your committee has been pleased to find that within the State Department of Education the same conclusion has been reached. We find that tentative plans have already been made for changing the bureau of educational measurements into a genuine bureau of research. We wish to express our approval of the tentative plans which have been drawn, and to urge upon the Legislature the provision of adequate appropriations for this projected work.

Illustrative Research Projects

In order that there may be a clearer understanding of the kind of studies which should be undertaken by the bureau of educational research, we present here a number of projects which would be appropriate for consideration by the proposed bureau. These are as follows:

I. To determine the value of the auditorium in elementary school buildings, with a view (a) to revising the regents rules if the evidence points to the need of a revision; and (b) to the preparation of a report that will serve as a guide to principals and teachers in making a more intelligent use of the auditorium facilities they now have.

1. Find the number of elementary school buildings since 1922, which have auditorium and gymnasium combined; number with auditorium and gymnasium separate.

2. Secure from each school a concrete and detailed statement of the use made of the auditorium over a definite period, i. e., a month, semester, or year.

Check these reports against observations made by representatives of the education department in their school visitations.

3. Analyze all data to find the relative influence of the following factors on the use of the auditorium.

- a. The size of the school district.

- b. The size of the school—number of pupils enrolled; number of rooms used for recitation and study.

- c. Educational preparation of the principal.

d. Attitude of the superintendent toward the use of the auditorium.

4. Find the optimum ratio between seating capacity of auditorium and school enrollment.

Secure data to show how this principle would be affected in rapidly growing communities where there is reasonable certainty that the building will need to be expanded in a relatively short period, i. e., four to ten years.

5. Make detailed study of the use of the auditorium in a limited number of high grade elementary schools.

6. Secure from pupils and teachers of a limited number of schools in which good use of auditorium facilities has been made, statements as to their judgment of the value of the auditorium.

The most fruitful suggestions will come from pupils in those schools that have used the auditorium but, who for certain reasons, have been denied the auditorium privilege.

II. To determine the reasons for differences in the cost of new building construction with a view (a) to revising regulations of the State department of education where evidence points to need for such revision, and (b) to supplying to the buildings and grounds division the essential data needed for advising local boards of education more intelligently as to economies in school construction.

Note.—Data already available indicate that during the last school year, new construction has ranged in cost per cubic foot from 28 to 55 cents; and that the cost of the same type of building has in different communities varied as much as 40 per cent. per pupil enrolled.

1. Compare costs of buildings of same capacity but of different types of construction.

2. Compare costs of buildings of same capacity and same type of construction but in different communities.

3. Investigate effect of the following factors on costs:

a. Size of community.

b. Labor conditions.

c. Raw material costs.

d. Season of building.

e. Length of time in building.

f. Desirable but not necessary provisions.

4. Set up desirable school building standards based upon the:

a. Educational needs of different types of schools, e. g. academic high school, vocational high school, junior high school, graded elementary schools of several capacities, one-teacher elementary schools, central schools.

b. Educational needs of different sizes and types of communities.

c. Economic ability of different types of communities.

5. Study regulations of the education department from standpoint of their effect upon:

- a. Economy of construction.
- b. Provision for educational activities.
- c. Building done under different local conditions.

6. Suggest changes in State regulations.

III. To determine the effect of the increased State aid to schools.

1. Find to what extent the local school systems have used the increased aid to:

- a. Lessen local taxation.
- b. Improve building conditions.
- c. Enlarge playgrounds.
- d. Increase salaries of teachers.
- e. Improve the quality of teaching.
- f. Increase the curriculum offering.
- g. Add equipment (both necessary and unnecessary).
- h. Add non-essentials.

2. Determine the effect of the abandonment of the principle of special quotas:

- a. To what extent are communities dropping special activities due to loss of special aid?
- b. To what extent do communities develop new activities without the encouragement of special aid?

3. Analyze changes made in preparing local budgets, show how the State aid has been construed.

IV. To revise basic material for State aid formula.

1. Gather statistics bearing on present State aid formula with a view to bringing the formula up to date in 1930, at which time the basic factors will be nine to ten years old.

2. Collect and analyze statistics bearing on capital expenditures by school districts to determine whether State aid should take cognizance of capital costs.

V. To study the gifted or superior children in New York State.

1. *Reason for the study.* Probably there is no group of children more seriously neglected in our educational system than the extremely bright, those which are geniuses or near geniuses. The neglect of the education of such children may not only rob society of some of its most valuable potential leaders, but actually produce enemies of society. At the present time, no organized effort is made in New York State to care for such children. Believing that they are as worthy of attention as the mentally subnormal, physically handicapped, etc., this study is planned to discover the magnitude of the problem, and to suggest ways in which it can be met.

2. *Questions to be answered.*

a. How many gifted or superior children are there in New York State?

b. Where are they located?

These should be answered both with reference to geographical location and with reference to school facilities.

c. What provisions are now made for the education of these children?

d. From a review of the findings of this survey and from consideration of the experimental work which has been done in other places, what program of education should be formulated for the gifted children in New York State?

3. *Method.* In general, the procedure which should be followed in this study would be similar to the study of geniuses conducted by Dr. Terman throughout the state of California.

VI. To determine the effect of regents examinations on the quality of teaching.

1. *Reason for the study.*

a. This problem was suggested by a State Superintendent of Schools to the educational measurements bureau four years ago. Subsequently, there have been a number of similar suggestions by others in New York State.

b. Regents examinations maintain a single standard of attainment for all who attend high school. There is a general feeling that the high school should be organized so that all children of the community shall benefit. The increased enrollment is abundant evidence that the citizenship of the State is expecting the high schools to serve all children equally well. The recognition of individual differences in children suggests a need for more flexibility in our examination system.

2. *Questions to be answered.*

a. May it not be that regents examinations encourage teachers to teach subjects and not children? This is done by means of failing all children who do not meet the single standard held up by regents examinations with no attempt to adopt the teaching or the standards to those who apparently cannot meet the regents standards. In other words, do not regents examinations encourage formal, lifeless teaching?

b. Have regents examinations lagged behind the best practice or do they lead the State in encouraging more advanced thinking? Both statements have been made, possibly both are true, but a careful evaluation should be made to point out the specific weaknesses.

c. What influence do regents examinations have on the development of character in high school pupils? The

question is raised because of the criticism that some teachers teach only to get their pupils through regents. This can be done by the clever teacher in only a month or two of intensive cramming. If this procedure is at all common it certainly neglects certain important phases of character training.

d. Probably the most important question of all is whether or not regents examinations have raised the standard of teaching and of attainment of pupils in (a) small communities, and (b) large communities.

VII. To appraise the need for reorganization of the elementary school curriculum.

1. *Reasons for the study.*

a. The public schools are frequently criticised on the ground that insufficient emphasis is being placed upon the three R's.

b. Teachers and other school officials complain that so many subjects have been added to the curriculum, none of them are given adequate attention.

c. Leaders in educational thought claim that insufficient emphasis is placed upon certain desirable training which is of particular value to society of the present day.

2. *Present conditions.*

a. According to law the following subjects are specifically required to be taught in the public schools:

- (1) Patriotism and citizenship
- (2) The nature of alcoholic drinks
- (3) Physical training
- (4) Humane treatment of animals
- (5) History and interpretation of the Constitution of the United States

b. The following subjects are being taught quite generally but not universally:

Reading	Domestic science
Arithmetic	Nature study
Handwriting	Language
Spelling	Literature
Grammar	Science
Composition	Geography
Physiology and hygiene	History
Art work (including drawing)	Civics
Handwork	Oral English
Manual training	Dramatics
	Music

At present these subjects are taught separately except in comparatively few schools. Undoubtedly an investigation would show that to give adequate time to all of

the subjects listed and time which they rightfully deserve would use more of the day than is available for school work.

3. *Questions to be answered.*

a. In order to economize time, what elimination of material can be made in the content of elementary school subjects? This question has two parts: (a) certain parts of school subjects now taught can be eliminated because they no longer function. In the past some advance has been made in eliminating certain phases of arithmetic which had become obsolete and in pointing out the relative value of words which should be included in spelling lists. This process of elimination should be extended to all subjects. (b) It is probable that the same subject matter is included in two or more subjects as now organized. If this overlapping of content can be eliminated, a further economy can be affected.

b. Has the subject matter now included in our elementary course of study been located in the proper grades? There is some evidence pointing to a considerable loss due to attempting to teach subject matter in grades (a) where majority of pupils are not mature enough to profit by it, and (b) where it no longer challenges the interest of children due to their greater maturity or previous contact with the material.

c. What is the most effective organization for the content which should be presented in the elementary schools? Certain subjects may be combined, for example, geography, history, and civics into a single subject known as the social studies. Other combinations are possible.

These projects are presented as examples to give definiteness to the recommendations we have made. They must not be considered as limiting the research which is required.

APPENDICES

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APPENDIX I

FINANCIAL STATISTICS OF CITY-SCHOOL ADMINISTRATION IN NEW YORK STATE, 1922-1927

In the following pages are presented statistics for each of the first and second class cities of the State, and for a number of third class cities, showing the receipts classified by sources and the expenditures classified by objects. These statistics cover the six years beginning with 1921-1922 and closing with 1926-1927. In order that they may be more easily compared, the figures have all been reduced to a per pupil basis.

The classifications which have been used are self-explanatory. It may be well, however, for the sake of those who are not acquainted with the classification used by the New York State Department of Education, based on the classification of the National Association of School Accounting Officers, the National Educational Association, and the United States Bureau of Education, to explain in brief the classification which is here used.

Receipts are divided into four groups: taxes includes local tax levies for schools; public money from State includes State aid of all forms going toward the maintenance of education; bonds includes the proceeds of the sale of long term securities. School expenditures are divided into eight general classes as follows: general control, instruction, operation of school plant, maintenance of school plant, auxiliary agencies, fixed charges, debt service, and capital outlay.

Under general control are included all expenses that are chargeable directly to the board of education (business control) or to the superintendent's office (educational control).

Under instructional services are included the salaries of supervisors of grades and subjects, of principals and principals' clerks, and of all teachers, the supplies, used by teachers and principals, textbooks, chemicals and laboratory supplies, and supplies used in teaching cooking, sewing, drawing, manual training, art, music, vocational or agricultural subjects, kindergarten, physical training or any other subjects. This item, however, does not include any money expended for equipment. By equipment is meant furniture or apparatus used in the school room which is of a nature that lasts from year to year. Supplies include such articles as chalk, paper, pencil, ink, etc., which are consumed by using and do not last from year to year.

Operation of plant includes wages of janitor or other employees whose duty it is to keep the school building in proper condition for the use of teachers and pupils. It also includes the cost of fuel, water, light and power, all supplies used by the janitor such as brooms, mops, soap, dusters, and other cleaning supplies, electric

bulbs and other lighting supplies, paper cups and toilet supplies or any other supplies of this character which are used in and about the building. It includes the general care of the school grounds, expense of mowing the lawns, cleaning the walks or caring for flowers and shrubs on the school grounds. Expense of cartage, telephone rental, laundry service, or other expenses of this nature are chargeable to the operation of plant.

Under maintenance of plant are charged all repairs and replacements. Any expense, the purpose of which is to keep the building, apparatus, grounds, walks or other school property in their original condition is charged to maintenance, whether the money is expended for labor, material or other equipment, if such equipment is to replace that of similar kind which has been worn out. In short, any expense that is intended for the upkeep of the property should be charged to maintenance.

Auxiliary agencies includes a class of expenditures, the purposes of which are to supplement the regular school work, such as expenses for library, medical inspection, school nurses, dental service or other health service, provision of lunches, recreation, school athletics, community lectures, and social centers or any other forms of entertainment. It also includes transportation of pupils or the maintenance of children in institutions when done at the expense of the school board. Payment of tuition to other schools, however, is entered as a part of instructional service.

Under fixed charges are included the district's contribution to the teachers' pension fund, the rent of school property, insurance on buildings or other equipment and special costs where charged against school property for such purposes as building and maintaining sewers, street pavements, etc.

Debt service includes interest on outstanding indebtedness, contributions to sinking funds, and the retirement of serial fund bonds. Whenever school construction is financed through the issuance of general municipal bonds, as distinguished from school bonds, the effort has been made to estimate the amount chargeable to the schools. In a number of cases, however, this has not been possible.

Capital outlay includes expenditures made for the purchase of land, for the erection of buildings and major additions, whether financed from borrowings or from current revenues.

**PER PUPIL RECEIPTS, EXPENDITURES, AND VALUES
IN THE CITIES OF NEW YORK STATE
1921-1927**

ALBANY

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes	\$33 98	\$39 97	\$42 70	\$43 99	\$48 34	\$40 02	\$41 56
Money from state	26 18	26 30	27 29	27 24	28 08	32 84	28 05
Bonds							
All other sources	086	10	13	089	13	1 00	25
Total receipts	103 27	111 36	112 50	113 02	117 78	121 52	113 40
II. EXPENDITURES							
Current expenses	102 08	109 99	110 94	111 74	116 48	121 23	112 25
General control	2 02	1 93	1 75	1 70	1 75	1 78	1 82
Instruction	81 75	85 68	88 37	87 49	91 67	95 59	88 55
Teaching salaries	78 36	81 63	84 04	83 04	87 49	91 37	84 45
Operation of plant	11 04	13 19	11 51	13 29	13 49	12 80	12 57
Maintenance of plant	2 25	1 62	2 24	2 05	2 13	3 14	2 25
Auxiliary agencies	3 65	3 88	2 71	2 88	3 08	3 50	3 28
Fixed charges	1 36	3 68	4 36	4 33	4 36	4 42	3 77
Debt service							
Capital outlay	1 19	1 21	1 55	1 28	1 30	29	1 13
Total payments	103 27	111 36	112 50	113 02	117 78	121 52	113 40
IV. VALUE SCHOOL PROPERTY	272 36	284 00	283 05	348 69	344 99	486 68	338 92
CURRENT EXPENSES							
Elementary schools	87 92	94 77	94 76	95 02	102 10	105 63	96 87
Secondary schools	128 71	146 49	163 82	155 87	152 71	163 08	151 90

BATAVIA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes	\$62 78	\$88 10	\$111 13	\$109 36	\$112 50	\$94 72	\$97 19
Money from state	19 55	21 33	21 01	21 58	22 54	39 65	24 73
Bonds		201 09					
All other sources	44 06	32 47	35 54	35 17	36 90	49 98	39 22
Total receipts	127 92	343 01	236 60	166 11	172 27	181 83	203 05
II. EXPENDITURES							
Current expenses							
General control	4 50	4 40	4 83	4 04	4 10	4 45	4 38
Instruction	62 11	64 46	67 97	77 52	77 53	81 08	72 29
Teaching salaries	58 40	61 06	63 88	70 78	71 05	75 45	67 21
Operation of plant	7 15	9 93	11 89	15 97	12 00	13 60	11 90
Maintenance of plant	3 58	1 71	1 47	4 55	2 99	2 04	2 72
Auxiliary agencies	4 59	4 44	4 32	4 13	4 98	4 92	4 57
Fixed charges	17 06	18 57	4 46	5 02	4 49	6 50	9 00
Debt service	40 03	47 27	52 29	50 96	55 45	63 40	52 07
Capital outlay	4 20	134 07	88 59	3 90	9 55	5 75	39 14
Total payments	127 90	268 77	235 82	166 08	171 08	179 67	190 93
III. BOND ACCOUNT							
Bonded indebtedness	69 46	261 09	235 20	221 83	204 89	183 68	196 97

BEACON

	1921-22	1926-27
I. RECEIPTS		
Taxes.....	\$71 42	\$69 22
Money from state.....	19 55	35 85
Bonds.....		
All other sources.....	1 31	2 19
Total receipts.....	121 52	137 45
II. EXPENDITURES		
Current expenses.....		
General control.....	4 65	4 52
Instruction.....		
Teaching salaries.....	51 37	60 12
Operation of plant.....	8 84	8 68
Maintenance of plant.....	2 83	8 25
Auxiliary agencies.....	1 27	3 61
Fixed charges.....		
Debt service.....		
Capital outlay.....	79	2 75
Total payments.....	81 10	102 24
III. BOND ACCOUNT		
Bonded indebtedness.....	45 26	62 55
IV. VALUE SCHOOL PROPERTY.....	157 89	144 87

BINGHAMTON

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$65 66	\$70 33	\$77 29	\$80 50	\$82 75		
Money from state.....	26 74	25 38	27 40	27 03	27 66		
Bonds.....	55 61	11 11	45 67	13 86	11 66		
All other sources.....	67	65	1 26	1 54	1 13		
Total receipts.....	182 37	178 00	217 46	225 29	222 93		
II. EXPENDITURES							
Current expenses.....	94 49	94 47	100 34	104 41	107 50	\$115 52	\$103 18
General control.....	1 86	1 83	1 78	1 75	1 78	1 76	1 79
Instruction.....	74 05	75 08	78 39	80 78	83 91	88 54	80 39
Teaching salaries.....	70 01	71 71	74 53	76 43	79 67	83 79	76 28
Operation of plant.....	10 50	10 88	10 89	12 16	11 78	14 17	11 79
Maintenance of plant.....	2 69	89	1 08	1 32	1 41	1 53	1 46
Auxiliary agencies.....	3 94	2 79	3 47	3 62	4 11	4 11	3 68
Fixed charges.....	1 45	2 45	4 74	4 78	4 60	5 40	3 98
Debt service.....							
Capital outlay.....	12 51	16 43	10 82	15 78	73 36		
Total payments.....	107 00	110 95	111 17	123 19	180 86		
III. BOND ACCOUNT							
Bonded indebtedness.....	179 00	170 31	215 11		265 47		
IV. VALUE SCHOOL PROPERTY.....	233 49	225 09	221 70	211 09	449 93	444 32	302 04
CURRENT EXPENSES							
Elementary schools.....	85 97	84 14	88 99	92 60	96 70	106 23	92 77
Secondary schools.....	151 09	146 91	161 64	149 81	170 65	161 47	157 41

BUFFALO

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$100 40	\$115 08	\$113 11	\$119 01	\$122 75	\$167 82	\$124 18
Money from state.....	31 88	34 37	32 84	31 23	31 63	37 08	33 21
Bonds.....	110 92	10 30	57 59	58 23	100 77	44 35	63 71
All other sources.....	4 73	1 08	3 08	1 93	1 81	4 80	2 91
Total receipts.....	270 18	261 35	268 18	277 94	314 02	323 31	287 24
II. EXPENDITURES							
Current expenses.....	121 86	131 64	139 41	140 33	145 11	150 45	138 71
General control.....	1 64	2 17	2 12	2 46	2 99	2 99	2 43
Instruction.....	97 29	96 95	102 89	100 68	108 11	109 70	102 91
Teaching salaries.....	88 53	95 58	95 79	95 45	100 42	103 87	96 89
Operation of plant.....	13 46	13 68	15 22	14 53	15 97	15 36	14 76
Maintenance of plant.....	5 37	4 94	8 88	9 57	9 83	11 24	8 45
Auxiliary agencies.....	8 48	80	1 30	1 58	2 41	2 57	2 79
Fixed charges.....	3 24	8 89	9 00	7 33	7 02	8 59	7 40
Debt service.....	13 70	20 31	20 39	22 75	25 75	66 33	29 08
Capital outlay.....	32 02	44 46	38 28	55 35	71 97	62 66	51 59
Total payments.....	167 58	196 41	198 09	218 43	242 84	256 98	215 30
III. BOND ACCOUNT							
Bonded indebtedness.....	256 53	252 60	279 49	303 18	359 76	358 41	304 44
IV. VALUE SCHOOL PROPERTY.....							
	215 34	251 99	320 64	324 02	397 75	480 77	337 38
CURRENT EXPENSES							
Elementary schools.....	100 51	109 48	109 26	115 64	118 82	126 00	113 74
Secondary schools.....	191 49	179 33	206 19	196 47	202 89	208 24	197 98

CANANDAIGUA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$75 64	\$64 79	\$68 27	\$74 10	\$75 45	\$66 90	\$70 70
Money from state.....	7 17	5 92	6 32	7 69	7 79	7 60	7 07
Bonds.....	48 96	37 69	40 31	41 63	34 85	51 03	42 26
All other sources.....	134 46	110 81	117 14	124 91	126 49	135 33	124 55
Total receipts.....	134 46	110 81	117 14	124 91	126 49	135 33	124 55
II. EXPENDITURES							
Current expenses.....	102 15	91 90	97 94	100 99	99 90	108 58	100 16
General control.....	6 07	5 46	5 58	5 83	6 07	6 18	5 86
Instruction.....	71 03	62 08	67 72	73 18	72 87	78 32	70 81
Teaching salaries.....	67 78	64 58	65 04	70 98	70 53	75 54	69 06
Operation of plant.....	13 18	14 96	11 43	7 98	8 84	9 72	10 96
Maintenance of plant.....	6 40	2 71	3 66	3 60	1 94	3 16	3 52
Auxiliary agencies.....	3 37	4 02	4 46	5 50	5 42	6 22	4 86
Fixed charges.....	2 10	2 68	5 10	-4 90	4 95	4 98	4 16
Debt service.....	24 07	13 08	14 53	14 15	14 02	13 77	15 40
Capital outlay.....	5 40	3 60	3 23	1 45	2 64	3 74	3 30
Total payments.....	131 62	108 57	115 70	116 59	116 55	126 08	118 86
III. BOND ACCOUNT							
Bonded indebtedness.....	26 68	19 39	16 17	13 28	10 06	6 61	15 14
Amount in sinking fund.....				6 60	6 60	13 86	
IV. VALUE SCHOOL PROPERTY.....							
	312 32	267 05	266 77	272 31	284 26	399 30	299 86
CURRENT EXPENSES							
Elementary schools.....	72 60	70 05	81 57	84 37	85 98	93 76	81 34
Secondary schools.....	108 76	97 84	106 38	108 71	106 77	119 54	107 90

CORNING

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$74 29	\$100 43	\$110 70	\$122 72	\$121 81	\$121 72	\$109 11
Money from state.....	21 12	20 11	21 10	25 69	27 17	35 48	25 29
Bonds.....	486 44						77 22
All other sources.....	10 01	8 10	2 20	2 94	1 50	0 85	4 17
Total receipts.....	592 84	577 21	286 53	199 19	198 24	208 51	339 00
II. EXPENDITURES							
Current expenses.....	72 91	80 99	107 69	115 63	121 27	120 87	103 80
General control.....	5 55	6 90	8 01	9 61	7 64	7 67	7 59
Instruction.....	55 40	56 25	75 66	80 92	85 27	91 49	74 59
Teaching salaries.....	55 02	55 30	73 29	78 57	82 74	89 46	72 81
Operation of plant.....	6 96	9 74	13 97	11 66	12 41	13 23	11 39
Maintenance of plant.....	1 30	2 76	3 02	5 62	6 37	5 03	4 07
Auxiliary agencies.....	2 53	2 61	2 31	3 44	3 95	4 65	3 28
Fixed charges.....	1 17	3 48	4 73	4 37	5 63	6 43	4 35
Debt service.....	17 70	24 34	26 14	23 37	23 02	30 81	24 33
Capital outlay.....	41 35	320 05	103 04	11 62	2 15	7 20	79 11
Total payments.....	131 97	426 38	236 63	150 62	146 44	153 98	207 23
III. BOND ACCOUNT							
Bonded indebtedness.....	517 52	501 84	502 31	482 16	472 37	450 00	486 92
IV. VALUE SCHOOL PROPERTY							
.....	210 51	651 98	630 09	655 22	645 26	582 05	573 56
CURRENT EXPENSES							
Elementary schools.....	63 81	66 23	76 41	80 79	95 53	98 68	80 66
Secondary schools.....	86 18	112 65	169 72	188 37	173 78	183 27	150 54

ELMIRA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$75 02	\$90 91	\$96 54	\$94 99	\$92 92	\$89 32	\$90 16
Money from state.....	21 92	20 34	17 60	18 14	17 55	29 15	20 90
Bonds.....		100 87					
All other sources.....	6 60	22 05	12 04	10 70	12 37	11 58	12 51
Total receipts.....	142 61	268 02	229 79	138 29	171 53	183 79	196 78
II. EXPENDITURES							
Current expenses.....	91 29	97 22	94 99	100 94	100 16	106 71	98 84
General control.....	2 73	2 57	2 53	2 79	2 64	2 83	2 63
Instruction.....	75 76	76 59	75 60	78 73	77 73	84 99	73 41
Teaching salaries.....	73 71	73 63	71 87	75 34	75 23	82 63	75 59
Operation of plant.....	6 39	9 39	7 13	7 53	8 43	9 07	8 03
Maintenance of plant.....	3 05	2 73	2 03	2 77	3 05	1 97	2 59
Auxiliary agencies.....	1 66	2 74	2 73	4 26	3 51	3 42	3 10
Fixed charges.....	1 67	3 29	3 19	4 76	4 63	4 64	4 04
Debt service.....	4 01	4 29	7 40	7 16	5 47	9 57	6 43
Capital outlay.....	12 84	56 51	61 81	23 92	8 88	24 40	31 81
Total payments.....	103 14	158 02	164 23	137 25	114 95	141 09	137 23
III. BOND ACCOUNT							
Bonded indebtedness.....	32 17	124 73	114 98	110 56	104 37	91 09	96 86
CURRENT EXPENSES							
Elementary schools.....	81 03	84 33	81 32	85 85	83 09	90 62	84 52
Secondary schools.....	91 14	100 43	102 12	117 57	123 43	137 43	114 42

TAXATION AND RETRENCHMENT

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GENEVA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$54 56	\$74 62	\$81 25	\$93 62	\$89 21	\$92 87	\$81 50
Money from state.....	24 63	25 90	24 98	25 32	25 28	36 46	27 25
Bonds.....		259 33				153 59	
All other sources.....	5 44	26 67	10 19	2 75	33 53	61 13	24 04
Total receipts.....	101 75	394 04	357 08	269 72	210 42	362 49	283 22
II. EXPENDITURES							
Current expenses.....	76 39	85 93	85 90	97 86	102 37	96 65	91 18
General control.....	3 12	3 44	3 54	3 58	4 16	4 83	3 81
Instruction.....	60 66	65 28	65 20	72 17	73 63	72 40	68 41
Teaching salaries.....	50 49	64 51	63 72	70 92	71 31	70 86	67 13
Operation of plant.....	6 59	8 98	9 11	10 73	12 52	10 64	9 81
Maintenance of plant.....	2 14	2 07	1 53	5 31	2 60	1 18	2 46
Auxiliary agencies.....	1 61	2 17	2 21	1 87	1 98	2 55	2 08
Fixed charges.....	2 37	3 09	4 31	4 20	7 47	5 06	4 63
Debt service.....	4 26	23 83	14 92	5 22	14 57	74 65	23 72
Capital outlay.....	12 97	30 07	108 44	100 33	74 52	89 72	70 39
Total payments.....	94 35	139 83	209 26	203 42	191 45	261 03	185 41
III. BOND ACCOUNT							
Bonded indebtedness.....		257 65	243 90	244 27	225 10	364 23	
IV. VALUE SCHOOL PROPERTY.....							
	187 00	198 17	187 50	355 83	412 36		
CURRENT EXPENSES							
Elementary schools.....	69 97	71 19	71 48	86 17	91 11	79 81	78 63
Secondary schools.....	129 36		132 64	137 11	121 60	140 09	

HORNELL

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$77 62	\$98 02	\$103 07	\$121 33	\$115 74	\$122 68	\$107 25
Money from state.....	21 36	22 57	17 89	20 39	20 35	34 21	22 84
Bonds.....	170 99	19 51	96 88	3 83	44 26	50 57	62 90
All other sources.....	16 49	32 60	9 57	16 62	10 91	11 82	15 89
Total receipts.....	295 00	319 81	283 01	179 13	198 40	218 85	246 31
II. EXPENDITURES							
Current expenses.....	94 60	99 92	108 79	108 60	121 89	129 42	111 17
General control.....	4 17	4 78	6 04	4 98	5 42	5 60	5 19
Instruction.....	73 09	75 28	75 11	80 21	83 63	90 46	79 90
Teaching salaries.....	67 47	70 44	69 12	75 51	79 61	85 67	74 92
Operation of plant.....	8 21	11 33	13 30	13 15	14 83	14 10	12 61
Maintenance of plant.....	5 35	2 68	2 99	2 60	9 34	8 14	5 26
Auxiliary agencies.....	1 40	2 72	2 12	2 41	2 37	3 16	2 47
Fixed charges.....	2 37	2 65	8 68	4 48	4 63	6 74	5 02
Debt service.....	22 99	16 15	15 63	35 18	44 08	56 47	32 37
Capital outlay.....	30 09	141 28	141 50	28 00	32 36	32 97	66 64
Total payments.....	147 68	257 84	265 92	171 79	198 33	218 86	210 18
IV. VALUE SCHOOL PROPERTY.....							
	171 08	334 55	313 06	429 40	493 42	514 49	381 94
CURRENT EXPENSES							
Elementary schools.....	76 26	79 44	89 22	92 71	95 28	101 31	89 60
Secondary schools.....	107 19	110 79	118 86	122 76	149 19	165 52	128 75

HUDSON

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$51 44	\$53 22	\$63 26	\$59 64	\$84 13	\$72 27	\$64 48
Money from state.....	18 32	15 59	21 26	18 28	18 16	37 45	21 76
Bonds.....	4 06	79 20	24 10	25 36	27 74	18 39	29 60
All other sources.....	5 34	4 30	5 31	3 19	2 98	1 52	3 71
Total receipts.....	111 10	194 00	226 97	180 75	199 47	198 78	185 90
II. EXPENDITURES							
Current expenses.....	65 73	65 40	75 73	83 44	84 60	91 94	78 26
General control.....	3 27	3 93	3 88	4 27	4 12	4 43	4 00
Instruction.....	51 91	52 79	56 11	61 92	62 54	63 98	58 52
Teaching salaries.....	48 22	48 24	52 06	58 60	58 50	60 98	54 67
Operation of plant.....	4 39	5 46	5 81	7 24	7 57	7 40	6 37
Maintenance of plant.....	3 93	2 38	4 70	3 88	3 22	8 04	4 41
Auxiliary agencies.....	1 42	2 66	2 35	2 23	3 60	4 55	2 85
Fixed charges.....	83	2 10	2 87	3 35	3 55	3 53	2 74
Debt service.....	4 06	4 00	6 78	9 50	20 43	18 39	10 85
Capital outlay.....	64	10 11	72 14	22 34	97	1 08	17 40
Total payments.....	70 43	83 44	154 65	115 28	106 00	111 41	107 14
III. BOND ACCOUNT							
Bonded indebtedness.....	64 37	151 38	149 66	151 79	129 33	116 42	127 34
CURRENT EXPENSES							
Elementary schools.....	52 31	52 54	59 31	66 55	68 75	75 95	62 93
Secondary schools.....	107 29	102 53	134 22	150 45	128 02	132 04	125 54

ITHACA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$76 38	\$77 37	\$90 07	\$95 05	\$109 37	\$102 39	\$92 10
Money from state.....	17 71	18 12	18 93	19 26	20 15	32 45	21 31
Bonds.....			14 19	114 65			
All other sources.....	16 93	24 58	29 39	31 01	26 71	20 60	24 86
Total receipts.....	132 14	152 42	161 75	269 67	241 14	197 63	193 29
II. EXPENDITURES							
Current expenses.....	86 46	91 82	104 27	107 72	116 12	115 92	104 06
General control.....	4 92	4 67	4 72	5 14	4 80	4 77	4 82
Instruction.....	62 53	67 51	72 26	76 51	82 30	80 56	73 82
Teaching salaries.....	58 55	63 02	66 90	70 95	76 40	75 70	68 79
Operation of plant.....	11 23	11 33	12 89	11 65	13 87	14 21	12 57
Maintenance of plant.....	2 29	1 55	3 59	4 88	4 46	4 46	3 57
Auxiliary agencies.....	4 58	4 71	5 91	5 60	6 03	6 90	5 65
Fixed charges.....	94	2 15	4 90	3 93	4 65	5 02	3 64
Debt service.....	2 92	3 65	18 74	11 14	15 08	16 23	11 44
Capital outlay.....	9 89	47 66	25 27	66 82	64 01	14 83	37 96
Total payments.....	99 27	143 13	148 27	185 68	195 21	146 97	153 46
III. BOND ACCOUNT							
Bonded indebtedness.....	7 30	7 19	21 28	126 60	122 72	107 89	66 93
IV. VALUE SCHOOL PROPERTY							
601 53	626 51	622 74	622 77	702 39	658 45	639 65	
CURRENT EXPENSES							
Elementary schools.....	70 21	75 81	80 90	88 81	100 74	102 07	86 11
Secondary schools.....	112 82	117 27	139 84	130 39	129 28	124 67	126 23

TAXATION AND RETRENCHMENT

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JAMESTOWN

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$87 24	\$92 39	\$94 82	\$104 42	\$110 17	\$101 30	\$98 75
Money from state.....	18 08	18 73	19 28	19 35	21 01	27 71	20 83
Bonds.....		118 01				102 20	
All other sources.....	3 42	6 66	6 66	27 21	64 24	27 36	23 49
Total receipts.....	145 17	239 06	208 27	171 02	200 44	266 28	205 89
II. EXPENDITURES							
Current expenses							
General control.....	3 33	2 84	3 73	3 72	4 01	4 87	3 78
Instruction.....							
Teaching salaries.....	59 15	63 70	66 80	71 09	74 45	77 11	69 04
Operation of plant.....	9 77	14 11	15 38	12 49	12 26	12 91	12 82
Maintenance of plant.....	4 21	3 75	3 98	3 13	5 21	4 44	4 13
Auxiliary agencies.....	2 77	2 40	2 63	2 90	3 32	3 29	2 90
Fixed charges.....							
Debt service.....							
Capital outlay.....	43 62	40 02	69 30	25 22	6 59	27 99	34 73
Total payments.....	141 85	150 11	186 83	165 89	192 61	182 47	170 66
III. BOND ACCOUNT							
Bonded indebtedness.....	244 34	236 40	227 03	207 48	194 52	284 70	232 44

KINGSTON

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$59 40	\$56 09	\$62 23	\$68 28	\$70 90	\$58 77	\$62 67
Money from state.....	21 06	20 49	20 70	21 99	23 92	40 84	24 92
Bonds.....	3 67	3 39	3 15	2 97			
All other sources.....	2 17	4 92	4 81	5 61	6 20	2 78	4 43
Total receipts.....	86 57	88 07	95 13	101 80	107 42	107 74	97 98
EXPENDITURES							
Current expenses							
General control.....	70 21	72 74	80 42	83 19	88 14	94 68	81 75
Instruction.....	2 35	2 36	2 30	2 42	2 58	2 72	2 46
Teaching salaries.....	52 76	54 43	58 45	62 92	67 88	69 52	61 13
Operation of plant.....	48 54	50 14	54 24	59 24	64 07	65 77	57 14
Maintenance of plant.....	9 44	8 32	11 62	9 86	8 85	12 32	10 01
Auxiliary agencies.....	2 47	3 56	3 14	1 96	3 23	3 36	2 95
Fixed charges.....	1 28	1 35	1 31	1 84	1 96	2 46	1 71
Debt service.....	1 90	2 70	3 60	4 19	4 14	4 29	3 49
Capital outlay.....	12 43	10 28	10 60	9 08	6 88	6 07	9 18
Total payments.....	0 62	0 69	1 12	3 27	6 92	4 44	2 88
Bonded indebtedness.....	83 26	83 71	92 14	95 54	101 94	105 19	93 81
III. BOND ACCOUNT							
Bonded indebtedness.....	63 93	57 83	52 50	47 98	45 02	40 10	51 03
IV. VALUE SCHOOL PROPERTY							
CURRENT EXPENSES							
Elementary schools.....	59 25	61 78	66 63	67 34	72 20	77 73	67 58
Secondary schools.....	103 43	99 21	111 28	120 54	126 09	134 60	116 39

LOCKPORT

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$126 24	\$106 72	\$99 31	\$116 16	\$92 51	\$90 19	\$10. 76
Money from state.....	19 05	15 49	14 24	15 00	14 05	26 49	17 45
Bonds.....		18 59	94 61				
All other sources.....	16 77	10 73	13 12	14 23	13 64	14 39	13 80
Total receipts.....	205 11	222 77	309 66	311 86	204 44	179 30	238 11
II. EXPENDITURES							
Current expenses.....							
General control.....	5 02	4 28	4 37	4 46	4 40	3 86	4 39
Instruction.....							
Teaching salaries.....	69 35	67 55	71 17	71 24	71 43	72 08	70 62
Operation of plant.....	12 80	13 80	12 89	12 51	14 16	13 71	13 33
Maintenance of plant.....	3 10	3 01	4 39	3 93	2 86	4 43	3 63
Auxiliary agencies.....	3 56	3 41	2 81	2 12	4 05	3 86	3 31
Fixed charges.....							
Debt service.....							
Capital outlay.....	15 03	24 43	20 21	99 37	27 29	8 49	32 43
Total payments.....	132 24	135 16	139 34	223 73	153 74	134 42	153 05
III. BOND ACCOUNT							
Bonded indebtedness.....	41 56	65 70	151 77	135 66	117 55	107 10	103 88
IV. VALUE SCHOOL PROPERTY.....	491 37	479 40	474 88	460 63	553 17	555 96	503 74

MECHANICVILLE

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$71 58	\$75 05	\$77 48	\$68 17	\$79 60	\$70 73	\$73 78
Money from state.....	17 16	16 99	14 99	14 57	14 69	34 35	18 69
Bonds.....				82 46			
All other sources.....	17 10	11 78	7 22	9 79	9 12	10 63	10 86
Total receipts.....	108 05	104 55	100 92	183 79	160 23	121 99	130 74
II. EXPENDITURES							
Current expenses.....	72 06	82 73	77 42	79 04	85 32	92 67	81 55
General control.....	3 63	3 60	3 54	3 58	3 80	4 27	3 73
Instruction.....							
Teaching salaries.....	52 71	56 46	57 24	58 07	61 96	66 83	58 91
Operation of plant.....	6 13	9 20	6 81	6 95	8 65	9 86	7 93
Maintenance of plant.....	1 95	7 64	1 86	1 47	2 57	3 30	3 10
Auxiliary agencies.....	2 29	2 26	2 23	2 25	2 42	3 63	2 34
Fixed charges.....	2 69	1 72	77 42	4 90	3 92	3 83	16 00
Debt service.....	26 98	19 48	14 03	13 50	19 05	19 88	18 69
Capital outlay.....	2 79	1 06	38	35 93	49 86	2 03	15 83
Total payments.....	105 36	103 27	91 83	128 47	154 24	114 58	116 62
III. BOND ACCOUNT							
Bonded indebtedness.....	187 79	175 76	161 55	231 09	228 79	230 15	202 88
IV. VALUE SCHOOL PROPERTY.....	286 30	279 42	267 98	340 60	350 10	366 70	315 59
CURRENT EXPENSES							
Elementary schools.....	58 31	61 39	68 40	71 77	76 39	82 49	69 82
Secondary schools.....	115 47	155 26	131 84	110 98	125 07	124 44	126 08

NEW YORK CITY

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
• Taxes.....	\$98 15	\$90 56	\$90 09	\$89 06	\$90 55	\$119 17	\$96 56
Money from state.....	22 03	21 97	22 63	23 25	23 77	25 99	23 32
Bonds.....	19 12	54 16	69 80	9 51	16 42	.....	.....
All other sources.....	073	085	11	11	11	14	11
Total receipts.....	207 37	244 00	294 80	256 20	204 74	188 68	232 33
II. EXPENDITURES							
Current expenses.....	108 75	108 04	111 37	112 04	112 99	123 92	113 01
General control.....	3 76	3 47	3 61	3 53	3 65	3 47	3 58
Instruction.....	91 81	91 76	94 24	94 94	96 20	99 26	94 80
Teaching salaries.....	85 88	85 66	87 71	88 78	90 42	93 17	88 70
Operation of plant.....	5 88	5 60	5 62	6 01	5 94	7 75	6 13
Maintenance of plant.....	5 35	5 47	5 96	5 51	5 16	4 71	5 35
Auxiliary agencies.....	1 81	1 57	1 80	1 75	1 74	2 54	1 89
Fixed charges.....	13	18	23	25	30	6 09	1 25
Debt service.....	.....	.....	.....	.....	.....	19 80	.....
Capital outlay.....	17 09	19 90	46 94	67 78	27 04	18 30	33 01
Total payments.....	125 84	127 95	158 31	179 82	140 03	143 72	146 28
IV. VALUE SCHOOL PROPERTY.....	236 53	245 81	288 27	350 19	370 18	367 76	311 93
CURRENT EXPENSES							
Elementary schools.....	97 51	96 73	99 05	99 40	102 43	104 20	99 94
Secondary schools.....	177 37	170 27	178 09	164 36	140 21	178 51	166 47

OGDENSBURG

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$48 94	\$48 30	\$51 60	\$54 98	\$62 71	\$40 51	\$51 20
Money from state.....	17 37	15 74	15 07	13 53	14 51	34 82	18 80
Bonds.....	.....	.....	.....	.....	70 90	17 23	.....
All other sources.....	6 24	23 44	23 89	20 43	19 32	8 31	16 92
Total receipts.....	74 89	88 73	92 15	94 56	170 77	110 54	106 75
II. EXPENDITURES							
Current expenses.....	.....	.....	.....	.....	.....	.....	.....
General control.....	4 57	4 77	3 85	3 61	3 52	3 69	3 97
Instruction.....	.....	.....	.....	.....	.....	.....	.....
Teaching salaries.....	50 73	52 87	52 77	53 74	60 07	61 04	55 47
Operation of plant.....	7 39	11 78	10 15	13 30	6 42	10 57	9 98
Maintenance of plant.....	2 25	2 81	2 81	3 18	1 62	1 43	2 33
Auxiliary agencies.....	1 51	3 85	2 33	1 76	1 99	2 18	2 30
Fixed charges.....	.....	.....	.....	.....	.....	.....	.....
Debt service.....	.....	.....	.....	.....	.....	.....	.....
Capital outlay.....	.....	.....	59	59	62 91	14 37	.....
Total payments.....	73 59	89 82	91 60	91 29	160 57	107 07	103 62
III. BOND ACCOUNT	.....	.....	.....	.....	.....	.....	.....
Bonded indebtedness.....	11 36	8 65	6 12	3 50	2 99	66 22	17 43
IV. VALUE SCHOOL PROPERTY.....	123 91	118 66	298 12	277 81	351 92	387 74	267 53

ONEIDA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$69 71	\$71 32	\$69 98	\$71 87	\$74 37	\$74 69	\$73 04
Money from state.....	24 31	26 17	25 16	25 88	25 30	47 29	29 12
Bonds.....						210 44	
All other sources.....	79	3 58	3 50	3 64	3 23	8 40	3 89
Total receipts.....	129 23	140 69	132 55	135 42	138 83	376 40	176 68
II. EXPENDITURES							
Current expenses.....	79 12	95 41	90 96	92 48	95 22	115 18	94 90
General control.....	4 12	4 19	3 86	4 15	3 69	4 12	4 02
Instruction.....	60 73	66 64	66 13	69 87	74 33	83 16	70 33
Teaching salaries.....	58 59	63 57	62 97	67 64	70 74	79 14	67 28
Operation of plant.....	7 67	10 22	7 90	7 54	8 60	9 85	8 62
Maintenance of plant.....	2 75	6 82	2 91	2 58	3 60	7 59	4 36
Auxiliary agencies.....	2 69	2 87	3 39	3 91	3 97	4 12	3 51
Fixed charges.....	1 14	4 67	6 78	4 42	1 03	6 34	4 06
Debt service.....	5 83	5 85	5 28	5 05	4 71	9 09	5 97
Capital outlay.....	5 76	3 05	1 91	64	44	112 68	21 23
Total payments.....	90 70	104 31	98 15	98 17	100 37	236 95	122 10
III. BOND ACCOUNT							
Bonded indebtedness.....	37 63	34 71	28 39	24 17	19 54	225 37	62 37
IV. VALUE SCHOOL PROPERTY.....							
	272 35	311 59	290 47	287 89	278 22	289 82	288 15
CURRENT EXPENSES							
Elementary schools.....	76 16	88 81	78 93	83 11	86 83	102 69	86 19
Secondary schools.....	83 41	108 13	118 10	113 72	113 85	145 73	114 17

OSWEGO

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$71 50	\$85 12	\$81 49	\$77 07	\$93 04	\$83 36	\$81 99
Money from state.....	18 21	16 97	16 19	18 65	18 48	33 93	20 59
Bonds.....	19 82						3 07
All other sources.....	5 29	7 98	5 77	6 56	8 16	6 90	6 77
Total receipts.....	297 21	210 54	109 04	110 34	120 75	124 88	159 00
II. EXPENDITURES							
Current expenses.....	2 70	3 20	2 71	2 98	3 40	3 49	3 09
General control.....	63 86	69 05	68 73	76 16	80 75	75 74	72 55
Instruction.....	60 01	64 81	65 78	73 11	77 44	73 19	69 26
Teaching salaries.....	8 83	12 16	13 65	15 29	14 29	13 96	13 11
Operation of plant.....	5 24	2 05	1 83	3 27	9 09	3 86	4 21
Auxiliary agencies.....	2 00	1 63	4 72	4 12	4 30	4 64	3 63
Fixed charges.....	1 10	4 56	3 46	5 38	5 90	4 37	4 16
Debt service.....	16	26	28				
Capital outlay.....	117 51	110 34	4 39	86	1 03	65	36 58
Total payments.....	201 41	204 33	100 96	109 32	120 01	107 16	138 33
IV. VALUE SCHOOL PROPERTY.....							
	149 03	370 34	343 78	344 45	358 68	334 33	318 63

PLATTSBURG

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$85 74	\$91 55	\$102 64	\$103 20	\$114 47	\$114 13	\$101 99
• Money from state.....	23 62	21 95	23 35	21 67	23 17	31 39	24 21
Bonds.....							
All other sources.....	3 12	3 18	3 62	3 48	4 00	4 26	3 61
Total receipts.....	112 49	116 68	129 61	128 35	141 64	149 79	129 82
II. EXPENDITURES							
Current expenses.....	97 61	102 73	114 84	114 72	126 13	125 31	113 59
General control.....	6 66	7 02	7 73	3 81	9 10	9 05	7 21
Instruction.....	65 84	68 45	75 93	79 86	81 34	84 77	76 08
Teaching salaries.....	61 20	64 01	69 75	72 47	74 14	80 70	70 43
Operation of plant.....	16 76	16 32	17 95	17 93	18 49	17 59	17 50
Maintenance of plant.....	3 83	3 07	4 91	3 72	5 71	3 38	4 09
Auxiliary agencies.....	2 84	3 78	3 99	4 65	4 79	5 20	4 22
Fixed charges.....	1 67	4 09	4 32	4 76	6 70	5 33	4 48
Debt service.....	9 43	9 19	9 51	9 18	9 44	8 75	9 25
Capital outlay.....	5 45	4 76	5 26	4 45	6 07	15 73	6 98
Total payments.....	112 49	116 68	129 61	128 35	141 64	149 79	129 82
III. BOND ACCOUNT							
Bonded indebtedness.....	83 02	77 13	75 62	62 39	58 67	50 64	67 74
IV. VALUE SCHOOL PROPERTY							
371 01	378 83	406 43	370 59	396 32	401 82	387 24	
CURRENT EXPENSES							
Elementary schools.....	80 58	80 34	86 32	76 45	94 12	100 90	86 37
Secondary schools.....	139 88	164 60	179 66	226 49	213 03	178 20	183 02

ROCHESTER

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$94 02	\$121 19	\$116 65	\$123 57	\$169 94	\$137 06	\$128 06
Money from state.....	31 11	32 39	32 40	21 98	32 71	33 06	30 56
Bonds.....	54 07	74 96	14 83	7 23	18 92	13 95	29 59
All other sources.....	43 05	36 46	46 34	73 14	29 08	32 32	43 36
Total receipts.....	222 45	268 28	210 23	225 91	269 19	239 31	239 45
II. EXPENDITURES							
Current expenses.....	122 60	125 93	138 82	147 42	149 38	155 42	140 58
General control.....	3 30	3 25	3 42	3 87	3 72	4 06	3 61
Instruction.....	95 63	99 10	99 12	102 02	105 11	107 08	101 55
Teaching salaries.....	87 96	93 38	90 76	93 37	95 15	98 07	93 26
Operation of plant.....	13 63	14 00	15 07	15 07	14 58	16 03	14 81
Maintenance of plant.....	3 58	3 48	5 28	6 78	8 38	8 52	6 11
Auxiliary agencies.....	4 72	4 79	5 69	6 01	5 97	6 32	5 61
Fixed charges.....	1 73	1 31	10 25	13 67	11 61	13 12	8 87
Debt service.....	36 54	56 21	50 53	52 94	69 96	34 58	50 30
Capital outlay.....	59 84	76 35	28 08	8 78	26 55	36 34	38 45
Total payments.....	218 99	258 49	217 43	209 14	245 90	228 36	229 34
III. BOND ACCOUNT							
Bonded indebtedness.....	142 98	208 22	243 31	229 58	232 31	232 39	216 38
Amount in sinking fund.....	14 07	16 69	12 74	19 76	17 70	11 95	15 49
IV. VALUE SCHOOL PROPERTY							
456 10	481 94	477 44	465 03	463 47	319 27	442 33	
CURRENT EXPENSES							
Elementary schools.....	106 64	104 79	122 22	128 66	128 51	137 18	122 13
Secondary schools.....	177 46	225 76	209 76	217 55	238 62	264 22	222 33

REPORT OF SPECIAL JOINT COMMITTEE

SCHENECTADY

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$85 79	\$97 66	\$109 65	\$108 09	\$122 06	\$117 76	\$107 15
Money from state.....	23 50	24 34	24 83	23 44	26 66	30 89	25 68
Bonds.....	69	23 31	11 05	12 77	15 68	5 17	11 37
All other sources.....	87	87	1 18	1 64	2 00	1 75	1 40
Total receipts.....	254 49	247 75	263 07	249 29	166 41	281 61	243 98
II. EXPENDITURES							
Current expenses.....	85 33	95 31	104 00	103 60	107 09	116 61	102 29
General control.....	1 85	2 24	2 20	2 21	2 29	2 80	2 29
Instruction.....	67 62	73 01	75 28	75 01	79 83	87 40	76 54
Teaching salaries.....	65 07	69 22	71 82	72 31	75 45	81 82	72 78
Operation plant.....	9 23	11 97	15 40	13 70	12 23	12 61	12 55
Maintenance of plant.....	2 69	2 83	4 35	5 28	5 23	5 88	4 42
Auxiliary agencies.....	2 58	2 79	3 13	3 67	3 59	4 15	3 34
Fixed charges.....	1 25	2 46	3 63	3 72	3 92	3 77	3 15
Debt service.....	26 22	26 78	25 01	23 56	24 11	27 65	25 55
Capital outlay.....	42 24	4 45	27 54	12 51	14 37	58 42	26 90
Total payments.....	153 78	126 53	156 55	139 67	145 57	225 31	158 54
III. BOND ACCOUNT							
Bonded indebtedness.....	194 80	202 61	190 77	183 40	187 88	163 92	186 82
IV. VALUE SCHOOL PROPERTY.....							
	222 11	245 56	433 51	421 32	448 64	435 31	370 45
CURRENT EXPENSES							
Elementary schools.....	75 03	82 93	96 89	100 34	98 98	112 83	94 72
Secondary schools.....	105 64	122 45	100 68	87 60	116 81	93 80	104 72

SYRACUSE

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$79 36	\$83 96	\$92 32	\$111 74	\$111 66	\$111 84	\$98 96
Money from state.....	23 47	23 65	23 90	25 35	25 60	26 85	24 86
Bonds.....							
All other sources.....	1 66	1 68	43	69	3 46	37	1 37
Total receipts.....	136 91	166 71	195 83	245 29	277 57	300 50	223 08
II. EXPENDITURES							
Current expenses.....	79 78	83 69	89 55	100 39	100 69	109 50	94 40
General control.....	1 12	1 12	1 18	1 20	1 14	1 17	1 15
Instruction.....	64 86	67 36	71 26	81 04	78 19	83 39	74 63
Teaching salaries.....	61 86	64 87	67 03	77 93	73 95	74 82	70 24
Operation of plant.....	8 49	8 76	10 18	9 67	11 36	11 30	10 01
Maintenance of plant.....	2 36	1 62	1 39	1 99	2 84	6 10	2 80
Auxiliary agencies.....	2 26	1 66	1 68	1 86	2 45	2 86	2 16
Fixed charges.....	70	3 17	3 87	4 63	4 71	4 69	3 66
Debt service.....							
Capital outlay.....		15	19	22	45	2 63	70
Total payments.....	81 30	84 35	89 74	100 61	101 14	109 76	94 95
IV. VALUE SCHOOL PROPERTY.....							
	261 48	298 37	289 55	383 45	393 51	406 85	341 06
CURRENT EXPENSES							
Elementary schools.....	65 67	68 79	72 25	77 73	78 58	86 97	75 30
Secondary schools.....	126 80	126 74	142 79	171 35	161 62	205 03	157 61

TAXATION AND RETRENCHMENT

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TONAWANDA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$68 56	\$71 65	\$71 91	\$88 46	\$126 02	\$107 28	\$90 19
Money from state.....	1 68	2 04	35	1 87	2 05	1 84	1 64
Bonds.....	68 03	49 89	.....	263 02	186 14	.....	94 89
All other sources.....	44	2 54	22 74	8 34	3 46	3 78	6 89
Total receipts.....	165 41	215 48	152 44	362 16	492 52	228 23	272 87
II. EXPENDITURES							
Current expenses							
General control.....	4 57	4 05	4 05	4 43	4 07	3 51	4 10
Instruction							
Teaching salaries.....	48 56	51 91	54 80	59 26	60 74	63 99	56 90
Operation of Plant.....	10 52	12 43	9 43	12 68	12 85	16 99	12 61
Maintenance of plant.....	63	2 96	2 90	2 92	1 94	2 24	2 27
Auxiliary agencies.....	2 70	2 57	1 06	2 62	3 60	6 96	3 35
Fixed charges.....	3 93	3 11	3 32	4 05	6 07	33 17	9 56
Debt service							
Capital outlay.....	13 26	82 71	32 46	96 15	247 74	109 06	99 75
Total payments.....	97 13	171 16	118 28	213 88	388 40	247 25	210 39
III. BOND ACCOUNT							
Bonded indebtedness.....	89 59	136 54	124 48	359 79	517 59	484 58	296 37
IV. VALUE SCHOOL PROPERTY.....							
	134 16	310 93	360 72	353 85	694 17	658 26	430 72

TROY

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$100 53	\$102 31	\$100 69	\$100 11	\$99 84	\$103 33	\$101 13
Money from state.....	27 52	24 47	25 62	26 30	28 60	31 41	26 99
Bonds.....	85 27	17 40	5 04	11 55	16 36	54 24	30 45
All other sources.....	78	1 23	39	46	1 93	71	92
Total receipts.....	214 10	172 25	134 37	138 42	153 10	196 63	166 91
II. EXPENDITURES							
Current expenses							
General control.....	3 31	3 20	2 80	3 45	3 21	3 52	3 25
Instruction							
Teaching salaries.....	83 30	82 35	77 08	78 19	80 94	84 18	80 93
Operation of plant.....	81 56	80 54	75 16	85 65	78 65	81 88	80 55
Maintenance of plant.....	13 19	12 14	13 26	15 58	10 56	14 42	13 20
Auxiliary agencies.....	1 04	1 22	2 86	3 85	2 72	2 86	2 47
Fixed charges.....	8 20	6 99	6 95	6 79	6 84	6 75	7 06
Debt service.....	1 73	3 65	4 06	4 07	4 15	4 34	3 71
Capital outlay.....	16 28	17 82	17 32	15 95	18 64	19 39	17 59
Total payments.....	5 79	42 05	10 05	2 19	19 17	47 74	21 23
III. BOND ACCOUNT							
Bonded indebtedness.....	184 96	169 43	134 37	130 08	146 24	183 19	157 20
IV. VALUE SCHOOL PROPERTY.....							
	243 54	316 84	295 62	295 19	296 39	299 65	292 05
CURRENT EXPENSES							
Elementary schools.....	101 01	99 72	94 59	98 03	96 67	100 66	98 34
Secondary schools.....	108 64	107 05	122 72	127 45	126 33	129 01	120 01

UTICA

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$85 49	\$62 41	\$73 78	\$85 34	\$87 84	\$95 86	\$81 70
Money from state.....	14 85	21 00	20 62	21 51	21 10	26 35	21 06
Bonds.....	43 24	3 87	40 67	45 79			21 41
All other sources.....	1 46	27	33	48	44	40	54
Total receipts.....	146 33	118 91	145 86	171 08	130 47	122 64	138 81
II. EXPENDITURES							
Current expenses.....	96 91	80 10	88 85	87 96	86 96	98 08	89 60
General control.....	1 52	1 50	1 70	1 74	1 57	1 74	1 63
Instruction.....	70 85	63 19	67 15	69 01	68 31	77 94	69 36
Teaching salaries.....	68 11	60 88	65 16	66 47	65 75	75 18	66 88
Operation of plant.....	9 87	7 59	8 76	9 21	10 02	10 74	9 35
Maintenance of plant.....	10 91	3 97	3 21	3 79	2 74	2 21	4 30
Auxiliary agencies.....	2 00	71	94	92	82	72	99
Fixed charges.....	1 76	3 15	7 09	3 29	3 50	4 74	3 96
Debt service.....				16 41	18 03	18 52	
Capital outlay.....	8 89	25 95	3 38	42 38	21 02	92	17 48
Total payments.....	105 80	106 08	117 71	146 75	127 01	117 51	120 44
III. BOND ACCOUNT							
Bonded indebtedness.....	116 61	94 98	131 38	173 35	152 45	146 67	136 31
IV. VALUE SCHOOL PROPERTY.....							
379 14	354 38	412 41	454 86	429 97	446 47	413 58	
CURRENT EXPENSES							
Elementary schools.....	79 75	86 22	85 59	79 43	75 39	87 47	81 39
Secondary schools.....	140 54	125 40	138 49	128 14	109 54	124 86	126 86

WATERTOWN

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$45 64	\$65 00	\$66 69	\$88 66	\$89 82	\$84 16	\$73 01
Money from state.....	13 95	12 80	12 73	12 88	13 24	26 55	15 30
Bonds.....	75 91						
All other sources.....	5 59	7 67	10 15	11 67	13 35	13 52	10 26
Total receipts.....	179 27	167 61	123 10	121 83	123 38	133 17	141 89
II. EXPENDITURES							
Current expenses.....							
General control.....	1 43	1 96	1 93	3 14	2 36	2 61	2 24
Instruction.....							
Teaching salaries.....	44 77	47 97	62 78	64 89	69 13	72 05	60 02
Operation of plant.....	6 26	9 12	10 79	10 13	8 94	10 59	9 28
Maintenance of plant.....	2 01	3 70	6 61	7 56	4 17	4 00	4 65
Auxiliary agencies.....	3 31	5 75	6 73	7 40	7 70	8 27	6 49
Fixed charges.....							
Debt service.....							
Capital outlay.....	31 21	49 42	4 65	2 46	2 28	3 22	15 92
Total payments.....	97 73	135 23	114 45	115 00	114 44	120 93	116 27
III. BOND ACCOUNT							
Bonded indebtedness.....	307 61	380 19	466 10	617 81	632 12	667 34	508 85
Amount in sinking fund.....				36 68	29 87	27 17	
IV. VALUE SCHOOL PROPERTY.....							
286 18	338 36	333 00	338 99	333 25	315 53	324 04	

TAXATION AND RETRENCHMENT

YONKERS

	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27	Average
I. RECEIPTS							
Taxes.....	\$107 27	\$122 05	\$123 50	\$137 42	\$150 37	\$152 72	\$132 75
Money from state.....	27 30	26 11	26 85	27 82	29 04	34 01	28 59
Bonds.....	10 44	57 09	55 88	54 91	110 43	43 61	55 87
All other sources.....	19 04	57	11	21	53	39	3 28
Total receipts.....	175 11	208 18	206 34	247 49	294 36	257 84	232 63
II. EXPENDITURES							
Current expenses.....	114 34	122 77	125 65	137 86	147 92	153 79	134 18
General control.....	2 48	2 38	2 58	2 85	3 03	3 21	2 76
Instruction.....	97 06	101 76	103 17	110 40	119 28	122 91	109 39
Teaching salaries.....	91 27	94 80	98 83	102 65	111 22	114 58	102 49
Operation of plant.....	6 40	9 06	8 81	10 14	11 96	15 54	10 41
Maintenance of plant.....	4 42	3 68	3 45	6 01	5 05	4 40	4 51
Auxiliary agencies.....	2 05	2 13	2 12	2 42	2 16	1 89	2 13
Fixed charges.....	1 94	3 75	5 52	6 03	6 45	5 82	4 97
Debt service.....	21 61	42 28	24 32	26 95	32 02	33 33	30 15
Capital outlay.....	36 69	15 05	56 27	78 72	86 27	45 64	53 49
Total payments.....	172 64	180 08	206 25	243 53	266 21	232 76	217 82
III. BOND ACCOUNT							
Bonded indebtedness.....	221 35	257 36	295 46	331 94	428 50	441 33	331 87
IV. VALUE SCHOOL PROPERTY.....							
383 08	402 47	394 84	450 14	516 26	665 89	471 62	
CURRENT EXPENSES							
Elementary schools.....	104 15	114 14	114 78	126 78	122 64	138 99	120 40
Secondary schools.....	140 05	148 77	144 38	152 59	229 35	189 42	171 30

APPENDIX II

ECONOMIC AND SCHOOL STATISTICS OF THIRD CLASS CITIES
IN NEW YORK STATE

CITIES	Per capita value on manufacturing	Per cent wage-earners of population	Per capita value on real estate	Per capita expenditure on schools
GROUP I	(1)	(2)	(3)	(4)
New Rochelle.....	\$121	3.5	\$5,298	\$23 81
White Plains.....	83	1.5	3,564	23 04
Mount Vernon.....	280	6.4	2,781	24 74
Saratoga Springs.....	310	6.4	2,303	13 30
Ithaca.....	548	9.9	1,592	16 38
Oneonta.....	485	14.3	1,554	14 29
Watertown.....	608	12.5	1,552	16 06
Hornell.....	488	12.3	1,069	16 18
Oneida.....	512	11.4	1,305	13 28
Batavia.....	695	16.4	1,242	18 31
Geneva.....	697	16.5	1,515	15 29
Jamestown.....	976	21.9	2,265	16 74
Middletown.....	532	11.7	1,381	11 69
Lockport.....	1,375	19.1	1,700	15 86
Plattsburg.....	368	7.2	1,115	11 82
Niagara Falls.....	1,758	24.1	3,090	19 34
Glen Cove *.....	.....	.....	3,263	13 87
Mechanicville *.....	.....	.....	995	20 00
GROUP II				
Olean.....	\$1,566	22.7	\$1,821	\$17 26
Poughkeepsie.....	825	16.9	1,693	12 91
Rensselaer.....	905	12.5	1,388	13 25
Hudson.....	639	12.6	1,112	13 28
Ogdensburg.....	352	5.1	647	9 19
Kingston.....	594	14.6	1,278	10 95
Port Jervis.....	810	19.6	1,195	15 36
Tonawanda.....	1,635	18.2	1,552	13 76
Elmira.....	737	17.3	1,346	12 69
Watervliet.....	529	9.9	787	9 89
Courtland.....	1,121	22.6	1,451	14 31
Dunkirk.....	1,449	22.3	1,501	16 01
Canandaigua *.....	.....	.....	1,354	15 82
Norwich *.....	.....	.....	1,306	16 39
Amsterdam.....	1,576	31.9	1,695	14 75
Newburg.....	983	17.7	1,137	13 56
Corning.....	681	22.2	1,237	12 92

* No census figures available.

(1) and (2) from United States Census Manufacturers, 1920, Vol. IX.

(3) From New York State Tax Report, 1925.

(4) From "Public School Finances," 1923, Bulletin No. 808.

**ECONOMIC AND SCHOOL STATISTICS OF THIRD CLASS CITIES
IN NEW YORK STATE—Concluded**

CITIES	Per capita value on manu- facturing	Per cent wage- earners of population	Per capita value on real estate	Per capita expendi- ture on schools
	(1)	(2)	(3)	(4)
GROUP III				
Lackawanna *			\$1,663	\$12 37
North Tonawanda.....	\$1,642	28.1	1,534	15 28
Beacon.....	877	19.6	1,218	12 23
Gloversville.....	1,762	25.4	1,346	15 39
Oswego.....	1,067	18.9	964	13 61
Glens Falls.....	691	16.7	865	10 89
Rome.....	1,323	16.8	1,258	10 72
Auburn.....	1,122	20.1	1,130	11 49
Fulton.....	1,768	27.8	1,581	11 12
Johnstown.....	1,604	24.4	1,046	14 42
Little Falls.....	1,907	28.1	1,366	13 20
Salamanca *			1,268	13 95
Cohoes.....	941	21.8	1,082	7 00

* No census figures available.

(1) and (2) from United States Census Manufacturers, 1920, Vol. IX.

(3) From New York State Tax Report, 1925.

(4) From "Public School Finances," 1923, Bulletin No. 808.

APPENDIX III

CONTRIBUTION OF STATES TO PUBLIC SCHOOL TOTAL RECEIPTS

STATES	YEAR 1921-1922			YEAR 1924-1925		
	State sources	All sources	Per cent of total receipts from State sources	State sources	All sources	Per cent of total receipts from State sources
	(1)	(2)	(3)	(4)	(5)	(6)
United States.....	\$235,144,184	\$1,743,192,456	13.49	\$274,557,522	\$2,024,757,377	13.56
Alabama.....	4,416,515	11,759,514	37.56	4,742,889	15,571,659	30.46
Arizona.....	1,914,981	8,545,339	22.41	1,935,505	8,478,585	22.83
Arkansas.....	1,862,770	8,864,620	21.01	3,571,875	10,675,421	33.46
California.....	16,305,061	105,213,098	15.50	20,523,387	132,670,697	15.47
Colorado.....	826,309	19,609,415	4.21	1,106,773	27,351,371	4.05
Connecticut.....	1,419,848	21,695,491	6.54	2,349,496	33,255,489	7.06
Delaware.....	3,933,856	4,291,468	91.67	2,374,725	3,231,735	73.48
District of Columbia.....	2,596,663	6,491,658	40.00	2,711,430	12,880,673	21.05
Florida.....	463,234	13,797,694	3.36	674,815	22,051,194	3.06
Georgia.....	4,333,337	14,198,023	30.52	4,548,390	16,728,568	27.19
Idaho.....	698,017	10,556,041	6.61	731,016	9,675,323	7.56
Illinois.....	7,285,295	108,743,995	6.70	8,743,026	136,495,093	6.41
Indiana.....	2,636,038	38,816,638	6.79	5,789,807	67,690,768	8.55
Iowa.....	2,122,174	63,152,358	3.36	1,900,958	57,388,952	3.31
Kansas.....	819,552	36,677,786	2.23	592,975	45,310,480	1.31
Kentucky.....	4,092,988	17,734,457	23.08	4,894,628	21,639,113	22.62
Louisiana.....	4,420,247	18,547,108	23.83	3,580,363	19,674,702	18.20
Maine.....	2,374,941	9,062,065	26.21	2,865,263	11,149,907	25.70
Maryland.....	2,687,760	17,673,246	15.21	3,434,100	22,147,985	15.51
Massachusetts.....	5,828,913	56,150,508	10.38	7,007,760	74,381,646	9.42

Michigan.....	9,510,060	79,567,684	11.95	15,349,945	102,997,416	14.90
Minnesota.....	7,193,801	57,413,010	12.53	9,427,053	59,528,398	15.84
Mississippi.....	3,927,758	10,532,906	37.29	3,593,899	13,096,686	27.44
Missouri.....	5,150,000	45,581,062	11.30	3,333,251	50,465,015	6.61
Montana.....	917,859	14,263,791	6.43	946,421	12,898,981	7.34
Nebraska.....	1,140,782	29,780,500	3.83	834,207	26,561,044	3.14
Nevada.....	403,087	2,103,937	19.16	439,427	1,927,033	22.80
New Hampshire.....	564,946	5,092,795	11.09	725,196	6,890,555	10.52
New Jersey.....	13,656,398	71,650,206	19.06	15,971,700	94,391,855	16.92
New Mexico.....	1,393,012	5,194,545	26.82	903,847	5,405,771	16.72
New York.....	36,609,017	213,733,650	17.13	41,494,529	231,009,931	17.96
North Carolina.....	3,220,154	25,580,803	12.59	2,320,861	35,440,932	6.55
North Dakota.....	1,195,425	15,400,317	7.76	5,248,913	19,291,160	27.21
Ohio.....	12,367,975	143,605,697	8.61	*3,668,858	†102,748,598	3.57
Oklahoma.....	2,131,180	34,211,218	6.23	3,150,607	33,726,231	9.34
Oregon.....	2,544,764	16,689,927	15.25	2,515,084	20,150,268	12.48
Pennsylvania.....	12,913,162	134,080,513	9.63	21,303,918	181,266,087	11.75
Rhode Island.....	267,333	7,968,447	3.35	486,896	8,787,456	5.54
South Carolina.....	1,343,438	9,597,968	14.00	3,896,660	16,584,618	23.50
South Dakota.....	2,055,294	17,769,558	11.57	1,760,675	18,774,710	9.38
Tennessee.....	3,034,076	15,631,299	19.41	4,271,302	21,913,694	19.49
Texas.....	17,957,414	53,480,715	33.58	22,890,796	62,164,792	36.82
Utah.....	3,336,589	9,986,957	33.41	3,559,515	10,000,223	35.59
Vermont.....	677,902	4,534,059	14.95	1,029,759	5,020,626	20.51
Virginia.....	5,668,822	21,855,985	25.94	5,595,017	22,976,353	24.35
Washington.....	7,077,906	31,523,312	22.45	7,828,911	32,576,746	24.03
West Virginia.....	1,487,345	19,676,504	7.56	1,761,686	23,974,405	7.35
Wisconsin.....	5,273,259	49,540,447	10.64	4,236,110	48,527,077	8.73
Wyoming.....	1,086,927	5,564,113	19.53	1,933,298	7,211,355	26.81

Columns 1 and 2 — statistics of state school systems, 1921-22, U. S. Bureau of Education, Table 21, columns 6 and 9.

Columns 4 and 5 — statistics of state school systems, 1924-25, U. S. Bureau of Education, Table 20, columns 6 and 9.

* Due to change of fiscal year, second tax collection omitted.

† Due to change of fiscal year, covers ten months only.

APPENDIX IV

**FACTORS BEARING UPON THE FISCAL ADMINISTRATION
OF THE
DEPARTMENT OF EDUCATION OF THE CITY OF**

.....
New York

Prepared By

.....
.....
(Title)

For the
JOINT LEGISLATIVE COMMITTEE ON TAXATION AND RETRENCHMENT

.....
(Date)

FOREWORD

Before answering any part of this survey, please read it through so that you will see the general arrangement of the material.

We respectfully request that all replies be typewritten on standard letter paper size (8½ x 11), with the exception of the statistical material for which sheets are furnished.

We appreciate your cooperation in this undertaking, and will see that you personally receive proper acknowledgment for the aid rendered.

It has been the effort of the committee to confine this survey to the narrowest limits which will give a fairly clear picture of the situation in each city of the State.

If you have any additional suggestions we shall certainly be glad to have them.

SEABURY C. MASTICK,
Chairman.

PART I

ORGANIZATION

I. Organization of the Board of Education.

1. How many members has your board of education?

2. Are the members of the board elective or appointive? For what term? Are the terms overlapping? In case of appointment, what is the method of appointment? What is the nature of the power of removal? In case of election is the election at large or by wards? Is the election nonpartisan?

Comments and Suggestions:

Have you any suggestions to offer? Do you think that there should be representation of the city administration on the board of education? Do you think that the board of education should be represented in the board of estimate, the finance committee of the council, or whatever body really prepares the city budget? Do you think the board of education should be represented on the body which has the powers to issue bonds?

II. Administrative Organization of Education Department.

1. Describe briefly the organization of the school system. What are the chief administrative bureaus?

2. What are the chief salaried employees appointed by the board of education? Give their titles, terms, duties and salaries.

3. Is there a separate business manager in the school system, or is the direction of business matters and educational matters vested in the superintendent?

Comments and Suggestions:

Have you anything to suggest? Do you think your department of education should have a business manager? Why?

III. State Relations.

1. Is the relation between the city and the State Department of Education satisfactory? If not, give concrete instances and possible remedies.

2. Has the State Department expanded or abused any of its powers? How?

3. Should any of the powers of the State Department over local education be extended? In what way?

Comments and Suggestions:

Have you any additional suggestions bearing on the relation between the State and city departments of education?

PART II

PLANNING AND CONSTRUCTION

1. How many new elementary schools have been built each year since 1921? At what cost, exclusive of land? How many rooms have these contained for classrooms, gymnasias, auditoria, laboratories, lunchrooms, administrative offices, other rooms?

How many children were these elementary schools built to accommodate? How many classrooms in completed schools not new in use? How many additional classrooms are now needed for elementary classes? How are these classes being housed at present? Are there schools in construction to meet this need?

How much has been spent on alterations each year since 1921? How many classrooms have been added in this way?

2. Give the same information for other than elementary schools.

3. Describe the policy of the board of education with regard to the purchase of land. How many vacant school sites does the board of education now own? What is their approximate value?

4. Describe the steps taken in the construction of new schools, emphasizing especially: the method of deciding the nature, the size, and the location of the school; the selection of the architect, and the preparation of the plans; the letting of the contracts; the actual construction and supervision of construction.

Are all plans submitted to the department of education at Albany? Have your plans been approved at Albany without change? If changes have been suggested or demanded, give full details.

5. Does your city have an improvement budget in which all of the improvements to be made in the year are considered? Does the city, or any of the departments, have an improvement program looking forward over a term of years?

Does the department of education have a long term improvement program? If so, is this considered by any one in comparison with the other needs of the city? By whom and in what way?

Comments and Suggestions:

Is the procedure for dealing with construction and repairs of school buildings and the purchase of land satisfactory? If not, what recommendations do you make?

Is it desirable or undesirable to have the school building program considered by the board of estimate, or the finance committee of the council, at the same time and in comparison with other city requirements? Why?

Has there been any feeling that unnecessary features and adornments have been included in school buildings? If so, give particulars, and state what body or authority was responsible. Has there been any criticism of architects' fees? To what extent has this been justifiable? Have you any further suggestions to offer?

PART III

ALLIED ACTIVITIES

I. Health.

Does your local department of education render any health or medical service outside of classroom instruction? Describe the work and explain how it is organized. To what extent is it correlated with the work and organization of the city health department?

II. Recreation.

How many school playgrounds are there? How are these maintained? Who is responsible for their use? For what hours are they open during the school year? During the school vacation? To what extent is the use of school playgrounds correlated with other public playgrounds and parks?

III. Use of School Buildings.

Are school buildings used for other than school purposes? To what extent and under what conditions? Is any use made of school buildings during vacations?

IV. Libraries.

Is there any working relation between the school libraries and the free public libraries of the city? Are school libraries open to other than enrolled students? Does the public library maintain regular or special service for children? Does the public library use school buildings for branch public libraries?

V. Legal Services.

Does the department of education rely upon the city law department for legal advice and service or does it retain other legal services?

VI. Financial Services.

Does the department of education maintain its own financial records or are these kept by the city departments? Is there any duplication of accounts and records?

VII. Other Technical Services.

Does the department of education employ, engineering, medical, fiscal, or other technical services which could be furnished by established city departments?

VIII. Transportation.

How many motor vehicles does the department of education own? Give make, model, and year. What arrangements are made for the purchase of gasoline, oil, and tires? What arrangements are made for general care and repairs?

Does the department of education furnish transportation for any of its students? If so, does the department own its motor vehicles, or is the service contracted for?

Comments and Suggestions:

Is it desirable or not desirable to work out a closer correlation of health, recreation, and library work of the schools and of the city government? How should this be done?

Is anything to be gained by a different relation of the education department and the city in connection with the technical services required by the schools, especially in legal, financial, engineering, and other technical fields?

Have you anything to suggest with regard to the motor vehicles owned by the department of education?

PART IV

FINANCIAL PROCEDURE

I. Budget Procedure.

Describe the budget procedure within the department of education. Who prepares the estimates? When? Is there any special examination and criticism of the estimates? By whom?

How and when does the budget come before the board of education? How does the board deal with the budget? Are public hearings held?

Are estimates made of anticipated revenues? By whom? Are these considered with the budget? Are any special estimate forms or budget forms used? Do these show the expenditures or budgets for past years?

II. Budget Revision.

Is the budget as adopted by the board of education final, or is it subject to alteration by any other body or bodies? If the school budget is subject to revision, describe the bodies exercising such control, the nature of their powers, the procedure followed, and the nature of action taken during recent years.

III. School and City Budgets.

Are the school estimates brought together with the estimates of the regular city departments in the city budget? Are the needs of all departments, including education, considered at the same time by the appropriating authority?

IV. Appropriations.

In what form are the appropriations for the department of education made by the appropriating authority? Is the appropriation a single lump sum or is it segregated? To what extent?

To what extent may appropriation items be altered or transferred during the year? By whom? What is the procedure?

If supplementary appropriations are needed, how are they secured? Have they been necessary in recent years?

Does the mayor have the power to veto appropriations for education? How may his veto be overridden?

V. Tax Levy.

What board or body makes the tax levy for schools? Is there a separate school tax or is the tax for schools combined

with levies for other purposes? If the rate is a combined rate, what distinct elements are included? On what date is the tax levied?

Is there any legal limitation placed upon the maximum or minimum amount or rate of school levy? Or the city levy? Give citation of legal authority.

VI. Assessments.

Is the assessment roll the same as that used for city taxes? If not, describe how and by whom it is prepared.

VII. Tax Collection.

How, when, and by whom are school taxes collected? Are they collected with other taxes? Who is the custodian of school moneys?

Do school funds draw interest on deposit in banks? At what rate? How are these rates determined?

VIII. Expenditures.

What is the procedure for the payment of salaries? What is the procedure for the purchase of supplies? How many members of the department are authorized to buy? Is there a centralization of responsibility for buying? Is there any central storeroom for school supplies? What is the procedure for the issuance of supplies from storerooms?

What is the method of auditing expenditures made for schools? What is the nature of the school financial records? By whom are they kept?

What part of local school expenditures are mandatory? What are the chief mandatory items? Give titles, amounts, and legal citations.

IX. Growth of Expenditures.

What are the chief reasons for the growth of educational expenditures? If the cost of running the schools has gone up faster than school attendance, to what may this be attributed? How much of the increase is reflected in a better education. What, if any, evidences of this are there? In what particular has the educational offering been improved? Who was responsible for making these improvements? Have the results justified the effort?

X. Insurance.

To what extent are school buildings and property insured? What is the annual cost of premiums? Who places the insurance? Give names and addresses of agents through whom present insurance was placed.

Does the department of education or the city maintain any self-insurance reserve or fund against school property? If so, give details and experience.

What is the extent of fire loss in the last five years?

XI. Debt.

Describe the procedure followed in the creation of indebtedness in behalf of schools, emphasizing especially: the determination of the amount and the term of the loan, the authorization of the loan, the kind of bonds issued, the method of advertising and sale, and the custody of the funds raised.

Are school bonds sold directly by the board of education or are they sold by the city authorities? Give the particulars regarding the last issue of bonds sold as to interest rates, term, type, amount, and premium.

What disposition is made of premiums received on school bonds?

XII. Debt Limits.

Is there any legal limitation controlling the amount of school bonds which may be issued and may be outstanding? Are school bonds considered to be part of the city debt in such a way as to come within the constitutional 10 per cent limitation? (Article VIII, section 10.) Under what authority?

XIII. Temporary Borrowing.

For what purposes are temporary loans necessary in the financing of your schools? Who decides when temporary borrowings are necessary, and the amount required? How are such loans negotiated? What interest rates have been paid during the past two years? From whom are the loans secured?

XIV. State Aid.

Has the State Department of Education withheld State aid or threatened to withhold State aid, to which your schools were entitled, at any time since 1921? If so, give details.

Comments and Suggestions:

Is the present procedure for the preparation and adoption of the school budget satisfactory? Should there be any hearings on the school budget? Is the distribution of authority, power, and responsibility as between the school authorities and the city authorities satisfactory? Have you any suggestions to offer? Is it desirable for the school budget to be considered by the city budget authorities at the same time and in comparison with the budgets of the other city departments? Why?

Is it satisfactory to have the school taxes levied, assessed, and collected as at present? If not, what would you suggest?

Is the situation with regard to permanent and temporary borrowing satisfactory?

Have you any suggestions to offer with regard to the method of distributing State aid, the formula which is now used, the power of the State department in its allocation, or any other question involved?

Have you any suggestions to offer with regard to the revenue available for schools?

Do you think that the local tax levy upon assessed property should be subject to a legal limitation? If so, why, and of what sort? If your city has a population of 100,000, do you consider that the constitutional tax limit of 2 per cent includes the local levy for education? Why? Is the situation satisfactory?

Do you think that there should be a separate debt limit for education? Do you consider that bonds issued for schools fall within the constitutional 10 per cent debt limit which is placed upon cities by Article VIII, section 10, of the State constitution? Why?

PART V *

STATISTICAL

School Year
1921- 1922- 1923- 1924- 1925- 1926-
1922 1923 1924 1925 1926 1927

(Answer on appended forms)

I. RECEIPTS.

- Balance.
- Taxes.
- Public money from State.
- Bonds.
- All other sources.
- Total receipts.

II. EXPENDITURES.

- A. Total current expenses.
 1. Total general control.
 2. Total instruction.
 - a. Total teaching salaries (items 11, 13, 17, 21, 22, 27).
 - b. Total day elementary (including kindergarten, junior high, special, but not summer school), teaching salaries (items 11, 13, 17).
 - c. Total day secondary teaching salaries (items 11, 13, 17).
 3. Total operation of plant.
 4. Total maintenance of plant.
 5. Total auxiliary agencies.
 6. Total fixed charges.
 - a. Pensions.
 - b. Rent.
 - c. Insurance.
 - d. Taxes.
 - e. Contributions, etc.
- B. Total debt service.
 1. Redemption of bonds.
 2. Payment of sinking funds.
 3. Redemption of short term loans.
 - Total amortisation (items 1, 2 and 3).
 4. Payment of interest on bonds.
 5. Payment of interest on short term notes.
 - Total interest (items 4 and 5).
 6. Refunds (taxes and tuition).

* Much of the information asked for can be obtained directly from your annual reports as submitted to the state department of education.

TAXATION AND RETIREMENT

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<p>C. Total capital outlay. D. Total payments for the year. E. Balance at close of the year. F. Total payments and balance.</p>	<p style="text-align: center;"><i>School Year</i></p> <p>1921- 1922- 1923- 1924- 1925- 1926- 1927 1928 1929 1930 1931 1932</p> <p style="text-align: center;">(Answer on appended forms)</p>
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III. BOND ACCOUNT.

- A. Total receipts.
 - 1. Amount remaining from previous years.
 - 2. Amount received during year from sale of bonds.
- B. Total payments.
 - 1. For new schools out of bond sales.
 - 2. For (State purposes).
- C. Total outstanding bonded indebtedness.
- D. Other forms of debt.
- E. Total amount now in sinking fund.

IV. ASSESSED VALUES AND TAX RATES.

1. What was the total value of all school property?
2. What was the total assessed value of property subject to taxation for school purposes?
3. What was the total assessed value of property subject to taxation for city purposes?
4. What was the tax rate for school purposes?
5. What was the tax rate for city purposes?

V. PUPIL AND TEACHER FACTORS.

1. What was the total school population 5 to 18 years?
2. What was the total school enrollment.
 - Public.
 - Private and parochial.
3. What was the average daily attendance in the public schools?
4. What was the total elementary school enrollment, (including kindergarten and junior high)?
5. What was the average daily attendance in the elementary schools, (including kindergarten and junior high)?
6. What was the number of elementary school graduates?
7. What was the total secondary school enrollment?
8. What was the average daily attendance in the secondary schools?
9. What was the number of high school graduates?
10. What was the number of regents examinations taken?
11. What was the number of regents examinations passed?
12. What was the number of high school graduates who entered higher institutions of learning?
13. What per cent of elementary classes had fewer than 40 pupils enrolled?
14. What was the number of square feet of playground space per elementary pupil contiguous to the schools?
15. What per cent of elementary pupils had less than 50 square feet of playground space per pupil contiguous to the schools?
16. What was the total number of teaching hours during a typical week?

REPORT OF SPECIAL JOINT COMMITTEE

- | | |
|--|--|
| | <i>School Year</i> |
| 17. What was the total number of supervising hours during a typical week? (Total for superintendent, principal, supervisors, etc.) | 1921- 1922- 1923- 1924- 1925- 1926- 1927 |
| 18. What was the number of teachers in elementary schools? | (Answer on appended forms) |
| 19. What was the number of elementary teachers holding certificates above the minimum requirement? | |
| 20. What was the number of teachers in high schools? | |
| 21. What was the number of high school teachers holding certificates above the minimum requirements? | |

VI. EXHIBITS.

Please submit to the committee the most recent financial reports of the city department of education.

If there are any additional reports, newspaper clippings, maps, etc., bearing on this matter, please submit them also.

APPENDIX V

**FACTORS BEARING UPON THE FISCAL ADMINISTRATION
OF THE
CITY AND THE DEPARTMENT OF EDUCATION
IN**

.....
New York

Prepared By

.....
.....
(Title)

For the
JOINT LEGISLATIVE COMMITTEE ON TAXATION AND RETRENCHMENT

.....
(Date)

**SPECIAL JOINT COMMITTEE ON TAXATION AND
RETRENCHMENT**

FOREWORD

Before answering any part of this survey, please read it through so that you will see the general arrangement of the material.

We respectfully request that all replies be typewritten on standard letter paper size (8½ x 11), with the exception of the statistical material for which sheets are furnished.

We appreciate your cooperation in this undertaking, and will see that you personally receive proper acknowledgment for the aid rendered.

It has been the effort of the committee to confine this survey to the narrowest limits which will give a fairly clear picture of the situation in each city of the state.

If you have any additional suggestions, we shall certainly be glad to have them.

SEABURY C. MASTICK,
Chairman.

PART I

ORGANIZATION AND INTERDEPARTMENTAL RELATIONS

I. General City Organization

1. What are the chief elective officers of the city and their terms of office?
2. What are the chief appointive officers and their terms of office?
3. Have there been any important changes in the organization of powers of your city government since 1921? If so, describe briefly.
4. Are the boundaries of your city the same as those of the school district?

II. City and School Interorganization Relations

1. Should there be a representative of the city administration on the board of education?
2. Should the board of education be represented on the board of estimate, finance committee of the council, or whatever body really prepares the city budget?
3. Should the board of education be represented on the bodies which have the power to issue bonds?
4. Should there be a business manager of the schools? If so, should he be appointed by, and be responsible to city or school authorities?
5. Have you any additional suggestions to offer bearing on the financial and administrative relationship between the city and school organization?

III. State Relations

1. Is the relation between the city and the state department of education satisfactory? If not, give concrete instances and possible remedies.

PART II

PLANNING AND CONSTRUCTION

1. Is the procedure for dealing with the construction of school buildings and the purchase of land satisfactory? If not, what recommendations would you make?
2. Is it desirable or undesirable to have the school building program considered by the board of estimate or the finance committee of the council?
3. Has there been any feeling that unnecessary features and adornments have been included in school buildings? If so, give particulars and state what body or authority was responsible.
4. Does your city have an improvement budget in which all of the improvements which are to be made during the year are considered?

5. Does the city, or any of the departments, have an improvement program looking forward over a term of years?

6. Does the department of education have a long term building program? If so, is this considered by any one in comparison with the other needs of the city? By whom, and in what way?

7. Have you any suggestions to offer with regard to the correlation between city and educational long term planning and financing program?

PART III

ALLIED ACTIVITIES—CITY AND SCHOOL RELATIONS

I. Health

1. To what extent is the health work of the city health department and that of the schools correlated?

2. Does the department of education render any help or medical service outside of classroom instruction?

3. What suggestions do you have to offer with regard to the desirability or nondesirability of a close correlation in this work?

II. Recreation

1. To what extent is the use of school playground correlated with the city playground and park system?

2. Does the city make any use of the school grounds and play areas during the vacation period?

3. Have you any suggestions to offer with regard to school playground control?

III. Use of School Buildings

1. Are school buildings used for other than school purposes? If so, to what extent and under what conditions?

2. Is any use of school buildings made during vacation? If so, to what extent and under what conditions?

3. Have you any suggestions to offer upon the control of school buildings?

IV. Libraries.

1. Is there any working relation between the school libraries and the free public libraries of the city?

2. Are school libraries open to the general public?

3. Does the public library maintain regular or special services for school children?

4. Does the public library use school buildings for branch public libraries?

5. Have you any suggestions as to how the efficiency of this service might be increased?

V. Legal Services.

1. Does the law department of the city render legal advice and service to the department of education?
2. Has it ever been necessary for the legal department to employ additional assistance due to the demand made upon it by the department of education?
3. Is anything to be gained by a different relationship than now exists between the city law department and the department of education with regard to legal services?

VI. Financial Services.

1. Does the city financial department keep the accounts and records of the department of education?
2. Is there any duplication in the keeping of records and accounts?
3. What would you suggest as the proper relationship between the financial department of the city and the department of education in the matter of accounts and records?

VII. Other Technical Services.

1. Does the department of education employ engineering, medical, fiscal, or other technical services which could be furnished by established city departments?
2. Should there be a closer correlation in these services? How?

VIII. Transportation.

1. Does the city furnish general care and repair service for the motor vehicles of the department of education?
2. What is the arrangement with regard to the purchase of gasoline, oil, tires? For the city? For the department of education?
3. Are vehicles purchased through the city or by the department of education?
4. What have you to suggest with regard to the proper control of motor vehicles operated by the Department of Education?

PART IV

FINANCIAL PROCEDURE

1. What do you consider to be the chief reasons for the growth of educational expenditures?
2. Is the present procedure for the preparation and adoption of the school budget satisfactory?
3. Is the distribution of authority, power and responsibility, as between the school authorities and the city authorities satisfactory?
4. Is it desirable for the school budget to be considered by the city budget authorities at the same time, and in comparison with, the budgets of the other city departments? Why?

5. Is it satisfactory to have the school taxes levied, assessed and collected as at the present? If not, what would you suggest?

6. Have you any suggestions to offer with regard to revenues available for schools?

7. Is the situation with regard to temporary and permanent borrowing for the school authorities satisfactory?

8. Do you think that the local tax levy upon assessed property for school purposes should be subject to a legal limitation? If so, why and of what sort?

9. If your city has a population of 100,000, do you consider that the constitutional tax limit of 2 per cent includes the local levy for education?

10. Do you think that there should be a separate tax levy for education?

11. Do you consider that bonds issued for schools fall within the constitutional 10 per cent debt limit which is placed upon cities by Article VIII, section 10, of the State Constitution? Why?

12. Have you any suggestions to offer with regard to the method of distributing State aid, the formula which is now used, the power of the State department and its allocation, or any other questions involved?

PART V STATISTICS

Fiscal Year Ending
1922 1923 1924 1925 1926 1927*
(Answer on appended forms)

I. MEANS OF FINANCING¹

1. City expenditures.

Cash on hand at beginning of year.
General tax levy collected for local purposes.
Tax received from other governmental units.
Sale of bonds.
Temporary borrowings.
Other.

Cash or deficit at end of year.

2. Educational expenditures.

Cash on hand at beginning of year.
General tax levy collected for education.
Public money from state.
Sale of bonds.
Temporary borrowings.
Other.

Cash or deficit at end of year.

3. Tax rates.

City purposes.
Educational purposes.
Other.
Total rate levied.

¹ If you can furnish comparable information on an accrual basis, please do so in place of following the headings here outlined.

* If the latest available figures are for year ending with 1926, give 1927 budget figures and estimates in this column.

II. CURRENT EXPENDITURES.

1. Operation.
 - City departments.
 - Education.
 - Total
2. Debt service.*
 - City services.
 - Education.
 - Total.
3. Capital outlay.
 - City services.
 - Education.
 - Total.

Fiscal Year Ending
1922 1923 1924 1925 1926 1927*
(Answer on appended forms)

III. OUTSTANDING PERMANENT INDEBTEDNESS

1. Indebtedness.
 - City services.
 - Education.
 - Total.

IV. FISCAL YEAR.

1. On what date does the fiscal year of the city begin?
2. On what date does the fiscal year of the schools begin?

V. EXHIBITS.

Please submit to the committee the most recent financial reports of your city.

If there are any additional reports, newspaper clippings, maps, etc., bearing on this matter, please submit them also.

* Interest and amortisation.

APPENDIX VI

LIST OF THOSE ANSWERING QUESTIONNAIRES

The committee is especially indebted to the municipal and educational officials who have assisted in the collection of material with regard to city and school relations. The following list records those to whom we are under special obligations by reason of the fact that they assisted the committee in its questionnaire survey:

Batavia, N. Y.

McWain, Andrew J., president, board of education.
Dean, Edward S., city clerk.

Beacon, N. Y.

Macomber, Ernest A., mayor.
Corney, H. S., president, board of education.

Binghamton, N. Y.

Kelley, Dr. John S., president, board of education.

Buffalo, N. Y.

Jerge, Henry F., president, board of education.

Canandaigua, N. Y.

Fisk, Frank E., superintendent of schools.

Corning, N. Y.

Hunt, Leigh R., secretary, board of education.
Rood, Harry A., mayor.

Cortland, N. Y.

Lowell, Ralph E., mayor.

Elmira, N. Y.

Kingston, Paul G., president, board of education.
Markson, H., city clerk.

Geneva, N. Y.

Hammond, Arthur J., city attorney.
Houseman, W. Lynn, superintendent of schools.
Merrill, S. H., city treasurer.

Gloversville, N. Y.

Sisson, John W., mayor.
Langworthy, Harry W., superintendent of schools.

Hornell, N. Y.

Dodge, H. S., superintendent of schools.
Holland, Stephen, mayor.

Hudson, N. Y.

Smith, M. C., superintendent of schools.

Ithaca, N. Y.

Hook, J. W., president, board of education.
Kerr, W. O., clerk clerk.

Jamestown, N. Y.

Hall C Snell, president, board of education.

- Johnstown, N. Y.
Chamberlain, W. W., mayor.
- Kingston, N. Y.
Michael, M. J., superintendent of schools.
- Lockport, N. Y.
Kelley, Roy B., superintendent, board of education.
- Mechanicville, N. Y.
Jones, Evan E., clerk, board of education.
- Middletown, N. Y.
Macardell, A. B., mayor.
- Mount Vernon, N. Y.
Roberts, Leslie S., secretary, board of education.
- Newburgh, N. Y.
Gage, Snyder J., superintendent of schools.
- New Rochelle, N. Y.
Leonard, Dr. Albert, superintendent of schools.
- New York City, N. Y.
Nifenecker, Eugene A., director of references, research and statistics—board of education.
- Niagara Falls, N. Y.
Maddever, N. F., president, board of education.
- North Tonawanda, N. Y.
Batcheller, Delmar E., superintendent, department of education.
- Norwich, N. Y.
Davis, Edward P., city chamberlain.
- Ogdensburg, N. Y.
Cooper, Dr. W. Grant, president, board of education.
Westbrook, William E., mayor.
- Olean, N. Y.
Turner, A. E., city auditor.
- Oneida, N. Y.
Fearon, Henry D., president, board of education.
- Oneonta, N. Y.
Dann, G. J., superintendent of schools.
Marshall, Robert O., city clerk.
- Oswego, N. Y.
Leighton, Frederick, secretary, department of education.
- Plattsburg, N. Y.
Cooke, Harry M., president, board of education.
- Rochester, N. Y.
West, Herbert S., superintendent, board of education.
Platt, Clarence M., corporation counsel, department of law.
- Rome, N. Y.
Staley, George R., superintendent of schools.
- Syracuse, N. Y.
Hanna, Charles G., mayor.

Troy, N. Y.

Eldred, A., superintendent of schools.

Tonawanda, N. Y.

Sutley, Frank K., superintendent of schools.

Utica, N. Y.

Gillmore, Frederick, mayor.

Watertown, N. Y.

Burdick, Raymond C., superintendent of schools.

White Plains, N. Y.

McLaughlin, F. C., mayor.

Yonkers, N. Y.

Hodge, Lamont F., superintendent of schools.

APPENDIX VII

REPORT OF THE SCHOOL FINANCE COMMITTEE

To the New York State Conference of Mayors.—Mayor Carlson of Jamestown, your president, pursuant to resolution adopted by you in your Mid-Winter Conference, appointed the following committee to consider the question of school finance and the financial embarrassment of the New York State municipalities arising out of the present method of school administration in this State, namely:

William J. Wallin, former Mayor of Yonkers, N. Y.
 John B. Harris, Mayor of Watertown, N. Y.
 Fred C. McLaughlin, Mayor of White Plains, N. Y.
 Harry E. Clinton, Mayor of Troy, N. Y.
 Charles G. Hanna, Mayor of Syracuse, N. Y.
 Joseph C. Wilson, Comptroller of Rochester, N. Y.
 George W. Knox, Corporation Counsel of Niagara Falls, N. Y.
 The last named being Chairman.

During the year your committee has had several conferences on this matter and conducted between its members correspondence, and have considered data from various sources bearing upon this subject. In accordance with our partial report made at your session March 8, 1927, your committee submits to you, for your consideration, the following report.

The following figures are taken from the report prepared by the Statistics Bureau of the Administration Division of the University of the State of New York, being Bulletin No. 840 issued by said Bureau dated November 15, 1925, and Bulletin No. 870 issued by said Bureau dated February 15, 1927. This is the latest data which your committee has been able to obtain.

The following table shows the increased cost per pupil in village under superintendents for total current expenses, based on average daily attendance 1918 to 1928:

Villages	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25
Low	\$38	\$45	\$46	\$44	\$55	\$58	\$63
Average	55	66	79	82	87	97	105
High	83	134	144	166	166	249	221
25 percentile..	47	58	66	70	76	81	85
Median	54	62	77	78	84	90	97
75 percentile..	59	69	86	88	93	107	116

The following table shows cost per pupil in public school in cities, villages of 4,500, or more, and high school districts in towns from 1918 to 1926.

Based on Current Expenses and Average Daily Attendance

	Cities	Villages	High School Districts in Towns	Other Districts in Towns	State
1918-20	\$36.50	\$64.24	\$63.69	\$64.66	\$67.44
1920-21	98.88	79.08	79.15	78.62	94.25
1921-22	102.58	81.64	80.51	76.25	96.94
1922-23	103.87	86.79	88.07	78.59	98.74
1923-24	108.00	94.72	92.87	85.54	103.60
1924-25	106.48	102.10	96.34	83.51	106.52

The following table shows cost per pupil in said last named schools:

Based on Total Expense and Average Daily Attendance

1919-20	\$77.35	\$95.04	\$82.69	\$76.83	\$78.47
1920-21	116.94	130.38	106.84	91.14	113.76
1921-22	126.42	134.93	116.25	87.74	121.66
1922-23	133.89	160.20	136.10	93.03	131.08
1923-24	156.26	200.55	147.13	109.86	152.85
1924-25	168.75	211.77	161.72	113.94	165.00

The following table shows cost per pupil in public schools for current and total expenses based on daily average attendance from 1919 to 1926 and shows amount expended for different purposes:

Year	General control	Instructional service	Operation of plant	Maintenance of plant	Auxiliary Agencies
1918-19 ...	\$2,788,486.72	\$63,406,092.53	\$8,048,381.65	\$3,044,503.14	\$1,870,757.33
1919-20 ...	3,110,502.47	75,257,418.71	9,173,833.43	3,079,319.94	2,165,343.69
1920-21 ...	4,300,198.50	114,502,950.47	11,447,196.54	4,898,512.59	2,834,654.43
1921-22 ...	4,592,876.50	123,221,165.94	11,201,046.02	6,870,635.05	3,352,127.20
1922-23 ...	4,639,526.55	129,800,047.47	12,257,256.45	7,118,055.60	3,357,651.25
1923-24 ...	4,944,657.76	137,090,436.41	13,082,139.74	8,241,950.59	3,890,340.82
1924-25 ...	5,214,493.86	143,523,703.68	14,042,684.79	8,333,199.06	4,391,103.55

Year	Fixed charges	Current expenses	Debt service	Capital outlay	No. of Teachers
1918-19...	\$681,012.74	\$79,859,134.11	\$5,107,594.28	\$7,387,451.04	52,658
1919-20...	799,048.19	93,585,461.42	5,393,761.01	9,617,689.76	54,165
1920-21...	1,096,257.78	139,179,740.80	8,096,608.20	20,507,422.27	55,732
1921-22...	1,417,560.70	150,655,211.59	8,461,523.22	29,488,237.96	57,935
1922-23...	2,539,821.16	159,712,358.48	11,229,632.98	39,621,609.74	60,231
1923-24...	4,123,835.43	171,323,360.55	12,481,446.77	66,748,958.83	62,401
1924-25...	4,361,103.55	179,720,194.37	15,048,111.69	88,738,204.83	

From the above tables it will be seen that the expense of running the schools of this State has increased from 1917 to 1926:

For general control from \$2,943,571.96 to \$5,214,493.26.

For instructional service from \$58,397,687.96 to \$143,529,703.68.

For operation of plant from \$7,149,590.82 to \$14,042,624.79.

For maintenance of plant from \$2,400,046.42 to \$8,333,199.06.

For auxiliary agencies from \$1,690,390.86 to \$4,245,009.43.

For fixed charges from \$616,600.58 to \$4,361,103.55.

For current expense from \$73,206,888.60 to \$179,720,194.37.

For debt service from \$4,946,476.81 to \$15,048,111.69.

For capital outlay from \$5,529,381.58 to \$88,738,204.98.

During that period the number of teachers has increased from 52,555 to 64,321.

Daily average attendance of pupils has increased from 1,297,271 to 1,687,110.

In other words in nine years the cost of general control has increased approximately 250 per cent.; instructional service approximately 275 per cent.; plant operation approximately 100 per cent.; maintenance of plant approximately 300 per cent.; auxiliary agencies approximately 300 per cent.; fixed charges approximately 800 per cent.; total current expenses approximately 300 per cent.; debt service approximately 375 per cent.; capital outlay approximately 1,700 per cent.; while the increase in teachers is approximately 25 per cent. and increase in pupils taught approximately 30 per cent.

It will be seen that this tremendous increase in expense in every department and in every activity is entirely out of proportion to the increase in the teaching staff required for the number of pupils to be served. This means that theories are being tested out and experiments made outside of the increased services required. The only justification for this tremendous increase would then be that the bureaucracy which is handling the school system in Albany is getting better results. That pupils are turned out in the ordinary walks of life well and better equipped than heretofore, but inquiry made among business houses and men who have to deal with pupils coming from our schools finds a large percentage of sentiment to the effect that the average boy and girl is not as well equipped in the common branches now as was the boy or girl who came from the schools fifteen or twenty years ago. There is a general sentiment that there is a dabbling with too many isms, a smattering of too many ologies and attempt to cover a wide range of subjects at the sacrifice of time and application which should be put in on the plain subjects which are every day necessities to the boy or girl in this day and in which they should be thoroughly grounded and equipped. The endeavor is more expansive but not as thorough. Your committee feels that for such a boy or girl, superficiality in all subjects, is neither good for the pupil or society. The pupils are sent forth ill equipped, with no drill as to thoroughness in anything and are bound to meet with disappointments and to find from sad experience that they have been misdirected during the years they have been in school and that they are not equipped even in the common branches as thoroughly as they certainly had the right to expect and were led to expect. This experience on the part of any boy or girl is hardly conducive to respect for authority or judgment of their elders.

Your committee finds that the building programme which as has been seen has been tremendously extensive is conducted throughout the State in a haphazard manner. Buildings are erected according to the whim of local architects and in most instances without any check from the elected representatives of the people who have to pay the bills in that locality. There is no uniformity of the appointment of boards of education throughout the cities in the State. There is no uniformity of authority. In some cities the mayor has the appointing power; in other cities the boards are partly elected and partly appointed. Again in others they are entirely elected. In some cities the council has some control over the education budget. In others they have none whatever. In none of the cities of the State the boards of education seem to cooperate closely or consult with the other governing boards of the city. Throughout the State the boards of education seem to have entered upon an era of spending urged on by the educational bureau in Albany regardless of the bonded limits placed upon the cities and without consulting the requirements of other municipal departments. There is no uniformity of buildings throughout the State and it has occurred to your committee that if these matters

are to be controlled from Albany here is a part of the control which has been utterly neglected at the sacrifice of millions of dollars. If the building operation is to be shouldered by the community and is to be left as a local control then dictation to any extent should be cut off in Albany.

Owing to the chaos of the educational system this great lack of uniformity throughout the State, the jumbling together of different systems in the different cities with only one uniform result, to wit, the unsatisfactory increase of expense and the unsatisfactory educational equipment of the pupil, your committee has found it impossible, unless a permanent staff is created and a fund placed at the command of that organization, to conduct a thorough investigation. Your committee has gone far enough into the matter to understand that there are grave abuses to be corrected and to be able positively to assert that these abuses cannot be corrected and will not be corrected without a thorough study being made by a proper organization properly financed. Inquiry of persons connected with the Governor's so-called Investigating Committee and other committees which have been appointed by this organization and by other authorities in the past bring forth the information that they have been hampered by lack of organization and lack of funds and that their investigations have been entirely superficial and that they were only able to report makeshift remedies.

Your committee feels that the entire educational system in the State should be reorganized and the laws governing the same re-codified. That either the school system should be left with the municipalities as a matter of Home Rule with the matter of supervision from the State Board of Regents affecting the higher branches of education and the entrance to advanced schools, or else, if the State is to insist on violating the principle of Home Rule as regards education and wishes to adopt the theory of those who insist that education is entirely a state function as to a matter of bureaucracy dictated by bureaucrats in Albany, then the State should assume an independent control of the educational burden with all the responsibilities that go with it financially and otherwise so that that system could be charged by the people who are getting the results and paying the bills without hiding its defects behind city governments as it is now enabled to do and where it could be held responsible by public opinion and the Legislature for the increase of expense and could be controlled in its spending so that some regard to the tax-paying and debt increasing ability of the municipalities of this State would be observed.

Your committee reports that in its opinion no thorough or properly staged investigation has been had in the past. That the present system is chaotic and has become so burdensome and is so unproductive of proper results that a thorough study of the situation should be made. That a permanent commission should be created to study the educational question in all its branches and to report a proper control and limitation on spending; establish a

uniform constitution of boards of education in the cities throughout the State; provide for the requirements of membership on these boards; provide for the uniformity of building construction, and should be checked in its power to make bond issues, call bond elections and be compelled to observe a cooperative attitude in spending money so that the taxpaying and bonding ability of the cities for other purposes can be protected.

Your committee therefore recommends that another committee be appointed at once to prepare a memorial to the Governor and members of the Legislature setting forth the substance of this report which memorial shall recommend the appointment of a permanent commission to study all the questions involved in the premises, and that a proper appropriation for the work of this commission be provided and regulations adopted for their work to the end that the educational system can be thoroughly revised and its present abuses corrected, and that this committee prepare its report and submit it to the Executive Committee of this Conference in time so that said memorial can be filed with the Governor and the Legislature at the opening of the Legislature at its ensuing session.

APPENDIX VIII

RE SCHOOL FINANCE COMMITTEE

Memorandum of Deficiencies in New York State School Finance System and Memorandum of Questions to Be Investigated Relative to the Same

Notwithstanding the fact that the Legislature has, since 1923, restored to the cities of this State a large amount of their inherent right of home rule, it has retained, under the State, control of education with a result that all the objections and abuses which existed in cities through a division of power and responsibility still exists in the educational department. The State has retained the power to direct school expenditures, but it still holds local city administrations responsible for raising most of the funds and thereby makes them, instead of educational authorities, accountable to the people. Within the last ten years, there has sprung up a mania of spending and great extension of the curriculum of the schools, the erection of elaborate buildings equipped with luxuries in addition to necessities, and the large increase in salaries for all employees and school officials as well as the extension of the pension system. These expenses are falling directly upon the cities and are incurred by the school authorities, almost without exception, without regard as to the requirements of other city departments, often in defiance of the rights of the other departments to consideration and never with any regard to the constitutional limitations imposed on cities as to taxing and bond or debt incurring power. All of this is resulting in a tremendous increase in the expenditures in the school branch of the government so that the same in some cities has come to cost annually more than all other branches combined, with the increase in expenditures still rapidly being urged forward by the school authorities from the State Superintendent of Education down. The time has come when either the State must assume the responsibility as well as the actual fact of raising all school funds and directing school expenditure and administration, and relieve the cities of the burden of paying bills which they are not permitted to have a voice in incurring, or else the abuses of the present system must be abolished through the restoration of home rule to the cities in the matter of education.

The following are some of the most serious difficulties and important queries which have presented themselves to the committee on school finance appointed by the New York State Conference of Mayors at its June session in Schenectady in the year 1926, and the report of which committee was made at the Niagara Falls Conference of Mayors on May 31, 1927, which report is on file with W. P. Capea, Secretary of said Mayors' Conference at the headquarters of the conference, City Hall, Albany, N. Y.

1. The greatest abuse out of which the above difficulties arise would seem to be the lack of cooperation between the spending

power of the school departments of the cities and the spending power of the city councils owing to the school boards being under the domination of outside authorities at Albany, oblivious of local conditions, except perhaps to a superficial extent in the local educational departments.

2. There appears to be too much arbitrary power vested in the hands of the State Superintendent of Education in controlling the moneys going to localities under State aid. This renders local boards unduly subservient to the discretion of one man and very large amounts for distribution should not be left to be paid out or withheld according to whether or not local boards follow his judgment, whim, or expenditure ideas, or the cities' indebtedness largely left to the good or bad judgment of one State individual at the head of the State Educational Department.

3. There is too much power in the educational department at Albany, in directing expenditure with no right to appeal by other city departments affected through the direction of expenditure in the local educational department of any city.

4. There is an ignorance or disregard by the State Educational Department, both local and State, and the State Superintendent of Education as to the financial necessities of other departments and activities necessary to be carried on by the cities, and expenditures are approved or directed by the State educational authorities without regard to the limitations placed on cities as to taxing, bonding, and debt incurring power under present constitutional limitations.

5. An analysis of the present education law clearly reveals that neither the State nor local appointive school authorities can be forced to account directly to the people.

The following queries arise when considering the above conditions and a proper solution of these queries might tend to bring relief or to solve the difficulties above outlined and are matters of serious consideration by some investigating power which should be created and properly financed and equipped.

a. Should the creation or establishment of school boards be uniform throughout the State, and if so, should they be appointed or elected, or partly appointed and partly elected, and in the case of appointment in whom should the appointing power be vested? If appointed, should the appointing power have the power of removal which the law now denies?

b. What is the cause of the above specified burdens bearing more largely on some cities than on others?

c. Should the boards of education be represented on the budget making and bond incurring bodies of a city or vice versa?

d. Should the present discretionary power vested in the State Department of Education as to withholding state moneys from local boards be curtailed, and in whom should it be otherwise vested, should such a discretion exist at all?

e. If State control be a good thing should it be further centralized to provide for standard school houses and construction and supervision as to location of schools in each city?

f. What is the existing result of the present system in each municipality and what are the provisions which permit some localities to escape the unfavorable results experienced by other municipalities?

g. What unfavorable results are found to be common to all cities?

h. Is the present distribution of State aid in municipalities based on the best method, or should consideration of financial ability of some municipalities over others be taken into consideration, and if so, how can proper discrimination be secured?

i. In view of the existence of the pension system for teachers and school officials should uniform scale of salaries be fixed throughout the State with gradation for importance of position and length of service?

j. Should we return to the control of expenditure by each community itself leaving supervising advisory power as to the curriculum to the State authorities, and if said power is to be, as at present, mandatory, should the present power be curtailed and to what extent?

k. Should the administrative business activities of the school department of each city be under a separate business administrative head and the direction of instruction vested strictly in another?

l. What qualifications, if any, should be prescribed for eligibility to school boards?

m. To what extent should the State regulate the school term and hours, and should the present mandatory power of the central State authority be regulated by statute so as to require a greater or lesser number of weeks of attendance than now exist?

n. To what extent, if any, should limitation be put upon the curriculum prescribed by the State authority for schools in each municipality?

o. Cannot seating and classroom capacity in schools be increased to advantage by curtailing elaborateness in accessories and equipment now being indulged in, and is not utility sacrificed in many instances to elaborateness of construction and design of buildings?

p. Is it advisable to make the school debt a distinct indebtedness from other city debts so that it will be eliminated from the constitutional limitations now imposed upon cities as to bond and debt incurring power?

q. Is it advisable to eliminate school appropriations from the scope of constitutional taxing powers?

r. What power has the State Department of Education over school building plans and specifications and the use of existing buildings?

s. Has this power been abused? Should it be extended or curtailed?

t. Should school taxes be collected separate from city, county, and State taxes?

u. Should health service (not instruction) be under and by school authorities or under and by local departments of health?

v. Should recreation be under and by school authorities or under and by municipal authorities?

w. In cities in which the school board has been made elective and completely divorced from city government, cannot many of the safeguards now applied to the city council in many city departments relating to the procedure in preparing the budget be applied with advantage to the school board, such as itemizing of estimates for the same, publicity, and public hearings in relation thereto, etc.?

x. Cannot the vacation period be shortened and the utilitarian powers of the school property be increased by putting school buildings in continuous use during the year like any other public property investment?

Respectfully,

(Signed) GEORGE W. KNOX,

*Chairman of School Finance Committee of
New York State Conference of Mayors.*

July 1, 1927.

CHECKED
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