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**COST OF GOVERNMENT IN THE  
UNITED STATES, 1925-1926 .**

**STUDIES IN TAXATION AND  
PUBLIC FINANCE**

**PUBLISHED BY THE  
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# **COST OF GOVERNMENT IN THE UNITED STATES 1925-1926**



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## FOREWORD

**T**HE business of government is today the third largest business in the United States, exceeded in its annual turnover only by manufacturing industry and agriculture. The business of providing public services is surely no less important than these other businesses for the security and welfare of the American people, but it differs from them in one significant respect: it is everybody's business, and as such it tends easily to become nobody's business. It may fairly be said that the community gives far less thought and energy to regulating and controlling the business of government than it does to the supervision of other businesses of far less magnitude. Yet it is the community that pays the governmental bill, and the responsibility falls upon it to devote at least as much thought to making the business of government efficient, to lowering the cost and improving the quality of the services the taxpayer buys, as has been applied in industry and trade to give the consumer a better product at a lower price.

The first step in this direction is, of course, a better and more widespread knowledge, on the part of its customers, of the facts regarding the financial position of the business of government. It is a strange reflection upon the business sense of our supposedly businesslike American public that, till recently, even the most elementary and obvious facts regarding the total volume of taxation, public expenditure and indebtedness in our federal, state and local governments have not been available, so that the growth in the business of government could not be measured in any comprehensive and regular way from year to year.

In its series of studies of the cost of government, of which the present is the fifth, the Conference Board has sought to fill this public need. With increased experience in assembling and handling such data, the Board's studies have become steadily more comprehensive in scope and systematic in

method. In the present volume particularly they have been made more intensive in character as well. While it has been important for the American public to have impressed upon it the sheer bulk of the business of government and the tremendous significance in our economic life of its rapid growth, the time has passed when the mere size of the figures involved, or the fact that they become larger year by year, are features of chief interest or significance to the average American citizen, who has long since become accustomed to large numbers in every aspect of his life. As the staggering totals are presented year after year, the natural response which they invite is the question: What of it? The high standards of living which go with a productive and prosperous country make themselves felt in the demand for more and better public, as well as private, services and if the public wants them and can afford them it is the business of government to supply them. The important questions which the public may well ask are: how its money is being spent, whether the cost of the services it demands is fairly distributed and whether it is getting its money's worth for what it pays.

It will be long before these questions can be answered in any such comprehensive and accurate way as can those regarding the total cost of government. But in the present volume a start has been made in this direction, and accordingly greater emphasis has been placed upon such subjects as the functional distribution of expenditures, sources of tax revenues, debt retirement, and upon the financing of education, highways and roads; and attention is drawn to the work of local taxpayers' associations in cultivating an active public interest in fiscal questions. If public attention were increasingly directed to such matters, now that it has been brought to realize that government is a costly business, it would the better appreciate the need of making it an efficient one, and be the better prepared to seek out ways of doing so.

This volume is the result of an investigation conducted by Mr. W. J. Shultz and assistants, of the Conference Board's Research Staff, under the supervision of the Staff Economic Council.

## FOREWORD

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In the preparation of its studies the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership, and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. • The publications of the Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.



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## APPENDIX A

### LIST OF TAXPAYERS' ASSOCIATIONS

**T**HIS list expressly excludes civic organizations, bureaus of research, chambers of commerce and similar organizations whose interests are not confined to taxpayers' problems. It includes all taxpayers' associations that have been operative during the years 1922 through 1927. Organizations marked with an asterisk (\*) were either reported as inoperative by June 1927 or made no reply to a final check questionnaire sent to them in that month.

State	Location	Name of Association	Officer	Scope
Arizona . . . . .	Bisbee.	Cochise County Taxpayers' Association.	Vance Johnson, Secy.	County.
	Clifton.	Greenlee County Taxpayers' Association.	H. E. Brubaker, Secy.	County.
	Globe.	Gila County Taxpayers' Association.	W. H. Keegan, Secy.	County.
	Jerome.	Yavapai County Taxpayers' Association.	A. Dumbauld, Secy.	County.
	Nogales.	Santa Cruz County Taxpayers' Association.	R. E. Moore, Secy.	County.
	Phoenix.	State Taxpayers' Association, 503 Luhrs Building.	V. Harvey, Secy.	State.
	Safford.	Graham County Taxpayers' Association.		County.
California . . . . .	*Los Angeles.	California Income Taxpayers' Association, 924 Washington Building.		State.
	Los Angeles.	California Taxpayers' Association, Subway Terminal Building.	Vance H. Evans, Ex. Secy.	State.
	Los Angeles.	Tax Relief Association of California, 418-20 American Bank Building.	Stoughton Cooley, Secy.	State.
	*Oakland.	Alameda County Taxpayers' Association.	E. W. Williams, Secy.	County.
	*Salinas.	Monterey County Taxpayers' Association.	J. W. Grimes.	County.
Connecticut . . .	*Hartford.	The Landlords' and Taxpayers' Association, 50 State Street.	Jas. W. Knox, Secy.	City.

LIST OF TAXPAYERS' ASSOCIATIONS

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State	Location	Name of Association	Officer	Scope
Delaware.....	Wilmington.	Taxpayers' Research League of Delaware, 303 Industrial Trust Building.	Russell Ramsey, Dir.	State.
Georgia.....	*Atlanta.	Georgia Taxpayers' League, 69 N. Pryor Street.	Frank Weldon, Secy.	State.
Illinois.....	Chicago.	Civic Federation of Chicago, 105 W. Monroe Street.	Douglas Sutherland, Secy.	State.
	Chicago.	Czechoslovak Taxpayers' Association, 5407 W. 22nd Pl.		Local.
	Chicago.	Lawndale Taxpayers' Association, 3437 W. 23rd St.	Louis Kyailka, Secy.	Local.
	Chicago.	26th Ward Taxpayers' Association, 1652 Throop St.	Frank Vilimek, Secy.	Local.
Indiana.....	Indianapolis.	Indiana Taxpayers' Association, 315 Hume-Mansur Building.	Harry Miesse.	State.
Kansas.....	Topeka.	Kansas State Taxpayers' Organization.	J. M. Kessler, Secy., 217 W. 21st St.	State.
	Kansas City.	Civic Tax League of Kansas.	E. M. Baddington, Pres.	State.
Kentucky.....	Louisville.	Kentucky Tax Reform Association, Columbia Building.	P. N. Clarke, Secy.	State.
Massachusetts	Boston.	Massachusetts Taxpayers' Conference Committee, 11 Beacon St.	Philip Nichols, Ch.	State.
Minnesota....	Duluth.	Taxpayers' League of St. Louis County, 917 Torrey Bldg.	R. M. Goodrich, Secy.	County and City.
	*Mankato.	Taxpayers' Association of Blue Earth County, 317 Coughlan-Hickey Bldg.	O. W. Walker, Pres.	County.
	Minneapolis.	Minnesota Taxpayers' Association, 928 McKnight Bldg.	H. J. Miller, Ex. Secy.	State.
	Minneapolis.	Taxpayers' Association of Minneapolis, 928 McKnight Bldg.	H. J. Miller, Mgr.	City.
	*St. Paul.	Taxpayers' Association of St. Paul.		City.
Missouri.....	Kansas City.	Taxpayers' League, 924 Baltimore Ave.	Pierre R. Porter, Secy.	State.
Montana.....	*Chester.	Liberty County Taxpayers' Association.	Frank Baker, Pres.	County.
	*Conrad.	Pondera County Taxpayers' Association.	James Sanders, Pres.	County.
	*Dayton.	Lake County Taxpayers' Association.	J. A. Shaffer, Secy.	County.

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State	Location	Name of Association	Officer	Scope
	*Fairview.	Richland County Taxpayers' Association.	C. P. Collins, Pres.	County.
	*Glasgow.	Valley County Taxpayers' Association.	J. Pattison, Pres.	County.
	*Glendive.	Dawson County Taxpayers' Association.	Frank P. Fleming, Pres.	County.
	*Havre.	Hill County Taxpayers' Association.	Geo. B. Bourne.	County.
	*Harlowton.	Wheatland County Taxpayers' Association.	E. C. Baxter, Pres.	County.
	*Helena.	Lewis and Clark County Taxpayers' Association.	Geo. Freeman, Secy.	County.
	Helena.	Montana Taxpayers' Association, P. O. Box 577.	John Edgerton.	State.
	*Kalispell.	Flathead County Taxpayers' Association.	H. G. Miller.	County.
	*Lewistown.	Fergus County Taxpayers' Association.	J. Quickenden, Pres.	County.
	*Livingston.	Park County Taxpayers' Association.	O. T. Armstrong, Pres.	County.
	*Missoula.	Missoula County Taxpayers' Association.	Frank Thomas, Pres.	County.
	*Roundup.	Musselshell County Taxpayers' Association.	L. R. Carroll, Pres.	County.
	*Sheridan.	Madison County Taxpayers' Association.	William Rhodes, Pres.	County.
	*Toston.	Broadwater County Taxpayers' Association.	B. B. Briscoe, Pres.	County.
Nevada.....	Reno.	Nevada Taxpayers' Association, 307 Reno National Bank Bldg.	F. N. Fletcher, Dir.	State.
New Mexico..	Santa Fe.	Taxpayers' Association of New Mexico, P. O. Box 557.	Rupert F. Asplund, Dir.	State.
New York....	Albany.	New York State Tax Association, 95 State St.	Chas. J. Tobin, Pres.	State.
	Buffalo.	Realty Tax Association, 328 Prudential Bldg.	William Speidel, Mgr.	City.
	Bronx.	Highbridge Taxpayers' Association, 1431 Boscobel Ave.	Ulysses S. Tanco.	Local.
	*Bronx.	Taxpayers' Alliance, 1495 Hoe Ave.	E. L. Franz.	Local.
	*Brooklyn.	Allied Boards of Trade and Taxpayers' Association, 983 Madison St.	M. J. McDonough, Secy.	
	*Brooklyn.	Bath Beach Taxpayers' Association, 47 First St.	M. G. Magrath.	Local.

## LIST OF TAXPAYERS' ASSOCIATIONS

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State	Location	Name of Association	Officer	Scope
	*Brooklyn.	Central Flatbush Taxpayers' Association, 216 E. 21st St.	Gregory Weinstein.	Local.
	Brooklyn.	Flatbush Taxpayers' and Civic Association, 1290 New York Ave.	F. C. Wandmacher.	Local.
	*Brooklyn.	Greenpoint Taxpayers' and Citizens' Association, 114 Greenpoint Ave.	Edward Welch, Pres.	Local.
	*Brooklyn.	Taxpayers' Protective Association of Brooklyn, 576 Decatur.	C. F. Harwood.	Local.
	Brooklyn.	Twenty-eighth Ward Taxpayers' Protective Association, 110-04 195th St., Hollis, N. Y.	H. Edelmann, Secy.	Local.
	*Brooklyn.	Van Sicklen Taxpayers' Association, Inc., 2800 Ocean Parkway.	W. E. Burgess, Secy.	Local.
	*Brooklyn.	Vanderveer Park Taxpayers' Association, 1266 New York Ave.	Albert Kuelling, Secy.	Local.
	*Brooklyn.	Windsor Place Taxpayers' Association, 248 Windsor Pl.	John Koehn, Secy.	Local.
	*Brooklyn.	Woodlawn Taxpayers' Association, 1641 Gravesend Ave.	Arthur E. Billington, Secy.	Local.
	Manhattan.	New York Tax Reform Association, 154 Nassau St.	A. C. Pleydell.	State.
	Manhattan.	Suffolk County Taxpayers' Association, 45 Cedar St.	Marvin Shiebler.	County.
	Manhattan.	Westside Taxpayers' Association, 271 W. 125th St.	B. L. Rullman.	Local.
	*Queens.	Astoria Taxpayers' and Business Men's Association, 135 Fulton Ave., L.I.C.	W. H. Thompson, Secy.	Local.
	*Queens.	College Point Taxpayers' Association, 21 N. 13th St., College Point.	Robt. C. Koehl, Secy.	Local.
	*Queens.	Glendale Taxpayers' Association, 17 Deyo St.	M. Duncuff.	Local.
	*Queens.	Westbridge Taxpayers' Association, 130th St. near Jamaica Ave.	Arthur C. Brown, Secy.	Local.

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State	Location	Name of Association	Officer	Scope
	*Yonkers.	Ninth Ward Citizens' and Taxpayers' Improvement Association.		Local.
	*Yonkers.	Yonkers Taxpayers' Association.		City.
North Dakota.	*Bismarck.	Burleigh County Taxpayers' Association.		County.
	Wahpeton.	North Dakota Taxpayers' Association.	Dan R. Jones, Secy.	State.
Ohio.....	*Akron.	The Taxpayers' Union.	Jacob Pfeiffer.	
	*Cincinnati.	Taxpayers' Association of Hamilton County, 614 Race St.	C. W. Ireland.	County.
	Columbus.	Ohio Tax Association, 149 E. State St.	W. T. Tolp.	State.
Oregon.....	*Astoria.	Clatsop County Taxpayers' Association.		County.
	Portland.	State Taxpayers' Association of Oregon, Oregon Bldg.	L. B. Smith, Secy.	State.
	*Roseburg.	Douglas County Taxpayers' League.	H. O. Parqueter.	County.
Pennsylvania.	*Harrisburg.	Taxpayers' League of Harrisburg, Union Trust Bldg.	J. D. Royal.	City.
	Uniontown.	Taxpayers' Association of the Connellsville Region.	R. M. Fry, Secy.	County.
Rhode Island..	Providence.	Rhode Island Tax League, 830 Hospital Trust Bldg.	Jas. B. Littlefield.	State.
Utah.....	Salt Lake City.	Utah Taxpayers' Association, Kearns Bldg.	Alfred C. Rees, Secy.	State.
	Salt Lake City.	Western States Taxpayers' Association	Alfred C. Rees, Secy.	Twelve western states.
Washington...	*Asotin.	Asotin County Taxpayers' Association.	M. J. Crabb, Secy.	County.
	*Colville.	Stevens County Taxpayers' Association.	A. R. Myers, Pres.	County.
	*Ephrata.	Grant County Taxpayers' League.	J. H. Smith, Pres.	County.
	*Goldendale.	Klickitat County Taxpayers' Association.	Frank Fenton, Pres.	County.
	*Mount Vernon.	Skagit County Taxpayers' Association.	Alfred Polson, Pres.	County.
	*Okanogan.	Okanogan County Taxpayers' Association.	N. E. Whitworth, Pres.	County.
	*Pasco.	Franklin County Taxpayers' Association.	B. B. Horrigan.	County.
	*Pomeroy.	Garfield County Taxpayers' Association.	J. O. Loreg, Pres.	County.
	*Raymond.	Pacific County Taxpayers' Association.	A. J. Langanback, Secy.	County.



LIST OF TAXPAYERS' ASSOCIATIONS

State	Location	Name of Association	Officer	Scope
	*Republic.	Ferry County Taxpayers' Association.	J. S. Bedier, Pres.	County.
	*Ritzville.	Adams County Taxpayers' Association.	R. B. Ott, Pres.	County.
	Rosalia.	Whitman County Taxpayers' Association.	C. W. Wagner.	County.
	Seattle.	Lower Cost of Government League.	E. H. Thomas.	State.
	*Seattle.	State Federation of Taxpayers' Associations, L. C. Smith Bldg.	C. E. Arney, Secy.	State.
	*Seattle.	Washington Tax Limit League, 214 Empire Bldg.	F. C. Jackson, Secy.	State.
	*Spokane.	Taxpayers' Economy League of Spokane.	L. M. Livengood, Mgr.	County.
	*Tacoma.	Pierce County Taxpayers' Association, Tacoma Bldg.	J. E. Grant, Secy.	County.
	*Walla Walla.	Columbia County Taxpayers' Association.	J. J. Edwards, Pres.	County.
	*Waterville.	Douglas County Taxpayers' Association.	J. M. Stoddard, Pres.	County.
	*Wilbur.	Lincoln County Taxpayers' Association.	L. A. Dyar, Pres.	County.
Wisconsin.....	Rice Lake.	Wisconsin Taxpayers' League.	A. F. Ender.	State.
Wyoming.....	*Kemmerer.	Lincoln County Taxpayers' Association.	Jas. P. Rosenberg.	State.

## APPENDIX B

### METHODOLOGY

In many cases the preceding text and tabular material represents a summation of lengthy and often complicated computations. As a matter of record and to provide a check upon its calculations the National Industrial Conference Board believes that the principles and methods of these computations should be fully stated.

#### SOURCES OF DATA

Data on federal finances are drawn almost exclusively from the reports of the Secretary of the Treasury and from the departmental figures published in the annual treasury reports.

For its figures on state finances, the Conference Board has relied upon the "Financial Statistics of States" series of the United States Bureau of the Census, and upon correspondence with this Bureau, unless otherwise indicated.

There is no centralized source for data covering the annual finances of local governments. The United States Bureau of the Census, in connection with its decennial census reports, has given certain fiscal statistics of the local governments in its series on "Wealth, Debt and Taxation." For intermittent years, however, the Bureau of the Census reports in "The Financial Statistics of Cities" series only the accounts of cities with populations in excess of 30,000. The basic material on local taxes and expenditures must be obtained through the regular or intermittent surveys of local accounts published by certain of the states and by a sampling of published local reports or by questionnaires.

Finally, extensive use has been made of the published documents of the United States Department of Agriculture, of the Bureau of Education, of the Bureau of Public Roads and of the Bureau of Internal Revenue. Through the courtesy of the officials of these departments, the Conference Board has been permitted access to much hitherto unpublished material.

#### *Annual Accounting Period*

In the Conference Board's preceding Cost of Government studies, the accounting period used in the determination of tax revenues, government expenditures and government indebtedness was the calendar year. The arguments favoring the use of this accounting period are that it is a definite unit applicable to all governmental organizations and that it permits direct comparison

between tax and public expenditure data and such measures as national income and wealth.

In the present study, the accounting period used is that of fiscal years ending in a given calendar year. This lacks the definiteness of the calendar year period. The following reasons, however, decided the Conference Board to make the change:

1. In few cases do the fiscal years of governmental authorities coincide with the calendar year. To bring about an exact equivalence would involve the application of fractional calculations to the numberless accounts of the local authorities which is beyond the range of present possibility. The sampling method, used by the Board in its earlier studies, involved a possibility of error which is avoided in the use of fiscal years.

2. The United States Bureau of the Census uses fiscal years in its "Financial Statistics of States" and "Financial Statistics of Cities" series. The adoption of the same accounting period by the Conference Board permits it to make direct use of the data in these series.

It should be noted that data on state and local borrowings are drawn from the *Commercial and Financial Chronicle*, and these figures are for calendar years.

#### *Calculation of Public Expenditures*

Federal expenditures are fully reported in the annual reports of the Secretary of the Treasury. The figures presented in Table I are based upon the daily Treasury statements, with the expenditures of the District of Columbia excluded. The net total of expenditures and the figure for interest payments in Table 4 are from the unrevised daily treasury statements, as reported in the Annual Report of the Secretary of the Treasury, 1926. The figure for debt redemption is from the revised daily treasury statements. The revised statement takes into account transactions reported *after* the close of the fiscal year, but the difference between the two statements is insignificant.

The figures for the departmental expenditures and interest payments of the state governments are from the "Financial Statistics of States" series. The figures for debt redemption were obtained from the "State and Local Compendium" of the *Commercial and Financial Chronicle*. The totals in Table I include disbursements in aid of local projects but do not include the expenditures out of funds received from the Federal Government or from local governments.

Since 1913, the United States Bureau of the Census has published no data on local expenditures, except for cities with popu-

lations in excess of 30,000. The following data on local expenditures are immediately available: complete reports by the authorities of several states on the finances of their local governments, the Census Bureau statistics on cities over 30,000, the United States Bureau of Education calculation of local school expenditures and the United States Bureau of Public Roads' figures on local highway expenditures. The reports on local finance from those states which collected data provided a fairly broad sample. On the basis of this sample, the proportions that school expenditures and road expenditures were to total local departmental expenditures (except for cities above 30,000) in each year were estimated. These proportions were applied to the school expenditures and road expenditures for all local governments (exclusive of cities over 30,000). The two independent estimates so obtained were found to be in close agreement. The average of the two estimates plus the departmental expenditures of cities with a population exceeding 30,000 was taken to represent the net total of local expenditures for the year. To obtain the gross total, payments for interest and debt redemption had to be added. The yearly figure for local redemption was obtained from the "State and Local Compendium" of the *Commercial and Financial Chronicle*. The interest payments of cities over 30,000 were reported in "The Financial Statistics of Cities." Interest payments of other local governments were estimated by multiplying their outstanding indebtedness by the average interest rate on local indebtedness. The gross total of local expenditures so obtained compares very closely with the total for local taxes, borrowings and miscellaneous revenues, after allowing for increases in cash balances and in sinking fund assets.

#### *Functional Classification of Public Expenditures*

To the extent that certain governmental functions are carried on solely by the federal or state or local governments, each category has a somewhat independent content for the several governmental divisions. There is, however, sufficient overlapping of functions and, in general, sufficient agreement in the social effects of the independent functions to make a common classification under broad categories worth while. The items included under each heading in Tables 6 and 7 are as follows:

1. General government includes, in addition to the expenses of the executive, legislative and judiciary branches of government, all other overhead charges, such as the salaries and expenses of minor administrative bureaus and officials, election expenses, government buildings, printing and stationery.

2. Protection includes all expenses of police, fire, war and navy departments and all pensions and grants to retired employees of these departments. It also covers corrective and penal institutions, and the expenses of government departments charged with the regulation of labor and industry, or of any particular professional or business activity.

3. Education covers the expenses of the administrative bureaus or officials, as well as the direct expenditures for schools and libraries.

4. Highways include streets, roads, bridges, waterways and the overhead administration charges in connection with their construction and maintenance.

5. Economic development includes conservation and reclamation projects, agricultural encouragement, expenditures for the eradication of crop-destroying insects or of diseases of domesticated animals and the expenses of administration incidental to these functions. The harbor improvements of the Federal Government are covered under this title, but the municipal harbor improvements which have a rental value for the local government are not included.

6. Social welfare activities of the several governmental divisions are the most diverse of all. There are the costs of charity, and relief of the poor, aged or sick, usually undertaken by local governments. Of a quite distinct nature are the expenditures for economic welfare, such as, workmen's compensation and the supervision of the conditions of women and children in industry. Falling between these extremes are expenditures for pensions of former civil government employees, mothers' pensions, recreation, sanitation and health. The federal expenditures by the Bureau of Indian Affairs have also been classed as social welfare.

7. Miscellaneous covers the items undistributed in the available reports.

8. Public utilities cover public service enterprises operated under governmental authority for revenue. Only the expenditures not charged off against operating revenue are included.

The net total is the sum of these eight groups of departmental expenditures. The figure for *interest* covers the interest on public indebtedness, and *debt redemption* represents the net retirements, excluding refundings and conversions. It does not include additions to sinking funds. In the case of state and local expenditures, it covers the bonded debt retired by cash payments.

#### *Determination of Functional Classification*

The daily treasury statements do not report federal departmental expenditures in sufficient detail for functional analysis.

The percentage distribution of federal expenditures in Table 6 was therefore based on the Treasury's record of warrant authorizations. There is usually a lag between the issue of an expenditure warrant and the actual payment made upon it. However, over a period of years the functional distribution of warrants and cash expenditures tends to become identical. The percentage distribution so obtained from the warrant figures was applied to the total of cash expenditures to obtain the dollar-and-cents distribution given in Table 6.

The percentage distribution of state expenditures, shown in Table 7, includes federal aid expenditures, as well as state aid to local governments. All disbursements by state governments were included for the purpose of comparison with local expenditures. In 1925, about ten million dollars of interdepartmental transfers on account of capital outlays could not be eliminated from the state accounts. In the figures for combined state and local expenditures in Table 6, federal aid to the states has been eliminated.

The figures for local education and highway expenditures, and for interest and debt redemption payments were obtained from the various sources noted above. The distribution of other departmental expenditures was made by sampling. The figures for local expenditures in Table 7 include state aid; this item has been eliminated from the combined total in Table 6.

### *Public Indebtedness*

The data on the public debt of the Federal Government and on the foreign debt owing to the United States were obtained from the annual reports of the Secretary of the Treasury or through correspondence with the Treasury Department. The figures for annual state and local borrowings were taken from the "State and Local Compendium" of the *Commercial and Financial Chronicle*. The functional distribution of the state and of the municipal indebtedness is published annually in "The Financial Statistics of States" and in "The Financial Statistics of Cities," respectively. The volume of state and local net bonded indebtedness, as presented in Tables 25, 26 and 27, is found for 1913 and 1922 in the census volumes on "Wealth, Debt and Taxation" for those years. The 1925 figures were computed as follows:

To the net bonded state and local debt of each state in 1922 were added the bonds issued in 1923, 1924 and 1925, as reported by the *Commercial and Financial Chronicle*. From this total was subtracted the amount of bonds retired in those years, obtained from the same source. The total sinking fund assets of the states and of cities over 30,000 in each state were computed for 1922

from the census volume on "Public Debt," and for 1925 from "The Financial Statistics of States" and from the "Financial Statistics of Cities." The net bonded debt of each state and of the grand total was then corrected in accordance with the changes in the sinking fund assets thus computed. Changes in the sinking fund assets of local governments exclusive of cities over 30,000 are not available.

The net bonded indebtedness of state governments was computed from "The Financial Statistics of States," and the net bonded indebtedness of cities over 30,000 was computed from "The Financial Statistics of Cities." The indebtedness of other local governments is represented by the difference between the sum of these two and the total state and local net bonded debt.

In the tables of Chapter III, the net total of state and local bonds outstanding was calculated as \$9,865,197,000. It is obvious, in view of the method by which the figure was computed, that it covers the bonds issued and the bonds retired between the close of the fiscal year of each governmental unit and December 31, 1925, but does not take account of the issues and retirements during the corresponding period in 1922. This element of error cannot be eliminated in the distribution of the debt between state and local authorities nor in the distribution by states. For the combined total of state and local bonded indebtedness, however, the difference can be estimated. According to calculations of the Institute of Economics,<sup>1</sup> 23.7% of the calendar year borrowings and 21.8% of the calendar year retirements are made between the close of governmental fiscal years and the end of the corresponding calendar years. During this period there were borrowings in excess of retirements amounting to \$211,474,000 in 1922 and \$244,952,000 in 1925. The net bonded indebtedness at the close of the fiscal accounting periods of all state and local governments was therefore \$9,831,719,000 in 1925.

#### *State and Local Taxes*

State and local taxes for 1890, 1903, 1913 and 1922 were obtained from the United States Bureau of the Census' reports on "Wealth, Debt and Taxation." For all other years, state and local taxes were obtained from independent sources.

The state taxes include, in addition to all taxes collected by the state for its own use, all taxes collected locally and turned into the state treasury directly out of the tax funds. Local collections include taxes collected under the supervision of state departments or officials which revert to the respective local treasuries in pro-

<sup>1</sup>Charles O. Hardy, "Tax Exempt Securities and the Surtax," 1926, pp. 173-182.

portion to the amount collected in each locality, in addition to the taxes collected in accordance with local ordinances or levies. Funds received by one governmental unit out of the treasury of another government, in aid of an expenditure program, are not included in the taxes of the government receiving the disbursement, though the money available for such purpose be definitely limited to certain tax receipts.

### *The Computation of Local Tax Collections*

Complete collection figures for local taxes are reported in very few states. In most states the Auditor, Comptroller or Treasurer reports the share of inheritance, income, gasoline, motor vehicle license and other taxes received by the subsidiary local governments. In other cases, where the share of such taxes received by the local governments is in direct proportion to the state's share, these local taxes can be easily computed. These special tax receipts, however, form a very small proportion of the tax revenue of the local governments.

Property taxes comprise more than ninety per cent of local tax revenues. Unfortunately, property taxes are reported on the basis of levies instead of receipts. The estimate of local property tax collections from year to year must therefore be made on the basis of the levies reported. The chief problem resulting from the calculation of collections from levies is the determination of the fiscal year to which the taxes are to be ascribed.

The length of time between the levy of a property tax and its collection varies from several months to over a year according to the laws of the several states. Though the tax usually becomes a lien and is charged as a public account on the date of the levy, it could not properly, in the study at hand, be charged as of the date of levy. In order to bring all the local data into conformity with federal and state taxes, it was necessary to determine within which fiscal-year period the levies reported as of a particular date were collectible. This was accomplished through a careful examination of the tax laws bearing on this point in each state. In a majority of cases it was found that for most of the local governments in a state, the collection of the property tax was made in the fiscal year following the levy. In this study, such tax receipts have been charged to the fiscal year following that of the levy.

There are several states which make incomplete reports or no reports at all of their local property tax levies. In these cases, an attempt was made to secure representative samples of local government levies, and the index of increase or decrease derived from these samples was applied to the total of levies reported for



1922 in the Census Bureau's "Wealth, Debt and Taxation" series. The developments in the city tax levies of such states, as reported in the Census Bureau's "Financial Statistics of Cities" series, provided a further check on these estimates.

This use of levy data to estimate property tax collections does not make allowance for tax delinquency or back tax collections. For most of the states there is no way at present to estimate the effect of variations in these factors. Except in years of exceptional agricultural depression or prosperity, however, they tend to offset each other, with a slight balance on the side of the delinquencies.

In most states, as indicated above, definite data on local receipts from special taxes are available, and these were added to the estimated total of local tax collections. In the few states where there was no indication whatsoever as to the trend in these special tax collections, they were assumed to have increased since 1922 at the same rate as the ascertainable taxes. If the property taxes registered a decline from 1922 on, the figure for miscellaneous tax collections in later years was maintained at the 1922 figure.

It is evident that the Conference Board's estimates of local tax collections were not made by any rule of thumb method applied to all cases. Each state was considered individually on the basis of available data, the tax system obtaining, and the definite situation involved. When figures on the same subject reported independently by two or more officials were found to be in disagreement, the discrepancies were cleared up by correspondence, and the figures most reliable, consistent with other available data in the state, were used.

#### *State by State Distribution of Federal Tax Collections*

The state by state distribution of federal tax collections in Table 33 was estimated by adding the customs duties, prorated on a population basis, to the collections in each state reported by the Bureau of Internal Revenue. The totals in Table 33 differ from the federal tax collections in Table 28 for three reasons:

1. Some of the collections entering the Bureau of Internal Revenue reports at the close of the fiscal year are not recorded in the treasury accounts until the beginning of the succeeding fiscal year.
2. Refunds are not accounted for by states and are therefore not deducted in Table 33.
3. Federal taxes from territorial possessions of the United States are included in Table 28, but these territories are not included in Table 33.

## APPENDIX C

### FOOTNOTES TO TABLE 35

**Maine.**—Property and poll taxes from letter of Board of State Assessors, dated February 14, 1927. Other taxes estimated on basis of 1922 ratio, United States Bureau of the Census, "Wealth, Debt and Taxation: Tax Collections—1922."

**New Hampshire.**—Total taxes from annual reports of State Tax Commission and letter from the Commission to the Conference Board, dated January 26, 1927.

**Vermont.**—Property and poll taxes from biennial reports of Commissioner of Taxes. Other taxes estimated on basis of 1922 ratio.

**Massachusetts.**—For 1924 and 1925, property, poll, income and corporation taxes, from annual reports of the Commissioner of Corporations and Taxation, Licenses and permits from reports of Statistics of Municipal Finance. For 1926, property and poll taxes from letter of Commissioner of Corporations and Taxation, dated January 25, 1927. Taxes on income, corporations, licenses and permits estimated on basis of trend over period of years.

**Rhode Island.**—Property taxes from letter of Board of Tax Commissioners dated January 17, 1927; polls estimated by 1922 ratio to property taxes. Licenses estimated by data for cities over 30,000. Special district taxes estimated by ratio to total taxes in 1922. Licenses for 1926 estimated by trend over period of years.

**Connecticut.**—Data from annual reports of the State Tax Commissioner on "Information on Collection of Taxes" and biennial reports. The greater accuracy of the 1925 data accounts, in part, for the apparently larger increase in 1925 and also for the apparently small increase between 1922 and 1924.

**New York.**—For 1924 and 1925, all data from annual reports of State Comptroller on "Municipal Accounts" and annual reports of State Tax Commission. For 1926, property taxes from "Annual Report of State Tax Commission, 1925" and letter from the Commission dated January 29, 1927. Other taxes estimated on basis of trend over period of years in property taxes and in other taxes.

**New Jersey.**—For 1924 and 1925, annual reports of State Board of Taxes and Assessments. For 1926, property taxes from "Annual Report of State Board of Taxes and Assessments, 1925." Other taxes estimated from available samples.

**Pennsylvania.**—For 1924 and 1925, property taxes from Department of Internal Affairs, Bureau of Statistics and Information. Other taxes estimated on basis of 1922 ratio and data from "Financial Statistics of Cities." For 1926, municipal property tax levies obtained from "Financial Statistics of Cities, 1925." Other taxes estimated on basis of trend in municipal taxes over period of years, corrected on basis of relation of municipal property tax increases and total tax increases.

**Ohio.**—Total taxes from annual reports of State Tax Commission, and annual reports of State Auditor.

**Indiana.**—Property taxes from annual statistical reports of Indiana Legislative Bureau, annual reports of State Board of Tax Commissioners and letter from State Board dated January 27, 1927. Other taxes estimated on basis of 1922 ratio.

**Illinois.**—Property taxes from biennial reports of State Auditor, "Taxes Extended," corrected by annual estimate of delinquencies. Other taxes estimated on basis of 1922 ratio.

**Michigan.**—Property taxes from biennial reports of State Tax Commission and letter from the Commission of January 18, 1927. Municipal licenses estimated on basis of data for cities over 30,000 and ratio in 1922. Other taxes from biennial reports of Auditor General. Municipal licenses for 1926 estimated on basis of trend over period of years.

Wisconsin.—All taxes from data prepared by Wisconsin Tax Commission, for its biennial report, 1926, and letter from the Commission of April 5, 1927.

Minnesota.—Property taxes from Minnesota Tax Commission and State Auditor's reports. For 1924 and 1925, municipal licenses on basis of cities over 30,000 and 1922 ratio. Inheritance, vessel tonnage and railroad gross earnings taxes from Auditor's reports. Other taxes on basis of 1922 ratio. For 1926, all other than property taxes on basis of trend over a period of years in relation to property tax trend.

Iowa.—All taxes from Auditor's annual reports on "Valuation and Taxes" and on "Municipal Accounts." The State Auditor's data show \$6,558,000 more in 1922 local tax collections than the Bureau of the Census report. This accounts for almost all of the apparent increase between 1922 and 1924.

Missouri.—County and school district, general and special property taxes from biennial reports of State Auditor. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated on basis of 1922 ratio.

North Dakota.—Property taxes from reports of State Tax Commission. Other taxes estimated by 1922 ratio.

South Dakota.—Property, poll and dog taxes from reports of Department of Finance, Division of Taxation. Inheritance taxes for 1924 and 1925 equal one-ninth of state's share as reported in "Financial Statistics of States"; for 1926, estimated by trend over period of years. License taxes for all years estimated by ratio to property taxes in 1922.

Nebraska.—Property and polls from reports of State Tax Commission. Other taxes estimated by ratio in 1922.

Kansas.—Property and dog taxes from reports of State Tax Commission and letter from Public Service Commission dated January 31, 1927. Local inheritance taxes are one-ninth of state's share. Polls and licenses estimated by ratio in 1922.

Delaware.—All taxes for 1924 and 1925 from "The Fiscal Problem in Delaware," National Industrial Conference Board, 1927. For 1926, all county and town taxes from "The Fiscal Problem in Delaware." Other taxes estimated by ratio of county and town taxes to total over a period of years.

Maryland.—General and special property taxes from biennial reports of State Tax Commission, computed from tax rates and assessed valuations. Baltimore licenses for 1924 and 1925 from "Financial Statistics of Cities"; other taxes estimated from 1922 ratio. For 1926, Baltimore licenses and other taxes estimated by ratio to total over period of years.

District of Columbia.—All taxes for 1924 and 1925 from "Financial Statistics of Cities"; for 1926, from "Finances of the District of Columbia," by the Auditor.

Virginia.—County property taxes from reports of State Accountant on "Comparative Cost of Local Government." Local poll, gasoline, inheritance and dog taxes from biennial reports of State Auditor. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

West Virginia.—Property taxes from reports of State Tax Commission. Other taxes estimated by ratio in 1922.

North Carolina.—All taxes for 1924 and 1925 from annual reports of Commissioner of Revenue; for 1926, estimated on basis of trend over period of years.

South Carolina.—County and school district property taxes and gasoline taxes from reports of Comptroller-General. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by 1922 ratio.

Georgia.—General and special property taxes from annual reports of Comptroller-General, computed on basis of average rates on property of railroads and other public utilities. Other taxes estimated by ratio in 1922.

Florida.—County and school district property, gasoline and motor vehicle taxes from Comptroller's annual reports. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

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Kentucky.—Estimates from sample of counties and cities obtained by questionnaire and from "Financial Statistics of Cities."

Tennessee.—County property taxes from biennial reports of Department of Finance and Taxation. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

Alabama.—Estimated from sample of cities and counties obtained by questionnaire and from "Financial Statistics of Cities."

Mississippi.—County taxes for 1924 from Biennial Report of State Auditing Department. All other taxes, and all taxes for 1925 and 1926, estimated from sample obtained by questionnaire.

Arkansas.—Estimated from sample of counties and cities obtained by questionnaire and from "Financial Statistics of Cities."

Louisiana.—County and civil district property taxes from annual reports of State Tax Commission. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

Oklahoma.—Estimated from sample of counties and cities obtained by questionnaire and from "Financial Statistics of Cities."

Texas.—Estimated from sample of counties and cities obtained by questionnaire and from "Financial Statistics of Cities."

Montana.—Property, poll and motor vehicle license taxes obtained from biennial reports of State Board of Equalization. Other taxes estimated by ratio in 1922.

Idaho.—Property taxes from biennial reports of Auditor of State and telegram from the Auditor of April 13, 1927. Other taxes estimated by ratio in 1922.

Wyoming.—Property taxes from biennial reports of State Board of Equalization. Polls as in 1922. Licenses and permits estimated on basis of trend of state taxes on same subjects over period of years.

Colorado.—For 1924 and 1925, property, poll, gasoline and motor vehicle taxes from biennial reports of State Auditor. Other taxes estimated on basis of "Financial Statistics of Cities" and ratio in 1922. For 1926, taxes estimated on basis of "Financial Statistics of Cities" and trend over a period of years.

New Mexico.—Property taxes from biennial reports of State Tax Commission. Other taxes estimated by ratio in 1922.

Arizona.—Property taxes from biennial reports of State Tax Commission. Other taxes constant.

Utah.—Property taxes from biennial reports of State Auditor. Other taxes estimated by ratio in 1922.

Nevada.—Property taxes from annual reports of State Controller and "County and City Budgets" filed with State Tax Commission. Other taxes estimated by ratio in 1922.

Washington.—Property taxes from annual reports of Division of Municipal Corporations. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

Oregon.—Property taxes from State Tax Commission's published data. Cities over 30,000 from "Financial Statistics of Cities." Other taxes estimated by ratio in 1922.

California.—For 1924 and 1925, all taxes from annual reports of State Controller on "Financial Transactions of Municipalities and Counties" and letter from State Controller dated January 25, 1927. For 1926, property taxes from letter dated January 25, 1927. Other taxes estimated by ratio to total over a period of years.

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