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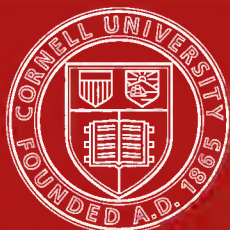
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Publication No. 2

City Club of Chicago

Report on the Municipal Revenues of Chicago

By

Charles Edward Merriam

Assistant Professor of Political Science, The University of Chicago

Report of an Investigation
of the
Municipal Revenues of Chicago

By
Charles Edward Merriam
Assistant Professor of Political Science, The University of Chicago

Chicago, Ill., January 3, 1906
Second Edition
February 10, 1906

City Club of Chicago

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To the Members of the City Club of Chicago :

Some months ago Miss Helen Culver expressed to your Committee on Public Affairs her desire to forward the aims of the City Club. She stated that she desired to assist the club "in the investigation and improvement of municipal conditions in the City of Chicago," and generously offered to provide the funds necessary for any specific investigation which your committee might recommend.

The Municipal Revenue System was selected as being of prime importance; and this report, embodying a careful, able, and comprehensive research, is the result. It is hoped that the community may through it profit by the work of Professor Merriam, and the generosity and public spirit of Miss Helen Culver.

WALTER L. FISHER,
WILLIAM KENT,
LESSING ROSENTHAL,
Committee on Public Affairs.

PREFACE

The purpose of this inquiry is to present as clear a statement as possible regarding the local revenues of Chicago; to show what the sources of our local income are, by whom they are collected, and in what manner. How this revenue, when raised, is expended, whether wisely or unwisely, it is not the purpose of this investigation to inquire. This examination extends only to the side of revenue or income, with some incidental reference to expenditure. The scope of this inquiry is not limited, however, to a mere description of the present system or systems, but includes also the analysis of defects in the system, whether these are due to the action or inaction of the administrator, the legislator, or the constitution-maker. It is also a part of the work to point out additional sources of revenue that might be utilized if it were desired to expand and develop the municipal revenue system.

The discussion is divided into four parts. Part I traces the historical development of our revenue system from 1871 down to the present time. Part II contains a series of tables comparing the revenue and expenditures of Chicago with those of the four largest American cities—New York, Philadelphia, St. Louis, and Boston (and also Toronto)—and with London, Paris, Berlin, Vienna, and Glasgow. It contains also a description of the sources of revenue and the revenue machinery in each of the cities enumerated. Part III is an analysis of the revenues of Chicago. It contains, in the first place, a series of tables showing the revenue, expenditure, and debt of each of the eight principal taxing bodies. Then there follows an examination of the various kinds of revenue, taxes, municipal industries, licenses, departmental receipts, special assessments, public-service privileges, state grants, and miscellaneous. Part IV, or the Appendix, contains material calculated to suggest new sources of revenue. It is made up of a discussion of the separation of state and local sources of revenue, the habitation tax, and the business value assessment.

A word may be said as to the method pursued. Most of the facts

on which this report is based have been obtained from the administrative officials, or from those who have given such attention to the particular subject discussed as to make their opinion especially valuable. All of the American cities discussed were visited in 1905 with a view of comparing their revenue systems with that of Chicago. The material on foreign cities has been compiled and discussed by Professor John A. Fairlie, of the University of Michigan, who also assisted materially in other parts of the inquiry, notably in the county fee system and water rentals. The figures for Chicago were taken by Mr. Ethelbert Stewart, whose twenty years of experience in statistical work for the state and national governments inspires confidence in his results. The study of the development of the local revenue system was prepared by Mr. Frederick D. Bramhall, of the University of Chicago. In comparing Chicago with other American cities, the census figures have been used, with the modifications necessary to place the comparisons on a uniform basis.

Every effort has been made to secure accuracy and fairness of statement, but in dealing with so complicated a system, it is not unlikely that certain errors have crept in. It is hoped, however, that no material misstatements of fact have been made. The desire to make this work available for consideration in connection with the Charter movement has necessitated a less careful examination of certain sides of the revenue situation than would otherwise have been the case.

C. E. MERRIAM.

PREFACE TO SECOND EDITION

Since the first edition of this report, the confession of a county employee has enabled the Citizens' Association to unearth specific instances of fraudulent manipulation of accounts in the office of the former Clerk of the Superior Court, and that officer has been indicted by the grand jury. The County Board has appointed a committee to investigate conditions in the county offices and install a proper system of accounting and auditing. An agitation for an increase in saloon licenses from \$500 to \$1,000 a year has also begun and a favorable recommendation made by the Council Committee on License.

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SYLLABUS

I. The historical development of the local revenue system shows (1) the growth of a great city for a generation with no addition to its corporate debt or taxing power; (2) a chaos of laws granting additional mills of taxing power and millions of bonding power to a group of competing local governments; (3) an increasing undervaluation of property from 1870 down to 1898, keeping pace with these increasing tax-rates; (4) a compromise in 1898 on the basis of a 20 per cent. valuation and a 5 per cent limit on taxation, with a tendency since then to raise the tax-rate above 5 per cent. and lower the valuation below 20 per cent.; (5) a tendency during the last generation to develop the license and special assessment systems in order to supplement the tax-rate.

II. A comparison of the revenues of Chicago with those of the largest American and European cities shows that our total municipal income, including the receipts of our eight local taxing bodies, is smaller per capita than that of any other city of the same class. Of the American cities, Chicago has the lowest tax-rate, the lowest tax revenue per capita, the lowest total revenue per capita, and the lowest debt per capita. This situation is made still more serious by the extended area of Chicago and the expenses that inevitably accompany expansion. Unless all records for economy and efficiency are broken, the result is certain to be an inferior type of government.

III. *Taxation.*—The general tax on both real and personal property is everywhere recognized as vicious, and in this respect is no worse and no better in Chicago than elsewhere. The local aggravations are the presence of a group of competing governments dividing the local tax under the complicated Juul Law, and the failure to collect taxes until long after the fiscal year is passed. The situation demands a consolidated City rate, with a system of City assessment and collection of taxes. In order to save the heavy expense of anticipating tax receipts, either the period of assessment should be advanced, or a surplus accumulated sufficient to obviate the necessity for temporary loans.

IV. *Municipal industries.*—While water rentals, the principal present item of income from municipal industries, should not be used to pay the general expenses of the government, every effort should be made to collect all that is due to the City. At present the collection of water rates is not sufficiently thorough as there is not available a force adequate to cover the territory. *Interest on public deposits* to the amount of \$15,000,000 should yield a larger income than at present, in view of the fact that many large funds are practically permanent. The entire interest now received is eaten up by payments for loans made in anticipation of taxes.

V. *Licenses.*—The license system is defective in its failure to supply the Collector with an adequate force of men. Many possible licenses, notably in the case of the sale of liquor, are uncollected, and the collection in any event is long delayed. A more vigorous license system and policy would add materially to the local revenue. An advance in the rate of saloon licenses corresponding to charges in other cities would swell the local income without occasioning any real loss to the liquor interests.

VI. *Special assessments.*—The present conditions require that a comprehensive and searching investigation should be made into the policy and practice of the City regarding special assessments, with a view of lightening the burden of the property-owner. The liability of property to reassessment for worn-out improvements is closely related to a tax, and vitally affects the whole revenue situation. The key to the local revenue system is the tax-rate, and at present the key to the tax-rate is special assessments.

VII. *Departmental receipts.*—The fees and office earnings of the principal local governments are at present inadequately audited and inspected. In the County there is neither a good system nor an adequate auditing force. In the City the system is distinctly better, but the auditing force is wholly insufficient.

VIII. *Public-service privileges.*—The scope of public-service privilege charges should be broadened to include sub-sidewalk space. The administration of all miscellaneous compensations should be centralized in the Bureau of Compensations, which should be adequately manned and equipped.

IX. *Extraordinary revenue.*—One of the gravest defects in the

local revenue system has been the attempt to provide and pay for permanent improvements from revenues already inadequate for the ordinary purposes of government, with an inevitably unfortunate effect both on permanent improvements and on local government. At present school buildings and many park improvements are being paid for from current taxes instead of from bond issues. If these permanent works were paid for from the proceeds of bond sales \$3,500,000 a year would be set free and made available for the current expenses of the local government.

X. *Auditing and inspection.*—At present the auditing and inspection of revenues is wholly inadequate in City and County. The situation calls for a central bureau of auditing and accounting, with power to prescribe forms of accounting, and to audit and inspect all receipts and disbursements for local purposes.

XI. *Consolidation and co-ordination.*—The local revenue system is decentralized, unsystematic, necessarily expensive, and irresponsible. The situation imperatively demands the consolidation of control over receipts and disbursements in a central body with full power over the finances of all local governing bodies. The advantages of consolidation from the revenue side may be summed up as those of system, publicity, and responsibility. Until consolidation can be secured, there should be established a board of Estimate and Apportionment to co-ordinate the budgets of the local governments.

PART I

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DEVELOPMENT OF THE CHICAGO REVENUE SYSTEM, 1871-1905

In 1871 the revenue system of Chicago was regulated by general and special laws, dating principally from 1867. Taxes for county and state purposes were assessed and collected under general law, as in other parts of the state; but an entirely distinct machinery was provided for municipal revenue. The sources of revenue were identical: an *ad valorem* tax on all property, except that specially exempted. Real property was then, as now, subject to the same rate of taxation as personal property. For all taxes other than those of the city, the town was the unit of assessment and collection, although, then as now, it was the duty of the County Clerk to extend the tax levy and issue the warrants. The Town Assessors were required "actually to view and accurately note each tract or lot" annually, and to assess all property, real and personal, including money and credits, at the true value in money, not, however, at forced sale. The Town Assessor, Town Clerk, and Supervisor acted as a town board of review, and returned the lists to the Board of County Commissioners, who constituted a County Board of Equalization. The assessment lists were then sent to the State Board of Equalization, which had been created in 1867, and by them finally equalized as between counties; and returned to the County Clerk. The County Clerk was required to extend on the collectors' books the rate for county purposes, fixed by the County Board (not to exceed 5 mills on the dollar, by act of 1861, but by the constitution of 1870 not to exceed 75 cents on the \$100, or $7\frac{1}{2}$ mills); the rate required to yield the amounts for town purposes in the respective towns, as certified to the County Board by the town Board of Auditors (not to exceed \$1,500 in North, South, and West Chicago); and also the rate for state purposes. The Town Collector was required to turn over to the Town Supervisor the money collected for town purposes (after deducting his own compensation), and that for park purposes; to the County Treasurer, the county and state tax.

With this cumbersome machinery the city had nothing to do. Under the law of 1867, a tax commissioner was appointed by the mayor to serve for four years. The city was divided into assessment districts by the tax commissioner, with the approval of the City Council, which also elected biennially an assessor for each district. The assessment was under the rules of the general state revenue law. The Board of Assessors, of which the Tax Commissioner was chairman, acted as a board of equalization for the city.

The separation of the city assessment from that on which the burdens of taxation shared in common with other towns and other counties rested, relieved it from the tendency to competitive undervaluation. The result is apparent in the totals of assessed valuation in Chicago, by city assessment, and, in the county, by township assessment. In 1871 the city assessment placed the value of real and personal property in Chicago at 290 millions, in round numbers; the general assessment for the whole county, including Chicago, was only 100 millions. In 1866, the year before the city assessment system went into effect, the valuation of the city was 86 millions; under the separate valuation, from 1867 to 1874, the totals were 195, 230, 266, 276, 290, 284, 312, and 304 millions, approximately; the next year, under general assessment, the valuation dropped to 174 millions; and then, as the competitive undervaluing became more and more evident, to 168, 148, 132, 118, and 117 millions. Not until the revenue law of 1898 took effect did the assessed valuation of the city reach the high mark of 1873.

On the basis of this city assessment, the Tax Commissioner computed as a single tax the rate required to raise the sums levied by the Common Council. The city charter authorized the council to levy "such sums of money as may be sufficient for the several purposes for which taxes are herein authorized to be levied (not exceeding the authorized percentage), particularly specifying the purposes for which the same are levied." What those authorized purposes and percentages were is somewhat difficult to discover, since they are found scattered through various acts. The following list is practically complete:

	Per \$100
Contingent and other expenses (General Fund)	\$0.45
Reform School	0.10
Street-lighting	0.20

Interest on sewerage bonds and sinking fund for same, and maintenance of sewers	"a sum sufficient"
Interest on the general debt and on water bonds, if necessary	"a sum sufficient"
Public buildings, river and harbor, and permanent improvements	0.25
Emergency debt of the preceding year, and judgments against the city	"a sum sufficient"
School tax	0.50
Sinking fund and interest on certain specified bonds	0.025
Police expenses	0.35
Tunnel tax	0.20

There were also authorized by different acts, without definite limitation, a tax for the Board of Health in case of epidemics; a tax for river improvement; one for local improvements not chargeable to property benefited; and one for repaving streets originally paved by special assessment.

The constitution of 1870, though it prohibited special legislation and enjoined uniformity in future legislative action, did not *ipso facto* destroy Chicago's independent tax system, nor her special financial powers. In 1872 the new revenue law was passed, which remained almost unchanged until 1898; even then, however, Chicago continued to act under her special laws; and, indeed, another law, passed in 1873, expressly authorized cities having such systems to retain them. The constitutionality of such procedure was immediately attacked, and finally, in 1877, overthrown by the Supreme Court (in *People vs. Cooper*, 83 Ill. 585). By the time the decision was rendered, however, it was important only as it affected the city's right to recover back taxes for these years 1873 and 1874; for in 1875 Chicago had abandoned all her special acts by accepting the Cities and Villages Act of 1872.

The Cities Act of 1872 gave decidedly liberal financial powers. A general taxing power for municipal purposes, without a definite maximum, was substituted for the old multiplicity of separate powers and limitations. The City Council was given power in Art. V—

1. To control the finances and property of the corporation.
2. To appropriate money for corporate purposes only, and provide for the payment of the debts and expenses of the corporation.
3. To levy and collect taxes for general and special purposes on real and personal property.
4. To fix the amount, terms, and manner of issuing and revoking licenses.
5. To borrow money on the credit of the corporation for corporate purposes.

In 1879 the present law was passed providing that the total amount of tax levied for the distinctly municipal purposes of the city government should not exceed 2 per cent. of the assessed valuation.

The Revenue Act of 1872 made few changes in the general revenue system already in force, being chiefly a codification and revision. The whole matter of the assessment of railroads and telegraphs was taken from the local officers and given to the State Board of Equalization, and the capital stock of incorporated companies was named among the subjects of taxation. The Board of Equalization was itself reorganized on its present basis—one member for each congressional district—with power to raise the total assessment of the state not more than 1 per cent. over assessors' figures, but with no power to reduce it.

At this time numerous separate taxing bodies were continued in existence, instead of being consolidated with the City government. Separate taxes were authorized to be levied by them or in their behalf (as in the case of the Park Boards and the Board of Education). New quasi-municipal bodies of a similar sort were thereafter created, such as the Sanitary District, organized to build the great Drainage Canal. The rate of taxation authorized on behalf of these and other similar bodies was fixed in each case with reference to the existing system of undervaluation in assessing property, thus almost making necessary the perpetuation of this system.

The School Law of 1872 left the limitation of school taxes at 5 per cent., but separated it into two parts: 2 per cent. for general purposes, and 3 per cent for buildings. In 1899 the two were changed to 2½ per cent. each.

The Public Library was established under an act of 1872, which authorized a tax of one-fifth mill. In 1881 the tax was increased to one-half mill, and was temporarily placed outside the 2 per cent. limitation upon city taxation; and in 1883 the act of 1881 was made permanent. In 1891 a tax of 2 mills was authorized to be levied until 1895, after which it was to return to one-half mill. In 1897 it was again raised to 1 mill.

The three park districts, as they exist today, were erected in 1869. The Lincoln Park Commissioners are not corporate authorities: they do not levy taxes directly. They were required by the act of 1869

to certify to the corporate authorities of North Chicago and Lake View the amount of money needed; and the town authorities levied the tax. Since 1901 the County Treasurer and City Clerk replace the town authorities. There was no definite legal limitation fixed for Lincoln Park taxes. Bonds to the amount of \$500,000 were, by the act of 1869, required to be issued by the city of Chicago on request of the Lincoln Park Commissioners. This being held by the Supreme Court to be virtually compelling the city to incur indebtedness without its own consent, and so void, an act of 1871 authorized the issuance of bonds by the town authorities, subject only to the constitutional requirement that they should not exceed 5 per cent. of the assessed valuation.

The South Park Commissioners are corporate authorities of the three towns (South Chicago, Hyde Park, and Lake) for park purposes; and they certify their taxes directly to the county clerk without the intervention of town authorities. The original act gave them power to levy \$300,000 taxes; subsequent acts authorized 1 mill, then 1½; finally, in 1905 the amount for general maintenance (in addition to the original \$300,000) was raised to 3 mills, to cover large additions to the park area and the construction of connecting boulevards. By the acts of 1901 and 1903, passed largely at the instance of the City "Small Park Commission," an additional half-mill was given, to be controlled by the South Park Board as a separate fund for the maintenance of small squares and breathing-spaces. In 1903, also, another half-mill was given, to be devoted as a separate fund to the maintenance of the Art Institute and the Field Columbian Museum on the lake front. It is a noteworthy fact that in 1905 the South Park Commissioners levy neither the half-mill for museums (since the Field Museum is not yet located on the lake front, the half-mill tax levied in 1904 has been devoted to the Art Institute alone, and so spread over two years), nor the half-mill, included in the 3 mills general-maintenance tax, which it was understood should be used for the care of new connecting boulevards, those boulevards not having been as yet acquired. The power to issue bonds is derived from specific authorization from time to time; and for each issue of bonds an annual tax is authorized to pay the interest and retire one-twentieth of the bonds. For this purpose taxes aggregating \$557,125 are levied in 1905.

The West Park district includes the single town of West Chicago. The commissioners were given power in the original act to levy, through the town authorities, a tax of one-half mill on the dollar; in 1873 an additional 3 mills was granted, which in 1879 was reduced to $2\frac{1}{2}$ mills. Subsequent acts added 1 or 2 mills at a time to the previously accumulated taxing power. From time to time, also, acts authorizing the issuance of bonds were passed, and each act carried with it the authorization of a definite tax in mills. In 1904 the total was computed by the West Park Commissioners at 12.5 mills, or \$1.25 per \$100. In the winter following, however, the Supreme Court, in the case of Pettibone vs. The West Chicago Park Commissioners (74 N. E. 387), held the last of these acts (that of 1901 authorizing an issue of bonds for additional small parks, and a 1-mill tax) to be void, as an act of special legislation; and the decision threw the validity of the whole structure of special powers somewhat into doubt. The legislature of 1905 granted an additional $1\frac{1}{2}$ mills by amending two previous acts authorizing $1\frac{1}{2}$ and 1 mill, respectively, to read 2 mills each. At the same time a small-parks act applicable to other park districts as well was substituted for the special one of 1901. Whether the result of the Pettibone case will be to compel in the future the use of laws actually as well as ostensibly general, it is too early to predict. Certainly until that case, the only apparent effect of the constitutional prohibition of special legislation has been to clothe park legislation in a mass of verbiage which, by means of general expressions, pointed out to the initiated one or the other park district.

The last great addition to the taxing machinery of Chicago came with the organization of the Sanitary District under the general act of 1889. The district as originally constituted contained all of the city north of Eighty-seventh Street, and a strip of territory outside the city along the route of the Drainage Canal. In 1903 large additions were made to it on the north and south, so that it now includes the whole city. It is for its special purpose a municipal corporation, and, like other municipal corporations, has a bonding power equal to 5 per cent. of the assessed valuation of the district, provided, however, that the total debt shall not exceed \$20,000,000. It has by the original act a taxing power of one-half of 1 per cent.; in

1895 it was given for three years an additional one-half of 1 per cent., and later this was extended to 1899. In 1903 an additional one-fourth of 1 per cent. was given for three years for the development of the water power of the canal. It levies also a small tax for interest and sinking fund; and since the debt charges absorb a large proportion of the annual tax, the levy has been necessarily held at a level high enough to yield some revenue for ordinary expenses.

There are also within the city two small fragments of park districts organized under general law: Ridge Park in the village of Rogers Park, and the North Shore Park District in Evanston. They are so small, however, that their taxes are an insignificant part of those of the whole city. Calumet Park District is also partly within the city limits, and five Towns lie partly within the city.

While these changes were making in the taxing authorities, it had become more and more evident that the assessment system was seriously defective. In spite of the requirement of the law that property should be assessed at its full cash value, it was at no time supposed that such was the actual practice. It has already been noted that the equalized assessment of Cook County in 1870 and 1871 was only about a third of the independent assessment of the city alone; and the real-estate valuation in Chicago in 1875, under township assessment, was somewhat less than half that of the year before, under city assessment; both, it should be remembered, being ostensibly under the same rule of full cash valuation. As a matter of fact, every assessor was a rule unto himself, and a rule easily adaptable to occasion. The Town Board of Review generally did little in the way of correcting individual inequalities, and the County Board almost as little toward equalizing town assessments. The State Board of Equalization has never satisfactorily accomplished what was expected of it, its powers being limited and its action arbitrary. Being forced to recognize that the final result of its labors was far from being really the true cash value of property in the state, it was accustomed from time to time to assume a steadily diminishing ratio as being the basis of assessment. About 1875 they found property generally to be assessed at 50 per cent. of its true value; and accordingly they endeavored to assess railroad property at the same proportion. In this course, although evidently in conflict with

the law of the state, they were upheld by the Supreme Court, in *Law vs. The People* (87 Ill. 385,404), the court declaring that, as between violating the revenue law by assessing at less than full value, and violating the constitutional mandate of equality by assessing at greater proportionate value than other property, the former was the proper course. If a definite rate could have been thus imposed, and adherence to it by local assessors enforced, slight objection could have been raised; but this was far from true. The assessment steadily fell. In 1880 the State Board, in the face of the shrinkage, still assumed the ratio to be one-half; in 1890 their declared proportion was one-fourth. In 1894 and 1895 careful investigations by the Illinois Bureau of Labor Statistics, and the Swift Commission appointed by the mayor in 1895, agreed in placing the average assessment of real estate in Chicago at about 10 per cent. of its real value: the land itself at about 8.3 per cent. and the improvements at 16.8 per cent. It was, moreover, an average of very wide extremes. There was no good basis for estimating the proportion of personal property assessed, but it was, of course, much less than that of real estate.

The effect of this progressive undervaluation upon the city's revenues was disastrous. The limitations of its taxing power and of its bonding power were both fixed percentages of the shrinking assessment; while its rapid growth greatly increased its needs. The indebtedness was already beyond the constitutional limit in 1871; a special constitutional amendment was required to authorize the World's Fair bonds. The tax levy was kept at the legal maximum from the time of its imposition in 1879. Yet the city was poor—too poor to be economical. Cheapness was the principal characteristic of the city government; instead of keeping pace in improvements with the city's rapid development, it was compelled to allow Chicago to remain in many respects an overgrown village. The demand for reform of some sort became constantly louder and stronger in the years following the World's Fair, until in 1898 the first step toward final relief was taken.

The revenue law of 1898 accomplished two things principally: it took the business of assessment away from the township assessors, and vested it in a Board of Assessors for the whole county; and it fixed the definite ratio of one-fifth between the assessed and the real

valuation, requiring, at the same time, the two to be entered in parallel columns in the assessor's books. This practically legalized the general undervaluation of property throughout the state. The various tax rates authorized by the Legislature from time to time remained unchanged, but could henceforth be levied only on the one-fifth valuation. The Board of Assessors consists of five members, serving six years each, at least one of whom must come from outside the city; two or one being elected every two years. There is also provided a Board of Review, of three members, having also a six-year term, one being elected every two years; it performs the duties of correction and equalization formerly resting on the County Board. The law requires real property to be actually viewed only once in four years, instead of annually; corrections and changes in intermediate years are made in the office of the Board of Assessors.

The new law had a striking effect in the increased assessment for 1899—35 per cent. larger than that of 1898. Other effects, not apparent in figures of total valuation, were equally important. Some sort of order, in place of the chaos of township assessment, immediately asserted itself; and honesty became the rule rather than the exception in the corps of assessors.

The law of 1898 contained also a clause intended largely to encourage true listing of property by its owners, by means of a guarantee against excessive tax burdens. It provided that the aggregate of taxes accumulated from the various taxing authorities should not exceed 5 per cent., and provided for a process of scaling down excess levies. Indebtedness was limited to $2\frac{1}{2}$ per cent. The section, however, was made to apply only to counties of over 125,000 population; and in 1899 the Supreme Court (*People vs. Knopf*, 183 Ill. 410) declared the section to be special legislation, and void. In 1901 the fault was remedied by the passage of the Juul Law, introduced by Senator Nels Juul. Under it the aggregate of all taxes against any property in any district, excepting only state taxes, school-building taxes, or levies by order of court, cannot exceed 5 per cent. of the assessed valuation. As the "assessed valuation" was already fixed by law at the arbitrary figure of one-fifth of the full (real) value of the property, the Juul Law thus provided that the total tax to be levied against any property should not exceed one per cent. of its real

value. If the rates certified to the County Clerk for extension exceed that amount in any district or districts, he is required to reduce the total in the district having the largest aggregate, to 5 per cent., reducing each component rate in like proportion. That proportionate reduction is applied thereupon to all rates alike, and the resultant rate is extended on the collectors' books. In 1903 the additional one-fourth of 1 per cent. tax which was given to the Sanitary District was placed outside the 5 per cent. limit of the Juul Law.

The Juul Law was effective in preventing excessive taxation; but it seriously disappointed many of the hopes of the Chicago taxing bodies for an increased revenue from the operation of the new revenue law. As the various authorities saw their tax levies cut down in the County Clerk's office, they raised their estimates the next year to provide for the loss; and each increase in the tax asked for meant a larger loss to all in the scaling-down process. In 1905 the Legislature passed an amendment for the relief of the two principal sufferers: it was provided that the city's 2 per cent. should not be reduced below 1.8 per cent., nor the county's 0.75 below 0.65. It was also provided that other taxes making up the aggregate should not in any case be reduced lower than they would have to be if this minimum for city and county were not fixed; that the city's and the county's gain, in other words, should not be the others' loss. The benefit which will accrue to the city and county is apparent from the fact that in the years following the passage of the Juul Law the city rate has averaged 1.58, and the county rate 0.55.

In 1901 a great step in advance was taken in the consolidation of the city towns. The seven towns lying wholly within the city had been for years nothing more than a source of fees and salaries and perquisites to office-holders. In 1901, in accordance with an act of May 11, all powers vested in these towns were transferred to the city council. The City Clerk became *ex officio* Town Clerk and Assessor, and the County Treasurer *ex officio* Collector and Supervisor.

In February, 1904, in the case of Stone vs. Chicago (207 Ill. 492), the Supreme Court determined the status of the city debt with regard to the constitutional limitation of 5 per cent. of the assessed valuation. It was there held that, although the Comptroller's office reported the total of all debts of the city to be \$32,797,474.15, the amount of the

debt within the intention of the constitutional limitation was then \$15,980,427.54. The items excluded by the court were:

1. World's Fair bonds . . . \$4,517,000.00, which were issued by authority of a special constitutional amendment
2. Due special assessment fund 1,518,943.92, which was covered by cash in the treasury
3. Public benefits due from the city 1,744,347.02, as being due from the city to itself, for benefits received
4. Anticipation tax warrants . 4,093,000.00, which are chargeable only against current revenues from taxes
5. Due sinking fund 2,433,656.09, which is not a true debt
6. All floating indebtedness covered by cash on hand, except accrued corporate interest

From the total remaining the amount in sinking funds is to be deducted.

On the same principles the Comptroller computes the debt of the city, subject to the constitutional limitation on December 31, 1904, at \$18,323,029.73, or about \$1,800,000 within the limit. The issue of \$2,000,000 of bonds in 1905 again brings the debt up to the constitutional limit.

MISCELLANEOUS INCOME

The chief item in the city's revenues, aside from taxes, has been receipts from *licenses*; and since the early eighties it has been a very important item. The systematic and rapid cultivation of this indirect tax at that time was the result of the limitation of the city's direct taxing power in 1879 to 2 mills on the \$100 assessed valuation, and the constant shrinkage of the assessment. Necessity compelled the cultivation of the license system, not primarily as a police measure, but as a revenue measure. The total receipts from licenses, as shown by the Comptroller's annual reports, are given in Table VII.

Two other large items of revenue in the financial statements—special assessments and Water Bureau receipts—occupy a somewhat different position. *Special assessments* are properly, of course, not an item in the income of the city, being strictly a trust fund, or multiplicity of trust funds. They have played a considerably larger part in the finances of Chicago than in those of any other large city—owing again, very largely, to the inability of the city to meet the requirements of permanent improvements either from bonds or general revenue. The system was most loosely administered, and

became one of the crying evils of the financial situation. Assessments were levied before bids for the work to be performed were received, on the basis of estimates of the Department of Public Works—estimates made very liberal to cover any contingency. Every property-owner's special assessment account constituted, by law, a distinct fund; and any excess over the actual cost of the improvement was to be returned to him. The system of rebates, abatements, and refunds soon fell into the utmost confusion; and the total of these repayments to property-owners reached finally about one-third of the total collections. In 1892 an improvement was introduced, by ordinance of the Common Council, requiring the advertising for bids for the work to be done before the submission of the estimate on which the assessments were based; and thus largely decreased the excessive assessments. In 1897 a new special assessment law reformed the procedure. Not until 1902, after the completion of the Haskins and Sells investigation and report, were the special assessment accounts balanced for the first time.

Another point of difficulty has been the method of collections. Warrants are originally put into the hands of the City Collector; but as soon as they become delinquent, they are turned over to the County Collector. In 1904 only \$1,880,000 was collected by the City Collector, while \$2,415,000 was collected through the county office. The gross receipts from special assessments are given in Table VIII.

The receipts of the Water Bureau are also distinct from the city revenue. They are subject to all charges against the water department, including the water certificates, which are an indebtedness payable only from the proceeds of the water-works. The surplus has, however, been sometimes used for general purposes. The gross receipts of the Water Bureau are given in Table X. Accounts have not been such that an adequate table of relative cost of service and receipts could readily be made.

The county government is wholly distinct from the city government, although its jurisdiction for a considerable number of important purposes includes the 'people' and territory of the city. The Sheriff, the Coroner, the Clerks and Judges of the principal courts are all county officers. The county government relies for the support of a large part of its administration on receipts from fees. Of

these only the surplus over the expenses of the offices is available for general county purposes. In 1904 collections of fees were turned in from the County Clerk's office; the County Treasurer; the Recorder; the Sheriff; the Coroner; the Probate, Circuit, Superior, and Criminal Courts. The total receipts of the County from fees are given in Table IX.

The accompanying tables were prepared with the purpose of affording a basis for comparison at successive periods in the city's development. They do not all pretend to absolute accuracy.

Table I shows the assessed valuations of city and county. The striking facts are the contrast between the city and county assessments in 1871 (made by two entirely distinct assessing authorities), and the great reduction in the city's assessment in 1880, under the general assessment, from its total nine years before under its own assessment. The per capita figures point the contrast even more clearly. It is noteworthy that even assuming the assessment of 1904 to be 20 per cent. of the true value, our assessors find that last year our per capita wealth was \$85 less than in 1870.

Table II shows the tax rate levied by each taxing authority in Chicago. The figures are taken, for the most part, from the County Clerk's rate-books for the years given. In those books, however, the city, library, and school rates for 1880 and 1890 are given as one rate; in the table they have been separated in the proportion determined by the total levies given in the city reports. Beginning with 1901 the rates are those produced by the operation of the Juul Law.

Table III shows, for purposes of comparison, the burden of taxation resting in successive periods on the area within the city limits. For this purpose the rates given in Table II have been applied to the assessed valuation of the city to produce the state, county, city, library, and school tax. Figures are not available to show the proportion of the assessed valuation of the Sanitary District lying without and within the city; the district has, however, always included the central, and richest, part of the city, and a comparatively poor area of smaller extent outside. It has been assumed, for the purpose of this table therefore, that the Sanitary District tax was levied on the whole city. The figures given, therefore, are not exact; but they distort the pro-

portion which the sanitary tax bears to the whole probably not more than one-fifth of 1 per cent. in the largest instance. Since 1903 the variation is negligible. The taxes of the park districts are produced on the valuations of their respective areas, except that in 1880 Lake View, Lake, and Hyde Park, being outside the city, are omitted.

The table shows an increase in the per capita burden of taxation from 1880 to 1890 and 1895. It is notable that the increase comes, not in the city tax proper (which falls from 51.1 to 37 per cent., and then to 27.2 per cent., of the total), nor in the parks (which in the aggregate fall from 8 to 5.8 per cent.), nor in the county (falling from 17.1 to 8.6 per cent.), but in the school tax (which grows from 15.1 to 33.5 per cent.), and the Sanitary District (which, organized in 1889, takes in 1895 16 per cent. of all taxes levied). The year 1900 shows a falling off in the per capita burden, on account, largely of the reduction of the Sanitary District tax. In 1901 there is a decided drop, due to the operation of the Juul Law. The proportion of the city's revenues to the total remains in the last five years at about 28 per cent.

Table IV shows more exactly the amount of taxes a property-owner in the South Town has paid each year named on every \$100 worth of property, according to the assessments. The increase is, from 1880 to 1895, considerable; but, as the preceding table shows, more apparent than real, since the rise in tax rates in large part merely followed the shrinking assessment. The second column shows how every \$100 such a property-owner paid in taxes was distributed among the various taxing, or rather expending, authorities.

Table V shows the bonded indebtedness of the six named bodies at successive periods. It is, comparatively, less significant than tables of revenue, since the principal fact, so far as city and county are concerned is the small amount, and the uniform size of their indebtedness. The indebtedness was beyond the constitutional limitation in 1870; and, with the decreasing assessment, there was long to wait before an increase was permissible. Since 1895 the Sanitary District has almost equaled the city in its bonds outstanding.

Table VI is an attempt to arrive at a result as regards debt somewhat similar to that concerning taxes in Table III—to compute the

burden of debt resting on Chicago property, and the per capita burden. For this purpose, a part of the county debt has been taken proportionate to the part of the assessed valuation of the county lying within Chicago. The results show certainly that the constitutional check has been effective.

Tables VII, VIII, IX, and X give statistics of receipts other than taxes.

Table XI shows the amounts and proportions of city taxes (including this time library and school taxes) collected within the succeeding year. Until 1902 taxes not collected during the succeeding year were not noticed in the Comptroller's reports, and no audit whatever was made of the County Treasurer's report of delinquent and uncollectible taxes. Since that year, however, an attempt is made to check such reports and secure to the city many collections until that time lost.

No tables of total income and expenditure have been attempted for past years. The condition of accounts was such that the totals given as total income and expenditure on the Comptroller's books included amounts not truly belonging in the total, to the proportion of as much as one-third of the whole amounts given. They were principally transfers from fund to fund, and duplications. The tables herewith given of income from taxes and of miscellaneous receipts will perhaps serve the purposes of comparison as to revenue.

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TABLE I
ASSESSED VALUATION OF CITY AND COUNTY SINCE 1870

	CITY		COUNTY	
	Valuation	Population	Valuation	Population
1871.....	\$289,746,470	306,605 (1870)	\$100,233,633	349,966
1880.....	117,133,643	503,298	148,982,393	607,524
1890.....	219,354,368	1,105,540	240,308,050	1,191,922
1895.....	243,476,825	.....	270,847,727	.....
1900.....	276,565,880	1,697,575	306,957,900	1,838,735
1901.....	374,580,440	1,757,010	408,189,960	.....
1902.....	402,495,131	1,815,445	433,489,922	.....
1903.....	411,424,280	1,873,880	445,028,259	.....
1904.....	403,281,190	1,932,213	437,850,426	.....
1905.....	.....	.....	435,503,078*	.....

* Unofficial

Beginning with 1875, the city valuation is that assessed and equalized for county and state purposes.

PER CAPITA FIGURES OF ASSESSED VALUATION

County, 1870 . . .	\$245 per capita	(general assessment)			
City, 1870 . . .	900 " "	(city assessment)			
" 1880 . . .	233 " "	(general assessment)			
" 1890 . . .	198 " "	" "			
" 1900 . . .	163 " "	" "	True valuation	\$ 815	
" 1901 . . .	213 " "	" "	" "	"	1,065
" 1902 . . .	222 " "	" "	" "	"	1,110
" 1903 . . .	220 " "	" "	" "	"	1,100
" 1904 . . .	209 " "	" "	" "	"	1,045

TABLE II

TAX LEVY (PER \$100) BY TAXING BODIES

	1871	1880	1890	1895	1900	1901	1902	1903	1904
State of Illinois...	0.90	0.36	0.36	0.52	0.50	0.50	0.40	0.52	0.55
Cook County.....	1.50	0.86	0.718	0.793	0.791	0.59	0.545	0.543	0.53
City corporate... }		2.57	2.374	2.53	2.49	1.61	1.582	1.563	1.581
Library.....	1.00	.....	0.045	0.20	0.096	0.055	0.068	0.067	0.065
Schools.....		0.76	1.938	3.12	3.61	2.138	1.838	1.971	2.32
South Park.....		0.40	0.316	0.34	0.38	0.282	0.29	0.50	0.64
West Park.....		0.30	0.451	0.80	1.15	0.919	0.854	0.847	0.799
Lincoln Park:									
North Town....		0.719	1.11	1.17	0.63	0.52	0.792	0.887	0.840
Lake View....		0.33	0.522	0.76	0.495	0.394	0.898	0.887	0.840
South Town....		.....	0.041	.....	.....	.....	.....	.....	.....
West Town....		0.15	0.137	0.15	0.11	0.068	0.044	0.04	0.041
North Town....		0.139	0.147	0.19	.....	.....	.....	.....	.....
Hyde Park....		.....	0.155	0.19	.....	.....	.....	.....	.....
Lake.....		.....	0.151	0.23	.....	.....	.....	.....	.....
Lake View....		.....	0.334	0.51	.....	.....	.....	.....	.....
Calumet.....		.....	0.18	0.31	0.20	0.17	0.17	0.19	.....
Jefferson....		.....	0.191	0.24	.....	.....	.....	.....	.....
Niles.....		.....	.....	0.28	0.15	0.10	0.14	0.17	0.17
Maine.....		.....	.....	0.29	.....	0.12	0.12	0.24	.....
Sanitary District..		.....	0.456	1.50	0.50	0.368	0.475	0.689	0.705

TABLE III

DISTRIBUTION OF TAXES—TAXES LEVIED WITHIN CHICAGO, AND THE PROPORTION GOING TO EACH TAXING BODY

	1880		1890		1895	
State.....	\$ 421,712	7.2%	\$ 789,676	5.6%	\$1,266,079	5.6%
County....	1,007,422	17.1	1,574,965	11.2	1,930,771	8.6
City cor- porate..	3,010,200	51.1	5,207,200	37.0	6,159,963	27.2
Library...}							100,500	.7	486,954	2.1
Schools....	890,600	15.1	4,249,500	30.2	7,596,476	33.5
Sanitary District..	.....		1,000,200	7.1	3,652,100	16.0
West Park..	124,616	2.1	263,150	1.9	490,706	2.2
South Park	244,666	4.1	420,942	3.0	509,167	2.3
Lincoln P'k	103,801	1.8	252,510	1.8	292,863	1.3
Towns.....	82,400	1.4	227,900	1.6	272,800	1.3
	\$5,885,417		\$14,086,543		\$22,657,879	
Per capita	\$11.69		\$12.74		\$16.78*	

*Population estimated on basis of 1890 and 1900 at 1,350,000.

	1900		1901		1902	
State.....	\$1,382,830	5.8%	\$1,872,902	8.7%	\$1,609,980	7.4%
County....	2,187,636	9.2	2,210,025	10.3	2,193,598	10.1
City cor- porate...	6,886,491	29.0	6,030,745	28.1	6,367,471	29.3
Library....							265,503	1.1	206,019	1.0	273,697	1.3
Schools....	9,984,029	42.1	8,008,530	37.4	7,397,858	34.1
Sanitary District..	1,382,800 5.8		1,376,400 6.4		1,911,800 8.8	
West Park..	668,015	2.8	748,602	3.5	719,041	3.3
South Park	655,253	2.8	644,201	3.0	723,886	3.3
Lincoln P'k	220,060	0.9	260,404	1.2	470,860	2.2
Towns.....	72,700	0.3	63,100	0.3	45,000	0.2
	\$23,705,317		\$21,422,928		\$21,713,191	
Per capita	\$13.96		\$12.19*		\$11.96*	

TABLE III—Continued

	1903		1904		
State.....	\$2,139,406	8.7%	\$2,218,047	8.5%	
County....	2,234,034	9.1	2,137,590	8.2	
City cor- porate...	6,430,531	26.1	6,375,876	24.5	
Library....	275,654	1.1	262,133	1.0	
Schools....	8,109,173	33.0	9,356,124	36.0	
Sanitary District..	2,834,713	11.5	2,843,132	10.9	
West Park..	759,403	3.1	714,517	2.8	
South Park	1,271,905	5.2	1,585,343	6.1	} 10.6
Lincoln P'k	489,419	2.0	454,020	1.7	
Towns.....	46,700	0.2	37,505	0.1	
	\$24,590,938		\$25,984,287		
Per capita	\$13.12*		\$13.46		

*Per capita taxation for 1901, 1902, and 1903 is computed on the basis of the estimates of population for these years made by the United States Census, as given in Table I.

TABLE IV

SOUTH TOWN TAX PER \$100, AND THE DISTRIBUTION OF EACH \$100 TAXES

	1880		1890	
	Rate per \$100 Ass'sed Valuat'n	Portion of Each \$100 Taxes Paid	Rate per \$100 Valuation	Portion of Each \$100 Taxes Paid
State.....	0.36	7.27	0.36	5.76
County.....	0.86	17.37	0.718	11.49
City corporate.....	....	....	2.374	37.99
Library.....	2.57	51.92	0.045	0.72
Schools.....	0.76	15.35	1.938	31.02
Sanitary District.....	....	....	0.456	7.29
South Park.....	0.40	8.08	0.316	5.06
Town.....	....	....	0.041	.66
Total.....	4.95	99.99	6.248	99.99
	1895		1900	
State.....	0.52	5.78	0.50	5.98
County.....	0.793	8.81	0.791	9.45
City corporate.....	2.53	28.10	2.49	29.76
Library.....	0.20	2.22	0.096	1.15
Schools.....	3.12	34.65	3.61	43.15
South Park.....	0.34	3.78	0.38	4.54
Sanitary District.....	1.50	16.66	0.50	5.98
Total.....	9.003	100.00	8.367	100.01

TABLE IV—Continued

	1901		1902	
	Rate per \$100 Ass'ed Valuat'n	Portion of Each \$100 Taxes Paid	Rate per \$100 Valuation	Portion of Each \$100 Taxes Paid
State.....	0.50	9.02	0.40	7.70
County.....	0.59	10.64	0.545	10.49
City corporate.....	1.61	29.05	1.582	30.43
Library.....	0.055	0.99	0.068	1.31
Schools.....	2.138	38.57	1.838	35.36
South Park.....	0.282	5.09	0.29	5.58
Sanitary District.....	0.368	6.64	0.475	9.14
Total.....	5.543	100.00	5.198	100.01

	1903		1904	
	Rate per \$100 Ass'ed Valuat'n	Portion of Each \$100 Taxes Paid	Rate per \$100 Valuation	Portion of Each \$100 Taxes Paid
State.....	0.52	8.88	0.55	8.61
County.....	0.543	9.28	0.53	8.29
City corporate.....	1.563	26.70	1.581	24.74
Library.....	0.067	1.14	0.065	1.02
Schools.....	1.971	33.68	2.32	36.30
South Park.....	0.50	8.54	0.64	10.01
Sanitary District.....	0.689	11.77	0.705	11.03
Total.....	5.853	99.99	6.391	100.00

TABLE V

BONDED INDEBTEDNESS BY TAXING BODIES

	1871	1880	1890
County.....	\$ 3,450,000.00	\$ 4,791,500.00	\$ 4,791,500.00
City of Chicago.....	14,106,000.00	12,752,000.00	13,545,400.00
South Park.....	2,000,000.00	822,000.00	281,000.00
West Park.....	873,446.62	301,166.66	209,000.00
Lincoln Park.....	.....	764,000.00	588,000.00
Sanitary District.....	.....	.....	.....

	1895	1900	1901
County.....	\$ 4,206,000.00	\$ 3,572,500.00	\$ 3,360,000.00
City of Chicago.....	17,188,950.00	16,328,450.00	15,470,000.00
South Park.....	512,000.00	275,000.00	775,000.00
West Park.....	1,144,565.00	1,723,265.00	1,551,166.66
Lincoln Park.....	460,000.00	500,000.00	500,000.00
Sanitary District.....	11,050,000.00	14,005,000.00	13,225,000.00

TABLE V—Continued

	1902	1903	1904
County.....	\$ 3,647,500.00	\$ 4,356,000.00	\$ 4,385,000.00
City of Chicago.....	15,123,000.00	15,123,000.00	22,618,000.00
South Park.....	725,000.00	2,675,000.00	4,525,000.00
West Park.....	1,411,166.66	1,270,000.00	1,130,000.00
Lincoln Park.....	500,000.00	1,500,000.00	1,500,000.00
Sanitary District.....	15,720,000.00	17,565,000.00	16,135,000.00

TABLE VI

CHICAGO DEBT, TOTAL AND PER CAPITA

	1871	1880
Portion of Cook County debt chargeable to Chicago*....	\$ 2,587,500.00 (0.75)	\$ 3,766,119.00 (0.786)
City.....	14,106,000.00	12,752,000.00
South Park.....	2,000,000.00	822,000.00
West Park.....	873,446.62	301,166.66
Lincoln Park.....	.....	764,000.00
Sanitary District.....	.....	.....
Total.....	\$19,566,946.62	\$18,405,285.66
Per capita.....	\$60.21	\$36.57

*Prorated according to assessed valuation.

	1890	1895
Portion of Cook County debt chargeable to Chicago.....	\$ 4,360,265.00 (0.91)	\$ 3,785,400.00 (0.90)
City—	13,545,400.00	17,188,950.00
South Park.....	281,000.00	512,000.00
West Park.....	209,000.00	1,144,565.00
Lincoln Park.....	588,000.00	460,000.00
Sanitary District.....	.....	10,497,500.00
Total.....	\$18,983,665.00	\$33,588,415.00
Per capita.....	\$17.16	\$24.88

TABLE VI—Continued

	1900	1901
Portion of Cook County debt chargeable to Chicago	\$ 3,215,250.00 (0.90)	\$ 3,124,800.00 (0.93)
City.....	16,328,450.00	15,470,000.00
South Park.....	275,000.00	775,000.00
West Park.....	1,723,265.00	1,551,166.66
Lincoln Park.....	500,000.00	500,000.00
Sanitary District.....	13,304,750.00	12,563,750.00
Total.....	\$35,346,715.00	\$33,984,716.66
Per capita.....	\$20.82	\$19.34

	1902	1903
Portion of Cook County debt chargeable to Chicago.....	\$ 3,392,175.00 (0.93)	\$ 4,007,520.00 (0.92)
City.....	15,123,000.00	15,123,000.00
South Park.....	725,000.00	2,675,000.00
West Park.....	1,411,166.66	1,270,000.00
Lincoln Park.....	500,000.00	1,500,000.00
Sanitary District.....	14,934,000.00	16,686,750.00
Total.....	\$36,085,361.66	\$39,992,270.00
Per capita.....	\$19.88	\$21.34

TABLE VII

RECEIPTS FROM LICENSES

1871	\$ 187,631.01
1880	242,774.30
1890	3,072,729.08
1895	3,837,649.36
1900	3,547,910.66
1901	3,633,017.73
1902	3,770,735.37
1903	4,003,679.74
1904	4,230,993.76

TABLE VIII

RECEIPTS FROM SPECIAL ASSESSMENTS

1871	\$2,089,530.86
1880	1,092,759.54
1890	4,893,435.18
1895	4,208,842.09
1900	2,855,500.74
1901	2,766,122.71
1902	1,979,304.19
1903	3,565,393.27
1904	4,296,367.06

MUNICIPAL REVENUES OF CHICAGO

TABLE IX

RECEIPTS OF COUNTY FEE OFFICES

1871	. . . . .	.....
1880	. . . . .	.....
1890	. . . . .	\$ 725,834.19
1895	. . . . .	1,186,000.00
1900	. . . . .	1,199,000.00
1901	. . . . .	1,135,000.00
1902	. . . . .	1,097,000.00
1903	. . . . .	1,005,000.00
1904	. . . . .	1,321,000.00

TABLE X

RECEIPTS OF WATER BUREAU

1871	. . . . .	.....
1880	. . . . .	\$ 920,008.15
1890	. . . . .	3,240,808.18
1895	. . . . .	4,094,127.71
1900	. . . . .	3,383,228.36
1901	. . . . .	3,504,647.25
1902	. . . . .	3,505,473.16
1903	. . . . .	4,095,517.73
1904	. . . . .	4,171,193.68

TABLE XI

PERCENTAGE OF TAX COLLECTED (CITY, SCHOOLS AND LIBRARY)

Taxes of	Collected During	Amount	Per cent. of Levy
1880.....	1881	\$ 3,831,868.10	98.2
1890.....	1891	9,199,796.44	96.3
1895.....	1896	13,834,026.73	97.1
1900.....	1901	16,561,963.21	96.3
1901.....	1902	13,087,605.19	95.6
1902.....	1903	13,407,026.77	95.5
1903.....	1904	14,180,579.65	95.7

TABLE XII

RECEIPTS FROM RENTALS OF SCHOOL PROPERTY*

1871-1872	. . . . .	\$ 45,288.03
1879-1880	. . . . .	108,372.32
1889-1890	. . . . .	263,954.56
1894-1895	. . . . .	247,482.43
1899-1900	. . . . .	534,115.54
1900-1901	. . . . .	495,918.21
1901-1902	. . . . .	514,097.40
1902-1903	. . . . .	511,103.60
1903-1904	. . . . .	502,448.75

*Includes all rentals collected, including arrears from previous years.

PART II

REVENUE SYSTEMS OF AMERICAN AND FOREIGN CITIES

The purpose of this part of the report is to give a bird's-eye view of the local finances of the leading cities of America and Europe. To this end, five European cities—namely, London, Paris, Berlin, Vienna, and Glasgow—have been selected; also the five largest cities of the United States—New York, Chicago, Philadelphia, St. Louis, and Boston—and also the Canadian type represented in Toronto. A series of tables has been prepared to show, in a comparative way, the receipts, expenditures, and debt of all these cities. A number of comparisons have been made with a view of bringing out more distinctly the salient features of the local systems of finance. There follows a description of the revenue systems of these municipalities, designed to make more clear the different local plans.

As a basis for comparison, there is first presented a series of tables on revenue, expenditure, and debt. Table I gives the ordinary revenue, of New York, Philadelphia, St. Louis, and Boston for the year 1903, and of Chicago for 1904. Revenues are classified, following the census scheme, as "general," under which head is included taxes, licenses, and state grants; and "commercial," under which is included revenue from municipal industries, public-service privileges, departmental receipts, and special assessments. Table II gives similar figures for London, Paris, Berlin, Vienna, and Glasgow. Table III gives the "extraordinary" expenses of the five largest cities of the United States. These expenditures correspond roughly to capital outlay by a private corporation. Table IV gives the "ordinary" expenses (for maintenance and operation) of the five leading American cities. These expenditures are classified under ten main heads: "General Administration," "Public Health and Safety," "Charities and Corrections," "Streets," "Education," "Recreation," "Miscellaneous General," "Interest," "Loans Repaid," and "Municipal Industries." Under several of these main headings subdivisions have been made. Tables V and VI give similar figures regarding

ordinary and extraordinary expenditures for the European cities. Table VII presents a comparison between the debts and assets of the five American cities discussed. Table VIII gives the debt of foreign cities. Table IX gives the total tax rate, tax rate for local purposes, local tax per capita, revenue per capita, debt per capita, valuation per capita, area, street mileage, and population of the five largest American cities.

It should be noted that under "Chicago" are included the revenues and expenditures of all the taxing bodies lying wholly within the limits of the city, and a proportionate share of the county and Sanitary District. As 95 per cent. of the valuation of the Sanitary District lies within the city, 95 per cent. of its expenses and revenues are included under "Chicago," and on the same basis 92 per cent. of the expenses and revenues of Cook County are included.

TABLE I
ORDINARY REVENUES OF AMERICAN CITIES*

	New York	Chicago	Philadelphia	St. Louis	Boston
Taxes.....	\$76,296,721	\$21,469,607	\$18,415,082	\$9,456,773	\$18,439,775
Licenses, forfeitures, fines.....	7,469,152	4,513,915	2,103,234	1,669,946	1,229,351
State grants.....	1,306,225	306,840	910,987	202,251	12,100
Miscellaneous.....	275,722	231,098	155,551	59,901	179,520
General.....	\$85,347,820	\$26,521,460	\$21,584,854	\$11,388,871	\$19,860,746
Municipal indust... Public-service privileges.....	\$13,036,497	\$5,072,666	\$6,073,029	\$2,173,037	\$3,121,485
Departmental receipts.....	712,410	513,763	113,574	266,439	83,466
Special assessments	1,110,684	2,015,401	1,127,123	518,622	586,655
	6,935,531	4,298,684	710,077	3,261,143	413,740
Commercial....	\$21,785,122	\$11,900,514	\$ 8,023,803	\$6,219,241	\$4,205,346
Total... ..	\$107,132,942	\$38,421,974	\$29,618,657	\$17,608,112	\$24,066,092
Per capita—					
General.....	\$22.97	\$13.73	\$15.78	\$18.60	\$33.40
Commercial....	5.86	6.15	5.87	10.16	7.07
Total.....	\$28.83	\$19.88	\$21.65	\$28.76	\$40.47

*This does not include in any case receipts from loans or other extraordinary revenues.

TABLE II
ORDINARY REVENUES OF EUROPEAN CITIES

	London 1902-3	Paris 1902	Berlin 1901-2	Vienna 1902	Glasgow 1901-2
Direct taxes.	\$69,175,000	\$20,592,000	\$15,190,000*	\$11,874,000	\$7,064,000
Indirect taxes, licenses, fines.	1,025,000	21,901,000	757,000	2,960,000	176,000
State grants	11,781,000	4,374,000	6,477,000	4,560,000	1,960,000
Miscellaneous.	2,206,000	520,000	54,000	180,000	... . . . .
General.	\$84,187,000	\$47,387,000	\$22,478,000	\$19,574,000	\$9,200,000
Municipal indust. Public-service privileges.	\$8,503,000	\$9,363,000	\$11,782,000	\$10,089,000	\$9,830,000
Departmental receipts.	398,000	6,713,000	1,160,000	231,000	... . . . .
Special assess- ments.	2,597,000	4,820,000	4,760,000		885,000
Commercial.	1,947,000	... . . . .	1,758,000	3,216,000	90,000
Total.	\$13,445,000	\$20,896,000	\$19,460,000	\$13,536,000	\$10,805,000
Population.	\$97,632,000	\$68,283,000	\$41,938,000	\$33,110,000	\$20,005,000
Per capita— General.	4,560,000	2,659,000	1,888,326	1,674,957	912,000
Commercial.	\$18.44	\$17.82	\$11.90	\$11.65	\$10.90
Total.	2.97	7.86	10.30	8.75	11.85
	\$21.41	\$25.68	\$22.20	\$20.40	\$22.75

*See Sec. III, p. 63.

TABLE III
EXTRAORDINARY EXPENDITURES (OUTLAYS) OF AMERICAN CITIES

	New York	Chicago	Philadelphia	St. Louis	Boston
General administra- tion.	\$ 1,212,787	\$ 736,333	\$ 8,158	\$ 62,746	\$ 66,746
Public safety.	1,108,373	27,991	617,465	158,767	23,004
Charies and cor- rection.	670,270	537,028	181,511	207,704	559,808
Streets and sewers. .	19,649,546	4,898,948	4,797,330	3,577,433	5,317,103
Education.	7,432,903	1,544,770	1,044,486	855,639	1,476,415
Recreation.	7,146,274	3,015,936	592,418	7,354	250,076
General.	\$37,220,153	\$10,776,727	\$7,241,368	\$4,869,643	\$7,693,152
Municipal industries	27,201,897	1,297,918	6,127,964	494,480	1,158,643
Total*.	\$64,422,050	\$12,075,545	\$13,369,332	\$5,364,123	\$8,827,482

*Service transfers not included.

TABLE IV
ORDINARY EXPENDITURES OF AMERICAN CITIES

	New York	Chicago	Philadelphia	St. Louis	Boston
General administration	\$6,840,552	\$2,353,933	\$2,101,161	\$780,282	\$1,320,522
Courts.....	\$ 3,434,213	\$ 860,352	\$ 564,566	\$ 407,689	\$ 717,137
Police.....	12,581,332	4,014,713	3,208,910	1,614,091	1,849,213
Fire.....	5,850,807	1,920,244	1,225,807	862,429	1,314,509
Health.....	1,271,652	191,220	346,215	146,270	188,183
Public health and safety.....	\$25,524,584	\$7,162,282	\$5,918,828	\$3,187,812	\$4,409,590
Charities and corrections.....	\$6,277,065	\$1,600,574	\$1,300,051	\$661,079	\$1,844,670
Street-cleaning and refuse-disposal... ..	\$6,148,087	\$1,205,197	\$1,207,338	\$814,564	\$1,047,094
Street-lighting.....	1,644,417	349,237	1,357,327	504,238	776,562
Sewers.....	778,391	412,142	120,492	139,610	334,156
Miscellaneous streets.....	2,976,440	405,432	1,126,468	746,723	1,179,402
Streets and sewers	\$11,493,216	\$ 2,785,002	\$3,811,629	\$2,205,135	\$3,255,505
Schools.....	\$21,804,610	\$8,419,127	\$4,242,710	\$2,015,299	\$3,588,212
Libraries.....	1,118,705	178,666	279,344	67,755	280,166
Education.....	\$22,923,375	\$8,597,793	\$4,522,054	\$2,083,054	\$3,868,378
Recreation.....	\$1,514,644	\$665,403	\$561,308	\$160,280	\$645,009
Miscellaneous general.....	\$51,520	91,128	\$43,250	\$15,903	\$741,672
Total general....	\$74,624,956	\$23,256,115	\$18,258,543	\$9,093,645	\$15,085,346
Interest.....	\$12,289,489	\$1,563,713	\$1,683,709	\$945,008	\$3,390,142
Loans repaid.....	12,511,634	3,314,810	3,071,300	191,090	5,219,574
Municipal industries	6,069,537	2,073,955	2,035,831	897,019	1,446,760
Total ordinary...	\$105,505,616	\$30,208,693	\$25,049,383	\$11,126,762	\$25,141,812
Extraordinary.....	64,422,050	12,075,545	13,369,332	5,364,123	8,827,482
Grand total.....	\$169,927,666	\$42,284,238	\$38,418,715	\$16,490,885	\$33,969,294
Per capita—					
General.....	\$20.08	12.03	\$13.35	\$14.52	\$25.37
Total ordinary ..	28.39	15.63	18.03	18.17	42.45

TABLE V
ORDINARY EXPENDITURES OF EUROPEAN CITIES

	London 1902-3	Paris 1902	Berlin 1901-2	Vienna 1902	Glasgow 1901-2
General administration.....	\$5,239,000	\$771,000	\$3,055,000	\$2,992,000	\$153,000
Courts.....	\$1,147,000	\$ 620,000	\$1,780,000	\$1,300,000	\$200,000
Police.....	8,764,000	6,821,000	5,397,000	2,075,000	765,000
Fire department....	1,038,000	706,000	503,000	263,000	114,000
Health department.	760,000	268,000	135,000	39,000	294,000
Public health and safety.....	\$11,709,000	\$8,415,000	\$7,815,000	\$3,677,000	\$1,373,000
Charities.....	\$20,862,000	\$10,988,000	\$4,955,000	\$2,920,000	\$1,578,000
Correction.....	1,990,000	442,000	300,000	300,000	200,000
Charities and correction....	\$21,852,000	\$11,430,000	\$5,255,000	\$3,220,000	\$1,778,000
Miscel. streets....	\$10,097,000	\$4,145,000	\$ 384,000	\$1,738,000	\$346,000
Street-cleaning and refuse-disposal...	1,775,000	2,350,000	999,000	758,000	692,000
Street-lighting....	1,980,000	1,785,000	85,000	122,000	528,000
Sewers.....	2,156,000	1,343,000	1,288,000	422,000	136,000
Streets and sewers	\$16,008,000	\$9,623,000	\$2,756,000	\$3,040,000	\$1,702,000
Schools.....	\$13,713,000	\$7,127,000	\$7,078,000	\$5,942,000	\$1,960,000
Libraries, etc.....	697,000	633,000	48,000	41,000	32,000
Education.....	\$14,410,000	\$7,760,000	\$7,126,000	\$5,983,000	\$1,992,000
Parks.....	\$1,266,000	\$600,000	\$456,000	\$504,000	\$235,000
Baths, etc.....	780,000	.....	94,000	72,000	91,000
Recreation.....	\$2,046,000	\$600,000	\$550,000	\$576,000	\$326,000
Miscellaneous gen'l	\$2,446,000	\$1,785,000	\$227,000	\$676,000	\$525,000
Total general....	\$73,710,000	\$45,385,000	\$26,784,000	\$20,164,000	\$7,850,000
Interest.....	\$10,142,000	\$16,000,000	\$2,614,000	\$3,197,000	\$2,412,000
Loans repaid.....	6,821,000	6,475,000	1,710,000	1,400,000	1,571,000
Municipal industr..	4,646,000	2,120,000	7,560,000	4,553,000	7,422,000
Total ordinary...	\$95,319,000	\$69,980,000	\$38,668,000	\$29,314,000	\$19,255,000
Extraordinary.....	39,071,000	10,630,000	10,897,000	28,912,000	6,496,000
Grand total.....	\$134,390,000	\$80,610,000	\$49,565,000	\$58,226,000	\$25,751,000
Per capita—					
General.....	\$16.17	\$17.08	\$14.24	\$12.24	\$ 8.61
Total ordinary..	20.47	26.31	20.35	17.24	21.11

TABLE V—Continued

ORDINARY MUNICIPAL INDUSTRIES

	London	Paris	Berlin	Vienna	Glasgow
Real estate and buildings.....	\$ 216,000	\$ 53,000	\$ 67,000	\$ 80,000	\$ 389,000
Water-works.....	.....	1,360,000	688,000	325,000	314,000
Gas-works.....	.....	.....	5,526,000	2,424,000	3,492,000
Electric lighting....	704,000	.....	.....	267,000	312,000
Markets and abattoirs.....	623,000	360,000	1,204,000	956,000	148,000
Cemeteries.....	325,000	347,000	12,000	157,000	1,000
Street railways.....	1,990,000	.....	.....	.....	2,713,000
Docks and harbors	788,000	.....	63,000	344,000	53,000
Municipal property and industries....	\$4,646,000	\$2,120,000	\$7,560,000	\$4,553,000	\$7,422,000

TABLE VI

EXTRAORDINARY EXPENDITURES OF EUROPEAN CITIES

	London	Paris	Berlin	Vienna	Glasgow
General administration.....	\$ 294,000	\$ 23,000	\$1,597,000	\$ 778,000	\$ 281,000
Public health and safety.....	427,000	323,000	.....	43,000	100,000
Charities and correction.....	6,690,000	378,000	.....	468,000	457,000
Streets and sewers..	18,100,000	1,929,000	4,406,000	1,491,000	1,127,000
Education.....	3,454,000	639,000	1,280,000	305,000	411,700
Recreation.....	1,070,000	150,000	.....	108,000	200,400
Municipal industries.....	8,600,000	6,023,000	3,614,000	25,124,000	3,701,000
Miscellaneous.....	436,000	1,165,000	.....	595,000	219,000
Total.....	\$39,071,000	\$10,630,000	\$10,897,000	\$28,912,000	\$6,496,000

TABLE VII

DEBTS AND ASSETS OF AMERICAN CITIES

DEBT

	New York	Chicago	Philadelphia	St. Louis	Boston
Total.....	\$532,977,235	\$51,204,532	\$58,383,532	\$24,077,474	\$120,152,106
Total less sinking-fund assets..	381,687,512	49,901,932	50,654,640	22,579,917	92,096,663
Per capita..	\$102.68	\$25.82	\$37.04	\$36.86	\$154.88

TABLE VII—Continued

ASSETS

Salable and productive..	\$129,632,268	\$ 63,453,496	\$110,109,530	\$21,408,347	\$20,613,219
Salable and unproductive	394,456,470	163,789,120	88,345,156	20,764,580	91,176,775
Total.....	\$524,088,738	\$227,242,616	\$198,554,686	\$42,172,927	\$111,789,994

TABLE VIII
DEBT OF FOREIGN CITIES

	London	Paris	Berlin	Vienna	Glasgow
Dept.....	\$335,492,000	\$459,530,000	\$59,230,000	\$97,399,000	\$78,620,000
Per capita...	\$73.57	\$172.82	\$31.36	\$58.02	\$86.21

TABLE IX

	Tax Rate for All Purposes	Tax Rate for Local Purposes	Local Tax per Capita	Total Local Revenue per Capita	Debt per Capita
Boston.....	\$ 7.40	\$ 7.40*	\$30.78	\$40.47	\$154.88
New York.....	7.06	6.995	20.53	28.83	102.68
	to	to			
St. Louis.....	7.48	7.415	15.44	28.76	36.86
Philadelphia.....	10.95	10.10	13.46	21.65	37.04
Chicago.....	7.50†	7.50	11.11	19.88	25.82
	5.75	5.20			
	to	to			
	6.59	6.04			

	Valuation per Capita	Area, Acres	Streets, Miles	Population
Boston.....	\$2,054.68	27,532	500	594,618
New York.....	1,461.84	209,218	2,589	3,716,139
St. Louis.....	724.92	39,276	1,004	612,270
Philadelphia.....	978.17	81,833	1,661	1,367,716
Chicago.....	1,097.80	114,932	4,235	1,932,315

* A payment of \$900,000 for state taxes is made from this.

† 7.50 on real estate; 2.00 on personalty-extensive corporation taxes. Down to 1904 the rate as 0.25. All tax-rates are estimated on the basis of a one-fifth valuation, as in Chicago.

SECTION I. GENERAL COMPARISONS

Comparing the revenues of American cities, it appears that the per capita income of Chicago is smaller than that of any other great city, American or European. On the Philadelphia basis our revenue would be about \$3,000,000 greater than at present; on the New York or St. Louis basis, about \$18,000,000 larger; on the Boston basis, about double the amount now received. In "commercial revenue" Chicago compares favorably with the other great cities, but in "general revenue" the deficiency is most clearly evident. Chicago's \$13.73 per capita of general revenue is far behind the \$33.40 of Boston, the \$22.97 of New York, the \$18.60 of St. Louis, and is considerably below the \$15.78 of Philadelphia. A closer analysis of the situation shows that Chicago's greatest weakness lies in the tax revenue per capita. In licenses, fines, and forfeitures, Chicago, with a per capita income of \$2.24, stands second to St. Louis, with \$2.55; while Boston obtains \$1.93, New York \$1.73, and Philadelphia \$1.56, respectively. In this respect, then, the revenue of Chicago compares favorably with that of other American cities. In revenue from taxes, however, Chicago lags far behind the others of its group. Boston raises \$30.78 per capita by taxes; New York, \$20.53; St. Louis, \$15.44; Philadelphia, \$13.46; while Chicago contributes only \$11.11. On the Philadelphia basis, Chicago's revenue from taxes for local purposes would be \$4,000,000 greater than at present; estimated on the St. Louis basis, our revenue would be about \$8,000,000 larger; on the New York basis, our revenue would be increased about \$18,000,000; and, finally, on the Boston basis our local revenue from taxes would be increased almost three times. So far as per capita figures go, it appears that the weakest spot in the local revenue system is the small amount of taxes paid for local purposes.

Comparing the revenue of Chicago with that of European cities, it is found that our local income is below that of any city considered, without exception. The revenue of Paris is about \$5 per capita greater; that of London, Berlin, and Glasgow, about \$2 greater. On the Paris basis, our revenue would be about \$10,000,000 larger than

at present; on the basis of the other cities in question, about \$3,000,000 more than we now receive. Such comparisons are unfair, however, since they disregard the difference in the purchasing power of money in European and American cities. Forty million dollars will go farther in Berlin than in Chicago, not only because of the method of administration, but because of the different level of prices prevailing. If the incomes of Chicago and Berlin were exactly equal in dollars, the purchasing power of the Berlin income would be greater, and our revenues would in effect be considerably smaller than theirs.

It is a fair conclusion, then, that the revenues of Chicago, including not only the city, but all other local taxing bodies, are lower than those of any other of the ten largest cities of Europe and America. Consequently, unless all records for efficiency and economy in the expenditure of money are broken, our local government must inevitably suffer in comparison with that of other great metropolitan communities. A decentralized, unsystematic, and irresponsible system of local finances, operated under a bipartisan system, increases the already great difficulties with which we must contend.

A comparison of expenditures quickly reveals the points where Chicago suffers most from lack of sufficient revenue. Thus the police expenditure per capita in Chicago amounts to only \$2.08, as against \$2.35 for Philadelphia, \$2.64 for St. Louis, \$3.11 for Boston, and \$3.39 for New York. For street-cleaning Chicago expends 62 cents per capita, as against 89 cents for Philadelphia, \$1.33 for St. Louis, \$1.69 for New York, and \$1.78 for Boston. In such matters as police protection and street-cleaning the great area of Chicago makes the discrepancy far larger than these figures indicate. Again, for purposes of public health Chicago contributes 10 cents per capita, while the expense in other cities of its size ranges from 24 to 32 cents. In many other items the scantiness of revenue is evident. But the scope of this investigation does not cover the matter of expenditure, and consequently no extended analysis of such facts will be made here. Examination of the tables presented will show many interesting facts regarding the objects of local expenditure in this country and abroad.¹

¹ See Census Bulletin 20, Statistics of Cities, 1902-03, for comparative statistics and a variety of questions.

SECTION II. REVENUES OF AMERICAN CITIES

In order to make clearer the revenue systems in the United States, a description is now given of the revenue machinery and revenues of New York, Philadelphia, St. Louis, and Boston. The revenues of each of these cities are analyzed, with special attention to their characteristic features, and, in addition to this, the general scheme of revenue administration is outlined. The underlying purpose is to show where and how our local revenue system deviates from that of other great cities of the United States.

NEW YORK CITY

New York City includes within its limits four counties—New York, Queens, Kings, and Richmond. The finances of these counties are included, however, in those of the city, the various receipts of the counties being turned over to the city, and appropriation for county expenses being made by the city. Thus, although the county officers are not appointed by, or responsible to, the city government, and the unity of the local government is to this extent interfered with, the financial unity is fairly complete. The city is further divided into five boroughs—Manhattan, Brooklyn, Queens, the Bronx, and Richmond—and a variety of local functions, notably those concerning local improvements, are vested in these authorities. Financial authority is, however, retained in the hands of the city as a whole, and, except for the interference of the state Legislature, fiscal power in New York is pretty well centralized. One central authority regulates receipts and disbursements for the entire community. This power is placed in the Board of Estimate and Apportionment, a body composed of the Mayor, the Comptroller, and the President of the Board of Aldermen, each having three votes, and the Presidents of the five boroughs with seven votes altogether.

The revenue machinery of New York City is made up of a considerable variety of administrative authorities. There is, in the first place, an elective Comptroller, in whose hands is placed the direction of the fiscal policy of the city. Under this office are five bureaus,

which are concerned with (1) the collection of revenue from interest on bonds and mortgages, and the rents of city property; (2) the collection of taxes; (3) assessments and arrears; there is also (4) an Auditing Bureau; and (5) the City Chamberlain, or treasurer. None of the officers in these bureaus is elected except the Comptroller. In addition to these, there are the Commissioners of the Sinking Fund, a body composed of the Mayor, the Comptroller, the Chamberlain, the President of the Board of Aldermen, and the Chairman of the Finance Committee; and also two Commissioners of Accounts, in charge of the city's accounting system.

The assessment of taxes is conducted by the Department of Taxes and Assessments, a board of five members appointed by the Mayor; and the revision of assessments is in the hands of the Comptroller, the Corporation Counsel, and the President of the Department of Taxes and Assessments, who constitute a board of review. The collection of taxes is carried on by the office of the Receiver of Taxes. Furthermore, there is a Board of Assessors (three at \$3,000), whose function is to spread such special assessments as have been approved. There is, in addition to these, a Commissioner of Taxes (an appointive officer), who has nothing to do with taxes at all, but does have jurisdiction over the licensing and regulation of employment offices. Saloon licenses are collected by the State Excise Commissioner through his deputies and assistants.

Taking up the principal items of revenue, we may say that taxes are levied and collected by city officers, with the exception of the franchise tax assessed by the State Board; special assessments are spread by the Board of Assessors, and collected by the Department of Assessments and Arrears; the receipts from municipal industries, of which the most important are water and docks, are collected by these departments respectively; licenses (except saloon licenses, which are collected by the state) are collected partly by the Bureau of Licenses, and in small part by the Mayor's office. Street-railway and other public-service privilege revenues generally are under the supervision of the Bureau of Franchises, but collected by the Collector of City Revenue. The Collector of City Revenue is also responsible for the collection of rentals on city property. All officers receiving money must make a daily return to the office of the City Chamberlain, with

the exception of the county fee officers, who make a monthly accounting.

It should not be inferred from this catalogue of revenue officers that there is a lack of necessary centralization in New York City. There are, it is true, a number of state officers overlapping to some extent the local, but, as far as local officers are concerned, there is no such difficulty. The City of New York, and the four counties of New York, Kings, Queens, and Richmond, are coterminous and consolidated. They have one central financial body, the Board of Estimate and Apportionment; one budget covers the expenses of all; they have one treasurer; agencies of the city are found in the various boroughs for purposes of collecting taxes and various licenses; but the financial authority is centralized. All money received passes through the hands of the City Chamberlain, and all expenditures pass through the Board of Estimate and Apportionment. (Only a few fee officers still survive as an exception to this.)

A notable feature of the New York system is the attention given to the auditing of revenue and expense. In addition to the regular corps of auditors, consisting of one hundred men, there is a Department of Investigation in the office of the Comptroller. This is made up of sixteen men, eight of whom are selected for their ability as investigators, and eight constitute the clerical force. The principal duty of these officers is the audit of claims against the city, but they are available, and are used for the purpose of making special inquiries and examinations under the direction of the Comptroller. Thousands of dollars are saved annually through the activity of this department. In addition to this force in the Comptroller's office, there are under the Mayor two Commissioners of Accounts, one of whom must be a certified accountant. The work of these Commissioners is to examine city receipts and disbursements every three months, and also to make special reports from time to time on the accounts and methods of the various departments of the city government. About eighty men are employed in this office.

The aggregate ordinary revenue of New York City is about \$107,000,000. Of this sum the largest items are taxes, \$76,000,000; municipal industries, \$13,000,000; licenses, \$7,500,000; special assessments, \$7,000,000; and departmental receipts, a little over \$1,000,000.

Taxes are raised on a valuation of \$4,751,532,106, real estate, and \$680,866,092, personal property, or a total of \$5,432,398,198. The real-estate valuation includes the franchise values of special privilege corporations, which are assessed by the state and returned to the city. These franchises were valued at \$235,000,000 in 1903, and in 1904 at \$251,000,000. Of this latter amount \$190,000,000 is found in Manhattan Borough alone. A decided gain in the valuation of real estate has been made in recent years, notably under the administration of Seth Low. The assessment of real estate was raised from \$2,932,000,000 in 1899 to \$4,751,000,000 in 1903. In valuing real estate, the assessments of land and improvements are placed in separate columns, and the assessments published yearly in convenient sections. The local tax on real and personal property is supplemented by a series of state taxes on corporations.

In addition to the taxes mentioned, the law of 1902 provides for the assessment and taxation of bank shares. The value of each share is ascertained by adding the capital stock, surplus, and undivided profits, and dividing the result by the number of shares outstanding. The tax of 1 per cent. levied on this valuation is collected by the banks and returned to the Receiver of Taxes. In 1903 the assessed valuation of such shares amounts to \$266,692,116, on which a tax of \$2,666,000 was collected.

The tax-rate in New York City ranges from \$1.41367 per \$100 in Manhattan and the Bronx to \$1.49675 in Richmond. Since the valuation of real estate has advanced, the tax-rate has fallen from \$2.4804, the rate in 1899. Practically all of the tax goes to the locality, as the rate for state purposes is only thirteen one-hundredths of a mill.

From municipal industries a revenue of about \$13,000,000 is derived. Of this the water-works return about \$9,000,000, the city docks about \$3,000,000, city markets and other property about \$1,000,000. Interest on public deposits amounts to \$264,000 (1904). This is reckoned at the rate of 2 per cent on daily deposits. The average daily balance runs from two to ten millions. The law provides that public deposits in any given bank shall not exceed one-half of the capital stock and surplus of the institution, and a list of the depositaries, with the amount of interest paid by each, is published annually. There are 156 depositaries of city and county funds (114

banks and 42 trust companies), and 29 depositaries for court and trust funds, making a total of 185 official depositaries.

About \$7,000,000 is paid in the form of special assessments. These improvements are initiated in a Local Improvement District, approved by the Board of Estimate and Apportionment, and then spread by the Board of Assessors. Assessments are not levied for repairing or renewal, but such expense is borne by the city.

The license revenue of New York City is about \$7,500,000. Of this the saloons pay about \$6,000,000, which is one-half of the total license paid by them. The balance goes to the state. The rate varies from \$750 in boroughs of 50,000 to 500,000, to \$1,200 in boroughs of from 500,000 to 1,500,000, and is collected under the supervision of a special state officer, the Excise Commissioner. The next largest item is that of fines and forfeitures, from which \$1,000,000 is obtained. Other important items are receipts from pawn-brokers, about \$100,000; from theatrical and concert licenses, about \$60,000; from sidewalk stands, about \$25,000.

Departmental receipts (about \$1,000,000) are derived from a variety of miscellaneous sources. Of these, one of the most important is the court fees of the various counties. These are turned in to the City Treasury monthly by the respective court officers. It is to be observed that a considerable body of trust funds is also in the hands of the Treasurer, and that the interest on these funds goes to the city. As custodian of these court funds, the Chamberlain holds about \$4,500,000, on which net earnings amount to \$133,000.

Public-service privileges are credited with \$700,000 annual returns. This does not include, however, the revenue from the special franchises assessed and taxed as real estate. From street railways about \$400,000 is obtained. This is based on a license of from \$20 to \$50 per car for some lines, and for others on a percentage of the gross receipts ranging from one-third of 1 per cent. to 8 per cent., but which in most cases is from 3 to 5 per cent.¹ Incidental revenue is derived from pipe lines, tunnel and vault space, and bay-windows. From gas and electric-lighting companies the returns are inconsiderable. The principal contribution is made by the East River Gas Co., which pays \$20,000, or 3 per cent. of its gross receipts.

¹ See Comptroller's Report for 1902, p. 303.

By way of state grants the city receives about \$1,300,000. This is a grant in aid of schools and libraries, but it is partly offset by the city's payment to the state for schools, in the form of general state tax.

The debt of New York aggregates \$532,997,235. From this must be deducted sinking-fund assets, leaving the amount at \$381,687,512. Estimated per capita, this is a burden of \$102.68. If the assets of the city are figured in, however, the debt is reversed to a balance in favor of New York. The salable assets amount to \$524,000,000, so that the city is really in a prosperous condition.

The Assembly of 1905 provided for two new classes of taxes, which are now in the experimental stage. These are a tax on mortgages and a tax on stock transfers. The mortgage tax is levied at a rate of 5 mills per dollar. It is collected by the state, and one-half of the proceeds is returned to the locality. The stock-transfer law of 1905 prescribes a tax on stock transfers. This is imposed on "all sales, or agreements to sell, or memoranda of sales or deliveries or transfers of shares and certificates of stock in any domestic or foreign association, company, or corporation." On such transfers a tax of 2 cents per \$100 is placed. Taxes so collected are paid into the State Treasury, and the locality has no share in the revenue raised.

The conspicuous features in the revenue system of New York are, then, the consolidation of local financial power in the hands of the Board of Estimate and Apportionment, the taxation of franchises as real estate, the large revenue from municipal industries, and the heavy payments by saloons. The mortgage tax and the stock-transfer tax introduce new elements into the system. The careful provision for the auditing and inspection of revenues and expenditures is a feature of the New York system not to be overlooked.

See *Annotated Charter of New York* (second edition); E. Dana Durand, *The Finances of New York City*. The Comptroller's Annual Report contains a very detailed analysis of New York revenues.

PHILADELPHIA

In Philadelphia the limits of city and county are coterminous, and the governments are practically merged into a consolidated county-city. There is consequently a unified management of local finances,

without division of authority over receipts and disbursements. The principal financial authorities of Philadelphia are the Comptroller, elected for a term of three years; the Treasurer, elected for the same term; and the Receiver of Taxes, similarly chosen. Of these officers, the Comptroller is most important in directing the financial policy of the city. He has general supervision over the finances of the city, while the work of auditing is also conducted in his department. More than any other officer, he has the power to direct the fiscal policy of the city.

The principal items in the revenue of Philadelphia are, in round numbers:

Taxes	\$18,415,000
Municipal industries	6,073,000
Licenses	2,103,000
Departmental receipts	1,127,000
State grants	910,000
Special assessments	710,000
Public-service privileges	113,000

Taxes are levied on real property, which amounts to \$910,000,000, and \$427,000,000 of personalty. On real property three rates are levied: a "city rate" of 1.50, a "suburban rate" of \$1, and a "farm rate" of \$0.75. The "farm rate" applies to land used for agricultural purposes; the "suburban rate," to property partially equipped with sewer and water connections, and urban improvements; and the full rate, to fully improved property. Practically all of the valuation is based on the "city" property, however. On personal property there is a rate of 40 cents per \$100, of which one-fourth goes to the state. Taxes are assessed in advance of the fiscal year for which the levy is made. Thus the 1905 tax is assessed in 1904, the lists are revised, the tax levy made, and the budget voted before the beginning of the fiscal year 1905. The tax is collected during the current fiscal year, the bulk of it being paid in the month of August, as the penalty begins September 1. Except for the 10 cents per \$100 on personal property, the state receives no general tax from local property. An elaborate system of corporation taxes and miscellaneous licenses obviates the necessity of any considerable local taxation for state purposes.

A special form of tax in Philadelphia is the mercantile license tax. This is based on the whole volume of business transacted annually

by dealers in merchandise. Retailers are required to pay a license fee of \$1 per \$1,000 on the whole volume of business transacted annually; wholesalers pay at the rate of 50 cents per \$1,000; exchanges and boards of trade, at the rate of 25 cents per \$1,000. Returns are made by dealers to a Board of Mercantile Appraisers appointed by the State Auditor and the City Treasurer. Dealers may be required to appear in person, and to produce books and papers necessary to show the amount of business transacted. The returns made are not published, nor are they open to public inspection. From this source about \$190,000 is paid to the state by retail merchants, and \$160,000 by wholesale dealers, a total of about \$350,000. Under this system there is of course no tax on the goods or wares of the dealers so licensed. The city does not share in the returns from this form of license.¹

From licenses Philadelphia derives a revenue of about \$2,000,000. The principal item in this amount is the saloon license of \$1,800,000. The rate is fixed at \$1,103.75, of which the state receives \$100. The sum of \$105,000 is obtained from street-car licenses of \$50 a car and \$100 for cars crossing a bridge. In 1904 there were 225 "bridge" cars, and 1,945 ordinary cars.² In addition to this, a number of charges are made in the shape of paving requirements and taxes on dividends. Other items of license revenue are comparatively small, but a considerable amount is paid directly to the state for miscellaneous licenses, such as those required of bottlers, brokers, auctioneers, etc.³

The revenue from municipal industries in Philadelphia is about \$6,000,000. The most important of the items that make up this total is the \$3,500,000 paid by the Water Department. Other important items are the rent of wharves and landings, from which about \$50,000 is realized, and the rent of city real estate, amounting to about \$16,000. Another large sum is the amount obtained from interest on public deposits. This reached a total of \$281,491 in 1903. Interest is

¹ There is also a poll-tax in Philadelphia, from which about \$25,000 is obtained annually. The law requires the payment of a poll-tax as a qualification for suffrage.

² See F. W. Speir, "The Street Railway System of Philadelphia," *Johns Hopkins University Studies*, 15th Series, Nos. III, IV, V (1897).

³ Philadelphia County paid to the state (1903) for bottlers, \$110,000; brewers \$83,000; wholesale liquor-dealers, \$180,000; bankers, \$16,000; eating-houses, \$20,000.

paid at the rate of 2 per cent. on daily deposits, which in Philadelphia are very large. The average balance carried by the city in the seventy-nine banks and trust companies used as depositories is about \$20,000,000. The law provides that the deposits placed in any one institution shall not exceed 25 per cent. of its capital stock and surplus. A list of depositories, seventy-nine in number, with the balances in each and the amount of interest paid by each, is printed in the Comptroller's annual report of 1903 (pp. 28 and 46). Another very considerable source of revenue in Philadelphia is the lease of the gas-works. The United Gas Improvement Co. pays into the City Treasury 10 per cent. on all collections for the sale of gas. This amounted, in 1903, to \$636,000,¹ and has doubled within the last four years.

Receipts from the various city departments amount to \$1,127,000. A great part of this comes from the county officers: for example, the Recorder of Deeds pays in \$145,000; the Registrar of Wills, \$106,000; the Sheriff, \$50,000; the Prothonotary, \$60,000. Institutions for the insane pay \$125,000; building inspection, \$45,000; boiler inspection, \$26,000.

State grants in Philadelphia are placed at \$910,000. Of this practically all is designed for school purposes, as is the case in other cities where such grants are made. This amount is apportioned on the basis of the "exact number of taxable citizens" in the respective school districts of the state.²

Special assessments in Philadelphia amount to only \$700,000, as compared with \$4,000,000 for Chicago and \$7,000,000 for New York. This is due to the fact that a large amount of repaving and repairing of streets is done by the city itself. In 1904 the appropriation for the Bureau of Highways was \$3,270,000, of which practically all was applied to repairs of streets. The returns from what would elsewhere be termed special assessments appear as charges under various departments. Under the Bureau of Surveys a charge is made for paving, sewers, curbing, etc. These charges are assessed by the Surveyor, and are collected by the contractor instead of by the city.

¹ 1898, \$193,000; 1899, \$340,000; 1900, \$375,000; 1901, \$416,000; 1902, \$476,000.

² There is also a state tax of 2 per cent. on gross premiums of foreign fire insurance companies, of which one-half is paid to the several cities and boroughs as a fund for disabled firemen.

Public-service privileges, as reported by the Census Bulletin (\$113,000), are smaller in Philadelphia than in any city of its size. This sum is made up by the payments made to the city on the part of the street railways. The rate is fixed at 6 per cent. of all dividends paid by the company above 6 per cent., or in some cases at 6 per cent. on all dividends, according to the terms of the various charters. In addition to this payment and to the car license already noted, there are considerable contributions made by the street-railway companies for the purpose of paving and repairing streets. All but one of the companies are obliged to keep in repair and good order all streets occupied by their tracks. Furthermore, there is a general state tax of one-half of 1 per cent. on capital stock, and of eight-tenths of 1 per cent. on gross receipts. In 1897 Mr. Speier estimated these various contributions as follows:

Paving and repairing	\$450,000
Dividends	92,000
Car license	97,000
	<hr/>
Total	\$639,000
Tax on capital stock	\$432,844
Tax on gross receipts	91,391
	<hr/>
Grand total	\$1,163,235

This does not include taxes on real estate or interest on investment in pavements. Under this heading might be included the large payments made by the gas company to the city, but this has been already discussed in the consideration of municipal enterprises.

The collection of these items of revenue is centralized in the Receiver of Taxes. Practically all moneys are paid in to him, including taxes, real and personal, and water rents. The payment by the gas company is made to the Treasurer, and also the saloon licenses. Court fees are paid to the various court officers and later deposited with the Treasurer.

The auditing of accounts is conducted in the office of the Comptroller, under the direction of the Chief Auditor. In the examination and verification of revenues alone there are twenty men employed, and another twenty are engaged in the work of auditing the expenditures. Of those occupied on the revenues, seven work on taxes, four on water collections, three on gas company payments, and five are

classed as miscellaneous. This makes possible a careful examination of the various sources of city income, with a view to determining whether all accounts due are collected and turned into the Treasury, and the stopping-up of any leaks in the sources of supply.

The debt of Philadelphia amounts to \$58,000,000, or, subtracting the sinking-fund assets, \$50,654,640. This gives a burden of debt per capita of \$36.86. As an offset to this there are, however, assets of importance to be taken into consideration. These assets reach a total of \$200,000,000, including such items as water-works (\$59,000,000), gas-works (\$27,000,000), City Hall (\$27,000,000), parks (about \$30,000,000), and public trust funds (\$21,000,000). In the presence of such assets as these, the debt of the city appears to be inconsiderable.

Among the important features of the Pennsylvania system are the practical elimination of the general property tax as a source of state revenue. The only state rate now levied is the 40 cents on personal property, of which only one-fourth is retained by the state. The state, in return for this, levies extensive corporation taxes, which fall heavily on Philadelphia, and receives further support from the mercantile-license system and from other miscellaneous licenses. Another important feature is the method of assessment of taxes in advance of the fiscal year, thus making possible the collection of taxes during the current fiscal year. Another interesting aspect of the Philadelphia situation is the small revenue realized from special assessments. Finally, the consolidation of city and county, with the accompanying unity of financial administration, ought not to be ignored. This concentration of power makes possible a centralized control of all receipts and disbursements, locating power and responsibility at a point that is not only ascertainable, but eminent and conspicuous.

See a *Digest of Laws and Ordinances Concerning Philadelphia*, 1905.

ST. LOUIS

The corporate authorities of St. Louis have jurisdiction over practically the entire field of local revenues and expenditures. The county proper of St. Louis covers only the territory lying outside of the city. The School Board, an elective body of twelve members, is, however, an independent financial agent, and the Public Library

Board is separated from the city financially. The principal financial authorities of the city—a Comptroller, an Auditor, a Treasurer, a Collector, and a President of the Board of Assessors—are elected by the people for a term of four years. The Mayor, the Comptroller, and the Treasurer also constitute a Fund Commission.

Of these officers, the chief is the Comptroller, who is most active in the direction of the fiscal policy of the city. He has general supervision of the finances of the city, and is entitled to a seat in either branch of the Municipal Assembly, and to the right to speak, but not to vote. The Auditor is practically the chief accountant, and the Treasurer has merely the custody of the city funds.

The principal items in the revenue of St. Louis are as follows:

Taxes	\$9,456,773
Licenses	1,669,946
State grants	202,251
Municipal industries	2,173,037
Public service—privileges	266,439
Departmental receipts	518,622
Special assessments	3,261,143
Total, including miscellaneous	<u>\$17,608,112</u>

The principal item in the revenues of St. Louis, as in the other cities considered, is the general property tax, while special features of this system are the parts played by the State Board of Equalization and the Merchants' and Manufacturers' license and tax. The local assessment is in the hands of the President of the Board of Assessors, an elective officer, and deputy assessors appointed by the Mayor. As in Philadelphia, the system of assessment in advance is employed. Thus assessment for 1905 taxes was begun June 1, 1904, and completed by the next January. The assessments are then passed upon by the Board of Equalization, consisting of the President of the Board of Assessors and four appointees of the Circuit Court, who must complete their work by the fourth Monday in May. In addition to this local assessment, the State Board of Equalization assesses railway property, including street railways, and returns the amounts to the city on the basis of main line mileage.

Collections are made by the city Collector, the bulk of the tax coming in during the first week of September and the last week in

December. A rebate at the rate of 8 per cent. from the date of payment to December 31 following is made on all bills paid before October 1. School and library taxes are collected by the city in the general collection.

The assessed valuation of St. Louis for 1903-4 was as follows:

Real estate	\$337,592,210
Personal	78,232,310
By state board	28,041,042
Total	\$443,865,562

On this the rate of taxation was 2.19, distributed in this way:

		Chicago Basis
State.....	0.17	0.85
Public schools.....	0.55	2.75
City.....	1.43	7.15
Public library.....	0.04	0.20
	2.19	10.95

A striking feature of the St. Louis system is the merchants' and manufacturers' special tax and license. The law specifies that:

Each merchant, mercantile firm, or corporation is required to furnish the License Collector a statement of the value of the largest amount of all goods, wares, and merchandise which he may have had in his possession or under his control at any time, between the first Monday of March and the first Monday of June in each year.

Each and every person defined to be a manufacturer shall furnish to the License Collector a statement of the value of the greatest aggregate amount of raw materials, merchandise, and finished products (to be listed separately) which he had on hand on any one day between the first Monday of March and the first Monday of June in each year, as well as all tools, machinery, and appliances used in conducting his business or owned by him, on the first day of June in each year.

Each merchant or manufacturer shall furnish a statement of the aggregate amount of all sales made during the year next preceding the first Monday of June, of the then current year, verified by the affidavit of the merchant, manufacturer, or officer of the corporation making it.

On the merchandise and manufacturers' material a tax of 92 cents per \$100 is levied (regular tax rate 2.19), while on the gross sales a city license of \$1 per \$1,000 is required. Thus a merchant having a stock of the value of \$10,000 and sales of \$50,000 will pay on the

stock a tax of 92 cents, or \$92, and on sales a license fee of \$1 per \$1,000, or \$50; a total of \$142, tax and license. Sworn returns of stock and sales are made to the collector, who has the right to examine the books in order to test the accuracy of the returns. The lists are not published, but are open to inspection by the public. \$564,000 was realized from this source in 1904.

Licenses in St. Louis aggregate about \$1,700,000 (\$1,669,946). With the exception of the saloon licenses, they are collected by the License Commissioner, an officer appointed by the Mayor. The Commissioner employs on the collection of these miscellaneous revenues alone a force of twenty-eight men, fourteen of whom operate in the field. The saloon license in St. Louis is \$600 a year, and \$100 of this amount goes to the state. Payments are made semi-annually. About \$1,300,000 (\$1,264,975.68) was realized from this source during the year 1904.

Other important sources of income from licenses are:

Vehicles	\$74,831.50
Peddlers	26,596.70
Insurance companies, commission merchants, restaurants, dogs, aggregate each about	18,000.00

Hotels are taxed from \$2.50 up; restaurants, \$10 to \$100; intelligence offices, \$300; banks, \$100 each.

From municipal industries the city derives a revenue of about \$2,000,000 (\$2,173,037). Water rates contribute almost all of this amount, but there are minor receipts from wharfage and wharf rents, markets, and institutional industries.

The deposit of public funds with banks is in charge of the Mayor, Comptroller, and Treasurer, who select a bank or banks offering the highest rate of interest. A deposit of \$500,000 is permitted in a single bank, with a possibility of a supplementary deposit of \$500,000 additional. There are now ten depositories, and interest is paid at the rate of 2.30 and 2.23 on daily deposits. About \$230,000, including \$25,000 interest on school funds, is realized from this source. The average deposit on hand is about \$7,000,000.

These revenues, with the exception of certain school funds, are collected by the city. The greater part of the work is performed by the City Collector, but licenses are collected by the License Commissioner, water rates by the Water Department, and some other

items are collected by miscellaneous authorities. Deposits are made daily with the City Treasurer, with some exceptions, notably the court fees.

Receipts from public-service privileges in St. Louis were, in 1903, \$266,439. The street-railway companies pay to the city from 2½ to 5 per cent. of their gross earnings, and the amount reaches about \$125,000. Telephone franchises, on the same basis, bring in about \$75,000; and from electric companies about the same amount is paid in. Street cars are licensed at the rate of \$25 a year. In accordance with the law of 1901, a franchise tax is levied on all special-privilege corporations; but, except in the case of the gas company, not much is obtained in this way, owing to the fact that local charges are deducted from the amount of the franchise tax.

Departmental receipts amount to \$518,622. Under this are included such items as building permits (\$20,792), boiler and elevator inspection (\$17,723), and fees of the various court offices, of which latter \$58,000 is returned for the recording of deeds, and about \$50,000 from the courts of record.

From special assessments \$3,261,143 was collected in 1903. They originate with the Board of Public Improvements, and must be approved by the Municipal Assembly. Taxes are spread in proportion to area and frontage, one-fourth of the cost being assessed on the frontage basis and three-fourths on the area. The special assessments are not collected by the city, but by the contractors themselves.¹

Among the important and suggestive features of the St. Louis revenue system are the plan of advance assessment, the special-privilege franchise tax, the merchants' and manufacturers' tax and license, and the general tendency toward the universal business or "privilege tax."

See *The Charter of the City of St. Louis; the Revised Ordinances; Frederick N. Judson, Taxation in Missouri; Comptroller's Report, 1904-5; Report of the Board of Education; Report of the Missouri Tax Commission of 1903.*

BOSTON

The local government of Boston differs from that in New York, Philadelphia, and St. Louis in having a number of local authorities instead of a consolidated municipal government. Moreover, the

¹ In St. Louis special districts for street-sprinkling are created and specially taxed. The sum of \$178,018.27 was thus collected in 1904-5.

various authorities differ markedly from those in Chicago; and the nearest analogy to the existing arrangements are those which existed for London before the establishment of the County Council.

In one important respect consolidation of authorities has gone farther than in Chicago. Although Suffolk County comprises a small city and two smaller towns in addition to the City of Boston, there are no separate county financial authorities, and the county budget is included in the financial statements for the city. But there are a number of special boards outside of the city government charged with important branches of local administration. Two of these—the Police Board and the Rapid Transit Commission—exercise jurisdiction only within the city; and their accounts are reported in the city financial statements. Two others, however, deal with a large territory outside of the city, known as the Metropolitan District. These are the Metropolitan Sewer and Water Board, and the Metropolitan Park Commission, whose members are appointed by the Governor and Council of Massachusetts, and derive their authority directly from the State Legislature.

This Metropolitan District—which differs slightly for each of the two boards—includes Boston and more than a dozen cities and towns in the immediate neighborhood, which are largely suburban regions of the one urban community. But for local sentiment and administrative difficulties, the whole district might be included within the City of Boston, which would then have a population of 1,100,000.

One result of the continuance of separate governments is to make per capita statements of Boston finances a good deal larger than if the whole metropolitan community were included, as the heavy expenses within the business district are distributed only over the population within the city limits. Thus the total ordinary receipts for the City of Boston for 1903 were \$40.47 per capita. But if the receipts for the eight other larger cities in the Metropolitan District are added, the aggregate is \$32.84 per capita. If the smaller cities and towns were included, the rate would be somewhat lower than this. But the results would still leave the per capita receipts and expenditures for Boston larger than for any other city.

For the most accurate analysis and comparison with other cities,

the finances of all of the cities and towns in the Metropolitan District should be combined. But the data for the smaller places are not available; and it has seemed inadvisable to present figures which were neither for the City of Boston nor for the entire Metropolitan District. Thus the statements given in the tables are those for the City of Boston, with its proportion of the transactions of the metropolitan boards.

Boston's share of the ordinary revenues and expenditures of the metropolitan boards is practically included in the accounts of the city. The ordinary revenues of these boards are received from assessments levied on the different cities and towns; and the amounts show in Boston's reports as included in the tax revenue, and as paid out to the metropolitan boards. The Census Bulletin, however, includes all of these payments under miscellaneous general expenses; whereas they should be distributed as maintenance charges for the different purposes, and as interest and sinking-fund payments. This charge has accordingly been made from the census arrangement in the tabular statements.

On the other hand, the debt statements of the City of Boston do not show its share of the debt incurred for the metropolitan undertakings. The latter is nominally a state debt; but in fact it will be paid only by the communities within the Metropolitan District. Accordingly, Boston's proportion of this debt has been calculated on the basis of its share of the interest and sinking-fund payments; and this has been included in the statement of debt in the tables.

As in the other American cities, the larger part of the city's revenue is derived from the general property tax. This is levied by an ordinance passing both branches of the City Council with the approval of the Mayor. Department estimates of proposed expenditure are compiled by the City Auditor and revised by the Mayor; but the effective work of determining the amount of the budget and the necessary tax levy is done by the Board of Aldermen, the smaller branch of the City Council, which in this respect performs a similar function to the Board of Estimate and Apportionment in New York City. The approval of the budget and tax levy by the Common Council follows; and the ordinance is finally subject to the veto power of the Mayor.

While the per capita tax is high, it is important to note that the tax-rate for Boston is lower than in most large American cities. This is due to the high per capita valuation of property, which is the result of several factors: The per capita wealth of Boston is doubtless higher than in other cities; the assessed valuation is close to the full market value of property; and, as a consequence of the city including only part of the residence districts, the high value of business property is a larger proportion of all property within the city limits.

In addition to the general property tax, a large revenue is derived from special taxes, especially those on street-railway, bank, and other corporations. These taxes are levied by the state, and are paid directly to the state by the corporations. But the receipts are distributed to the cities and towns in proportion to the number of shares of stock owned on the miles of railroad track located in each. Thus, in effect, it is a local tax collected by the state for the cities, and not a real subvention from the state to the city. Grants from the state government are, in fact, almost a negligible item in the revenues of Boston.

Revenues from licenses is mainly from the liquor traffic; and the rates for liquor licenses rise higher than in any other city. The minimum rate is \$500, but this applies to only a small number of places, while the greater number pay the higher rates of \$1,100 and \$2,000. One-fourth of the revenue from these licenses goes to the state; the remaining three-fourths, to the city. As a result of the high license fee and the restrictions on the granting of licenses, there were only 786 liquor saloons in Boston in 1903; yet the revenue to the city was over \$1,000,000.

Under receipts from public-service privileges are included certain so-called taxes on public-service corporations. One of these is a gross earnings "tax" on street railways, in lieu of other payments for street repairs; the proceeds of the tax being used for the repairs of streets. Another is a special franchise "tax" on the elevated railway, specified to be in consideration of special privileges granted.

Receipts of municipal industries are larger proportionately in Boston than in other American cities. The water-works produced \$2,349,726 in 1903, or 60 per cent. of the water revenue in Chicago,

although the population of Boston is less than a third of Chicago's. The municipal markets brought in \$110,000; and other industries, \$480,000.¹

TORONTO

For purposes of comparison with American cities, Toronto has been selected. The general scheme of revenue-raising corresponds roughly to our own, but differs in important particulars. The revenue machinery of Toronto consists of the Treasurer and two Auditors, appointed by the Council for an indefinite term, an Assessment Commissioner, also appointed by the Council, together with Assessors, Valuators, and Collectors, who are selected by the Commissioner. There is also a Court of Revision of Assessments, composed of three members, one appointed by the Mayor, one by the Council, and the Official Arbitrator, and the two Auditors. Practically, financial authority is vested in the two officers, Treasurer and Commissioner, subject to the direction and control of the Council. Although the term of office is indefinite, tenure is practically permanent, as removals are rare. The present City Treasurer entered the service of the city in 1873, and has occupied his present position since 1888.

The total revenue of Toronto for the year 1903 was about \$4,000,000. Of this by far the largest item was that of taxes, which amounted to \$3,133,219. Taxes are derived from a levy of \$1.90 per \$100 on a valuation of about \$138,000,000. There is also an income tax, with exemptions on income from personal earnings to the amount of \$400 to \$1,000. Telegraph and telephone companies are especially taxed on 75 per cent. of their gross receipts (in cities of over 100,000 inhabitants).

This year there goes into effect a law providing for what is termed "business assessment;" the essential feature of this system is the use of the rental value of business property as an indication of income or ability to pay. The law provides that—

Irrespective of any assessment of land under this act, every person occupying or using land in the municipality for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "business assess-

¹ See *Boston Municipal Register; Auditor's Report; Publications of Bureau of Statistics.*

ment," to be computed by reference to the assessed value of the land so occupied or used by him, as follows:

Every person carrying on the business of a distiller is assessed for a sum equal to 150 per cent. of the said assessed value; brewers at 75 per cent; retail merchants at 25 per cent; solicitors, physicians, etc., at 50 per cent.; telegraph, telephone, street-railway companies at 15 per cent. In case the income of an individual so assessed exceeds the assessment, he is liable on the extent to which such income exceeds the amount of business assessment.

Among the interesting features of the taxing system is the system of rotation in assessment. The work of valuation is begun in March, and carried on ward by ward until the city is covered, in September. A distinction is made, in assessment, between improved and unimproved property, and there is now on foot a movement to exempt improvements up to the value of \$700. It is also important to observe that the Toronto assessment is made in advance of the year for which the levy is made. This makes possible the collection of taxes during the current fiscal year as in Philadelphia and St. Louis, and obviates the necessity for borrowing largely in anticipation of incoming taxes.

Liquor licenses amounted (in 1903) to about \$32,000, at a rate of \$450. Of this the city receives approximately \$166, while the balance goes to the Province of Ontario. The administration of this license is in fact superintended by provincial officers, independently of the city. The number of licenses is fixed at one hundred and fifty hotels and fifty shops, and the policy is to reduce rather than to increase the number. From other licenses about \$37,000 is obtained, with the sums obtained on account of milk-vendors, peddlers, expressmen, and cigarettes, yielding largest returns.

The principal municipal industry is the water-works, which pays about \$400,000 a year. Rentals of city property bring in about \$170,000 (including certain rentals charged against police stations and other departments); about \$25,000 is obtained from the city markets. The Industrial Exposition in 1903 netted some \$31,000.

In public-service privileges the leading item is the revenue obtained from the street-railway companies. In return for a thirty-year franchise the city receives a percentage of the gross receipts on the following scale:

Up to \$1,000,000	8%
From \$1,000,000 to \$1,500,000	10%
From \$1,500,000 to \$2,000,000	12%
From \$2,000,000 to \$3,000,000	15%
Above \$3,000,000	20%

In addition to this, the city receives compensation in the shape of mileage at the rate of \$800 per single-track mile. The amount realized from street railways was, in 1903, \$279,000. In 1904 this was increased to \$323,000, and is estimated for 1905 at \$345,000.

Special assessments are levied for the ordinary purposes, but in Toronto such taxes may also be made for the purpose of sweeping, lighting, and watering streets, for cutting grass and weeds, and for removal of snow, ice, and dirt. A considerable part of the cost of local improvements is borne by the city. Thus, in 1903, the cost of such improvements was about \$665,000, of which \$468,000 was paid by the property-owners, and the balance by the city.

The indebtedness of the city is about \$21,500,000, from which deduction must be made for cash and sinking-fund. This leaves a net debt (December 31, 1903) of \$15,316,266. Estimating the population at 200,000 in 1903, the per capita debt is about \$75. Of this debt about five and one-half millions have been incurred for the purpose of local improvements.

See *Consolidated Municipal Act of 1903*; *Consolidated By-Laws of the City of Toronto, 1904*; City Treasurer's Annual Report; *Municipal Handbook of the City of Toronto*; *The Assessment Act (Ontario)*, 4 Edw. VII, ch. 23 (1904).

SECTION III. REVENUES OF FOREIGN CITIES¹

Revenue-raising bodies in European cities.—Financial study has been made of five of the principal large cities of Europe—London, Paris, Berlin, Vienna, and Glasgow. In order to present data covering the same objects of expenditure, it has been necessary to combine, in most cases, the financial accounts of several local authorities and certain items from the accounts of the central governments; and as the accounts and reports of the various countries and cities are on very different plans, this has required a careful rearrangement of the items in the reports so as to group substantially similar facts in a uniform schedule.

London shows the greatest multiplicity in the number of authorities whose accounts must be considered, more than Chicago. Moreover, no single local authority occupies even the same degree of relative importance that the city corporate has in Chicago. As various authorities have jurisdiction over different areas and population, it is not obvious what district to include; but the most suitable district is that known as the Administrative County of London, with a population of 4,560,000.

Within this district the most important single authority is the

¹ BIBLIOGRAPHY. — *British Parliamentary Papers; Annual Local Taxation Returns* (England and Wales), 1902-3; *Annual Local Taxation Returns* (Scotland, 1901-2); *Annual Reports of the Accountant for Scotland to the Scotch Education Department*, 1901-2, 1902-3; *Revenue and Expenditure* (England, Scotland, and Ireland), 1902-3; Atkinson, *Local Government in Scotland*, chap. 15-17; *Oesterreichisches Städtebuch*, Vol. X (1904); *Die Gemeinde-Verwaltung der Stadt Wien für das Jahr 1902*; *Statistisches Jahrbuch der Stadt Wien für das Jahr 1902*; *Statistisches Jahrbuch der autonomen Landesverwaltung* (1904); *Oesterreichisches statistisches Handbuch* (1903); *Oesterreichische Statistik*, Vol. LXX ("Der Oesterreichische Staatshaushalt in 1899 and 1900"). *Compte général des recettes et dépenses de la ville de Paris*, Exercice 1902; *Département de la Seine: Compte des recettes et des dépenses*, Exercice 1902; *Budget de la ville de Paris*, Exercice 1903 (tableaux annexés); *Annuaire statistique de la ville de Paris* (1901); *Compte général de l'administration des finances* (République Française, 1902); *Annuaire statistique de la France* (1903). *Statistisches Jahrbuch der Stadt Berlin*, Vols. XXVII, XXVIII; *Verwaltungsbericht des Magistrats zu Berlin für 1902*; *Verwaltungsbericht der Königlichen Polizei-Präsidium zu Berlin* (1891-1900); *Statistisches Handbuch des Preussischen Staat*, Vol. IV; R. C. Brooks in *Political Science Quarterly*, Vol. XX, p. 665.

County Council, a popularly elected body. This has control over certain large municipal works, such as the main drainage system, some of the leading thoroughfares, most of the bridges over the river Thames, and the principal parks; and also has charge of the fire brigade, owns and operates some street-railway lines, and exercises some specified powers of police and sanitary control.

At the present time the London County Council is also the local educational authority; but for the years represented in the financial statements there was a specially elected School Board, an independent corporation with its own taxing powers.

Most of the Administrative County and a large area beyond is included in the Metropolitan Police District. The police force and police courts are directly under the control of a Commissioner, appointed by the central government; but a large part of the expenses of this force are collected by local taxes or rates. For the purpose of this study only that part of the Police District within the Administrative County has been included.

Another metropolitan district created is that for the supply of water, which also includes territory beyond the county. This function is now under the control of a Water Board, composed of representatives of the various locally elected authorities within the district. But at the time represented in this report the water supply for the metropolis was in the hands of a number of private companies, and their accounts are not included.

Another authority in the County of London is the Metropolitan Asylum Board, consisting mainly of representatives from certain locally elected authorities, which has the management of public hospitals, including those for the indigent sick and those for infectious diseases.

Within the Administrative County there are twenty-eight metropolitan boroughs, the City of Westminster and the City of London, each with its own elected council and other officials. These control many municipal public works, such as street-paving, lighting, and cleaning, garbage disposal, and local sewers. Many of them have electric-light plants, bath-houses, and public libraries, and some have small parks. The City of London (whose jurisdiction covers only a small part of the county) has a larger range of functions than the

metropolitan boroughs, including a police force and several bridges over the Thames.

Also within the Administrative County are thirty poor-law unions, each with an elected board of poor-law guardians. These, in connection with the Metropolitan Asylum Board, direct the administration of poor-relief.

Finally there is the Thames Conservancy Board, which has control over navigation and boat-landings on the river Thames; but this does not include the docks and warehouses for sea traffic, which are owned by private companies.

In addition to these various authorities, there must be included certain expenses of the imperial government, which correspond to items of local expense in Chicago and other American cities. The entire cost of the judicial and penal administration is borne by the central government; and a number of the public parks and museums in London are owned and maintained as royal parks. Some part of the expense for these must be considered as an additional grant from the central government to local purposes. The apportionment to London of the total expense for these items has had to be made approximately on a somewhat arbitrary basis.

In the case of the continental cities the number of local authorities is less, and the task of forming a consolidated statement is less difficult; but even for these there is usually more than one local budget to be considered. For Paris there are two main divisions in the administration of the city, one under the Prefect of the Seine and the other under the Prefect of the Police. But the accounts of both of these are presented in a single budget and financial report. To these city accounts, however, there must be added a large share of the financial transactions of the Department of the Seine. These are for the most part of a local character; and as Paris has two-thirds of the population of the department, they are in large measure part of the local administration assignable to the Paris community.

In addition to these local accounts, there must be included some expenses of the national government, which are analogous to local expenditure in this country. The national grant toward the support of the Paris police is included in the city budget; but other items in the national budget not appearing there are for the local share of

judicial and penal administration, and for the support of various educational and art institutions. These must be added to those in the local accounts to make a fair comparison with other cities; although in some cases only an approximate estimate can be made of the amount assignable to Paris.

In Berlin there is but one local corporation for municipal purposes; and all of the strictly local expenditures are accounted for on one budget. But, again as in Paris, the central state government, besides contributing small grants to the municipal treasury, carries on under its direct control certain important services which in the United States are branches of local administration; and the larger share of the expenses for these comes from the state treasury, without appearing in the municipal budget. These services include the courts and correctional institutions, the police commission (which controls the police force, fire department, and health and inspection services), the public schools and the principal public parks. For any fair comparison of local finances in Berlin and Chicago, it is therefore necessary to include the expenses of these services in addition to the items in the municipal accounts. The expenses of the Berlin police commission are shown separately in the financial reports of Prussia. But for the other services an apportionment of the total expenditure for the whole country must be made; and here a rough approximation of the share chargeable to Berlin is all that can be given.

For Vienna the local accounts to be considered are those of the city corporation and those of the province of Lower Austria. The latter, as in the case of the Department of the Seine and Paris, carries on functions which are for the most part local in character; and as Vienna has more than half the population of the province, a large share of the items in the provincial accounts are assignable to the city.

So, too, as for the other European cities, there must be taken from the Austrian central government accounts some items for branches of administration undertaken in the United States by the local authorities. This is less important in Vienna than in Paris or Berlin, but some part of the expenses for courts and prisons, and for the royal parks, in Vienna are clearly for the benefit of the city community, and this can be at least roughly apportioned.

To make up the Glasgow statistics has required the consolidation

of the reports of a large number of local authorities, though not so many as in London. If the areas of jurisdiction of different authorities were coterminous, it would be necessary to include only the accounts of the City, the Parish, and the School Board of Glasgow. But as the parish boundaries overlap those of the city, it has been found most convenient to include the data for the City of Glasgow and three small adjacent boroughs, and also those of two parishes and four school boards, covering the same area and population. This district, with a population of 912,000, is all within the Glasgow urban community.

Comparison of sources of revenue.—From the revenue statement it appears that the total ordinary revenue per capita for each of these European cities considered, is larger than that for Chicago. But this is in part a result of the larger gross revenue from municipal industries, especially in Berlin and Glasgow; and this income is largely offset by the special expenses of these undertakings. For general revenue, which is a better basis of comparison, the per capita for Chicago is also less than that for London or Paris; but larger than for the other three cities. This, however, does not take into consideration the relatively higher purchasing power of money in Europe.

Except in Glasgow, the most important sources of revenue is that from taxation. This yields the great bulk of the general revenue; and from 35 to 70 per cent. of the total ordinary revenue. The amount of taxes per capita is, like the general revenue, higher in money for London and Paris than for Chicago; and while less in Berlin, Vienna, and Glasgow, the difference is probably smaller than the difference in the value of property, or in the purchasing power of money. The methods of taxation are, however, very different from those in America, and also show great variety between the various foreign cities. And a brief analysis of the taxing systems will be suggestive in considering changes in methods here.

London and Glasgow have systems of direct local taxes which are very similar to each other; but this British system is very different from that used in other countries. The direct local taxes are wholly independent and distinct from the taxes levied by or for the central government, and the differentiation is so marked that the term "taxes"

is not applied to the local contributions, which are known as "rates" in England and "assessments" in Scotland. These local rates and assessments are levied on real estate only, including land and buildings: and the basis of the levy in both countries is not the capital value of the property, but the annual rental value. Moreover, the local rates are levied largely on the tenants or occupiers, instead of only on the owners, of property. In London, however (and generally in England), it is very often arranged in the leases that the landlord shall pay the occupiers' rates, and the rents are arranged accordingly. This is known as "compounding" the rates. In Glasgow and Scotland there is little or no compounding; but a considerable portion of the assessments are levied directly against the owners.

While there is only one system of valuation and assessment, there are a great number of distinct rates levied for different purposes. Almost every one of the many local authorities levies a separate rate, and in some cases one authority levies several rates. Thus there are separate rates for poor-relief, schools, borough purposes, and sanitary improvements; while in London there is an additional county rate.

A somewhat complicated process is followed in making valuations. There is first determined the "gross estimated rental," based on the yearly rent paid by a tenant who himself pays the tithes and the occupiers' rates. From this deductions are made to cover the average expenses for repairs, insurance, and renewals, and the balance is the "ratable value." In Glasgow, however, the burgh rates are levied on the gross rental. For certain purposes and certain kinds of property rates are levied only on a fraction of the full ratable value. Rates for police and street-lighting are levied on lands only on one-third of the full value; and rates for sanitary and other municipal improvements are based only on one-fourth of the value for agricultural land, railroads, docks, and canals. On the other hand, the assessment is always based on the value of the property for the purpose in use, so that the "franchise value" of railways, gas-works, and the like are included.

In London the primary valuations are made by the councils of the metropolitan boroughs, subject to review by assessment committees and appeal to the courts. There are some provisions for estab-

lishing uniform methods throughout the metropolis. Complete revaluations are required by statute every five years, and the deductions from the gross rentals are based on a fixed scale. There are also provisions for equalizing certain rates between the poorer and richer districts.

In the Continental cities most of the direct taxes, and sometimes part of the indirect taxes, levied by the local authorities, are in the form of additions to the taxes levied by the central governments. This resembles the method in America of adding the local tax-rate to the rate levied by the state governments; but in the European cities the taxes for the central governments are the larger portion of the whole, although the local taxes are also of weight. It is important to keep this condition in mind when comparing the total burden of taxation in American and European cities. In Chicago the state tax does not amount to one-tenth the local tax, and in other cities the proportion is equally small.

In Paris the direct local taxes are known as *centimes additionels*, because the rate is measured in *centimes* added to the rate for state taxes. There are four separate objects of this direct taxation—lands and buildings, personal property, doors and windows, and business trades.

Indirect taxes still form a slightly larger source of local revenue in Paris than the direct taxes, and are of much more importance in Paris than in other French cities. These indirect taxes, known as *octrois*, are an elaborate series of local customs duties levied on goods entering the city. The larger part of the revenue comes from the duties on wines, beers, and other liquors; meat and other food supplies are also taxed, but bread is admitted free. The administration of these octrois duties at the city gates and railroad stations is very expensive, the total cost amounting to over 10 per cent. of the amount collected. There is much complaint about them; but the heavy direct taxes by the state stand in the way of increasing these so as to abolish the octrois.

In Berlin most of the local taxes, and nearly all of the tax revenue, may be classed as direct. The most significant feature is the tax on incomes, levied by the municipality in addition to the state income tax. Although the Prussian government ten years ago aban-

doned other direct taxes for state revenue, with a view to segregating the state and local sources of revenue, the municipal income tax still furnishes nearly half of the municipal tax income—or about 40 per cent., if the special assessments are included as direct taxes. Next in importance is the tax on real estate, which yields about two-thirds as much as the municipal income tax. This has been levied on the basis of rentals, as in England; but a change to the system of capital market value has recently been adopted, so as to reach the owners of unimproved land. About 15 per cent. of the tax revenue comes from business or trade taxes, which include a small amount from department stores, and still less (\$75,000) from retail liquor-dealers. Of minor importance are the taxes on real-estate transfers, brewers, and dogs, which may be considered as indirect taxes. The revenue from these altogether is less than 5 per cent. of the total tax revenue.

Vienna also secures a large part of its tax revenue from additions to the taxes of the central government. But the taxes in force are different from those in Prussia or France. The land tax is insignificant, and the most important direct state taxes used for local revenues are the tax on buildings and the inheritance taxes. In addition to these, the city gets a large revenue (as much as from the other direct taxes combined) from a tax on rents, apparently similar to the British local taxes. Vienna also, like Paris, makes a large use of indirect taxes, which are levied mostly on liquors and meats. A good share of this revenue comes as an addition to the state excises on the same commodities; but some distinctly local consumption taxes are also levied.

A considerable part of the funds for municipal purposes in the European cities comes from the central governments. Part of this is in the form of grants or subventions paid into the treasury of the local authorities, part is in the form of direct support of institutions which in this country are often local in character. In Great Britain most of the amounts shown are payments to local authorities, and the largest part of these are the proceeds of certain local taxation licenses, inheritance taxes, and probate duties levied and collected by the central government, but paid over in whole or in part to the local authorities. The most important of these are excise duties on

liquors and certain inheritance taxes. The proceeds from these taxes are fixed in amount, and do not increase from year to year. There are also, however, some grants from other funds in the national treasury to local authorities, mostly for schools; while some expenses for national courts, prisons, parks, and museums, analagous to American local expenditure, have also been included as equivalent to additional grants from the central government.

In the continental countries most of the revenue for local purposes from the central governments are expended under its immediate control. The largest amounts are for the police of the various cities; but other items partly assignable to the localities are those for courts, prisons, secondary schools, art and other museums, and parks. There are also some grants or subventions to the local treasuries for elementary schools, and occasionally in small amounts for other purposes.

Revenue from public-service franchises are most striking in the case of Paris. This is due to the small extent of municipal ownership there, as compared with Berlin, Vienna, and Glasgow. The gas company alone pays the city of Paris over \$3,000,000 a year.

Municipal-service income for the continental cities includes some revenue more or less analagous to special assessments in the United States. But the different methods employed and the different purposes make it impossible to separate exactly the amounts corresponding to special assessments. Most of the revenue included under special assessments for Berlin is from a rental tax for the maintenance of sewage works.

Revenue from municipal property and industries varies necessarily with the extent of municipalization. In proportion to population, Glasgow stands first, Berlin and Vienna second, with Paris and London farther behind. Glasgow has municipal tramways, gas-works, electric lighting, water-works, markets, and telephones; and more than half of the total revenue is derived from these sources. Vienna owns all of these industries, except telephones, but does not operate the street railways. It also has municipal abattoirs and cemeteries. Berlin has municipal water-and gas-works, markets and abattoirs. Paris has only municipal water-works, markets and abattoirs, and cemeteries. London has, in part, municipal electric lighting, cemeteries, markets, and street railways; while the water-

works have come under public control since the year covered by this report.

The revenue from these municipal industries is, for the most part, offset by the special expenses; but in most of these cities there seems to be an appreciable net revenue, which balances the smaller receipts from public privileges in the other cities as compared with Paris.

The extraordinary revenues necessary vary largely from year to year. For the period covered in the tables Vienna made a large loan of \$28,000,000, mainly for the purchase of the street-railway system; and London borrowed large amounts for street improvements.

Comparison of expenditures.—From the statement of expenditures it is seen, not only that the total ordinary expenses of these European cities are larger per capita than those of all the public authorities in Chicago, but also that, except in the case of Glasgow, the total general expenses (deducting the expenses of municipal industries) are larger per capita than for Chicago. When, besides the actual difference in money spent, there is considered the higher rates of wages, salaries, and prices generally in this country, it becomes evident that Chicago cannot expect to attain the standard of municipal service furnished by the European cities without a substantial increase in the expenditure for municipal purposes.

Examining the various items of expenditure, there are seen to be wide variation in some lines between the different European cities; and in some branches Chicago spends more proportionately; notably for the fire department and public parks. On the other hand, for certain objects the expenditure of Chicago is unusually low. In the case of public charities, this is probably due to the smaller need for assistance in this country. But, in view of the inadequate protection afforded by the police force in Chicago, it is significant to note the much larger expenditure in London, Paris, and Berlin. So, too, the expenditure for maintenance and care of streets and sewers is markedly more in most of these cities than in Chicago. The apparent exception in the case of street-lighting expenditure for Berlin and Vienna is due to the fact that the municipal lighting plants in these cities do not keep an account for public lighting, as is the case in Glasgow. And while the expenditure for street and sewer construction in Chicago seems large, most of this is on the Drainage Canal, and the outlay for street-paving work is comparatively small.

The expenses for courts assigned to Berlin and Vienna is much higher than for the other European or the American cities. But there is also a large revenue received by the courts in Berlin and Vienna, which meets a large share of the expense. It seems probable that the public accounts in connection with the German and Austrian courts include many items which in Great Britain, France, and the United States are often settled privately with no public record. For example, the financial reports of American courts show no record of fees paid to referees or masters in chancery, or of trust funds held by the court officials; while it is likely that, with more exact methods of accounting in Germany and Austria, the corresponding financial transactions are included in the official books of account.

PART III

THE REVENUES OF CHICAGO

The revenue-raising authorities of Chicago constitute one of the most complicated systems of local finance to be found anywhere, certainly the most involved and difficult in the United States. Lying wholly within the limits of the City of Chicago, there are ten separate taxing authorities; namely: the City Corporate, the Board of Education, the Public Library Board, the Lincoln Park Board, the West Park Board, the South Park Board, the Ridge Avenue Park Board, and the North Shore Park Board. The latter two are so unimportant financially that they may be omitted from consideration.¹ Lying almost entirely within the city limits are the Sanitary District and Cook County, 95 per cent. of the valuation of the former, and 92 per cent. of the latter, being within the city limits. A small part, 10 per cent., of the Calumet Park District is also contained within the confines of Chicago, as well as parts of the five Towns of Calumet, Evanston, Norwood Park, Niles, and Main. Eliminating the minor boards, it appears that, so far as local revenue and expenditure are concerned, Chicago is really a confederation of eight governments—the City, Board of Education, Public Library, three Park Boards, the Sanitary District, and the County.

Between three of these there is a degree of unity arising from the fact that the city government appoints the Board of Education and the Public Library Board, and possesses various ill-defined powers over their budgets. Lincoln Park, moreover, is not organized as a municipal corporation, but has as its clerk the City Clerk, *ex officio*, and the County Treasurer as collector and supervisor *ex officio*. All these governments have the machinery of assessment and collection in common; all are linked together by the provisions of the famous Juul Law.

On the other hand, each government has its own sources of revenue and objects of expenditure, its own financial machinery and financial policy. Of the \$38,421,974 annually raised by the com-

¹ In 1904, the Ridge Avenue received about \$1,500, and the North Shore about \$3,500.

munity, each has a share allotted to it by the Legislature, and each spends the proceeds independently of the others. In the same way, each government borrows money, expends it, and provides for interest and repayment in almost complete independence of all the others. Five of the governments maintain police forces, controlled and financed independently—namely, the City, the Sanitary District, and the three Park Boards, while the Sheriff is a County officer. Four governments—the City, West Park, Lincoln Park, and South Park—operate electric-light plants, while the Sanitary District is about to develop and sell electric power. Two governments own and operate water-works—namely, the City and Lincoln Park. Four governments—the City and the three Park Boards—possess and exercise the power to pave, repair, and clean streets, and to levy special assessments for the first-named purpose. They may, and occasionally do, levy special assessments upon each other, even where the governments are related as are the City and the Board of Education. The case of the City of Chicago vs. the City of Chicago, in which the City brought suit against the Board of Education for special assessments unpaid, offers a striking illustration of this condition. The various governments do not agree even on a calendar; for the fiscal year of the City, Public Library Board, West Park and Lincoln Park ends on December 31; that of the County, the Sanitary District, and the South Park Board, on November 30; that of the Board of Education, on June 30.¹ The fact that three of the governments—the County, the Lincoln Park and the West Park Board—are ordinarily Republican, while three of them—the City, the Board of Education, and the Public Library Board—are under Democratic control, and two of them—the Sanitary District and the South Park Board—are or have been bipartisan, helps materially to confound the existing confusion.

To assist in the understanding of this system, a number of tables have been prepared and are here presented. Table I gives the classified "ordinary" revenues of each of the eight main bodies concerned. Table II gives the classified "ordinary" expenditures of the same bodies. Table III presents the "extraordinary" expenses or capital outlay of the local government. Table IV gives the bonded and floating debt of the various local authorities. In view of the fact that there are eight different sets of revenue-raising and disbursing

¹ Nominally ends on December 31, but practically June 30.

TABLE I
ORDINARY REVENUES OF CHICAGO BY TAXING BODIES*

	City	Schools	Public Library	County	Sanitary District	Lincoln Park	West Park	South Park	Total
Taxes.....	\$6,177,812	\$7,793,399	\$255,953	\$2,140,448	\$2,685,602	\$472,805	\$736,115	\$1,208,373	\$21,469,607
Licenses, fines, forfeitures (saloons, \$3,759,555).....	4,566,123	.....	7,792	.....	.....	.....	.....	.....	4,513,915
State grants.....	.....	306,840	.....	.....	.....	.....	.....	.....	306,840
Miscellaneous.....	112,504	12,547	4,491	39,415	21,162	2,164	6,442	41,373	231,098
Total general.....	\$10,796,439	\$8,112,786	\$267,336	\$2,179,863	\$2,706,764	\$474,969	\$742,557	\$1,249,746	\$26,521,460
Municipal industries.....	\$4,274,521	.....	.....	.....	.....	.....	.....	.....	.....
Public-service privileges.....	513,763	\$528,795	\$1,369	\$ 72,089	\$59,802	\$39,540	\$2,101	\$94,449	\$5,072,666
Departmental receipts.....	732,741	.....	.....	.....	.....	.....	.....	.....	513,763
Special assessments (†).....	4,296,367	39,010	.....	1,215,320	.....	.....	.....	8,330	2,015,401
Total commercial.....	\$9,837,392	\$568,805	\$1,369	\$1,393,089	\$59,802	\$39,544	\$4,414	\$102,779	\$11,900,514
Total ordinary.....	\$20,633,831	\$8,680,591	\$268,705	\$3,563,952	\$2,766,566	\$514,513	\$746,971	\$1,352,525	\$38,421,974

* This does not include receipts from temporary or long-time loans, as these are in effect anticipations of revenue; nor receipts from fees not returned, as, for example, justice court fees.

† Special assessments confirmed in 1903 amounted to \$4,622,540, and in 1904 to \$8,350,020. The amount given here represents construction completed during the year 1904, and covers contracts let in previous years. Improvements made by private contract during 1904 were estimated at \$1,448,467. These are not included above.

TABLE II
ORDINARY EXPENDITURES OF CHICAGO BY TAXING BODIES

	City	Schools	Public Library	County	Sanitary District	Lincoln Park	West Park	South Park	Total
General administration.....	\$1,139,884	\$ 138,845	\$14,100	\$ 782,307	\$293,335	\$ 11,537	\$ 34,374	\$ 29,552	\$2,353,933
Public health and safety.....	5,975,883	.....	.....	941,252	21,835	38,852	82,200	102,200	7,102,282
Charities and corrections.....	250,243	.....	.....	1,350,331	.....	.....	.....	.....	1,600,574
Streets and sewers.....	2,372,258	.....	.....	34,040	109,123	35,743	82,069	151,769	2,785,002
Education.....	.....	8,392,260	178,666	4,499	.....	7,398	.....	15,000	8,597,793
Recreation.....	41,533	.....	.....	.....	.....	116,967	252,232	254,671	665,403
Miscellaneous.....	28,152	.....	4,492	16,454	33,285	.....	987	7,758	91,128
Total general.....	\$9,807,952	\$8,531,105	\$197,258	\$3,128,883	\$ 367,578	\$210,467	\$451,862	\$561,010	\$23,256,115
Interest.....	1,130,931	17,728	6,285	164,140	731,690	35,000	101,539	108,090	1,503,713
Loans repaid.....	1,547,560	35,000	.....	276,000	1,097,250	75,000	140,000	144,000	3,314,810
Municipal industries.....	2,064,884	.....	.....	.....	.....	8,071	.....	.....	2,073,955
Total ordinary.....	\$13,551,327	\$8,583,833	\$203,543	\$3,569,023	\$2,196,518	\$328,538	\$603,401	\$ 813,100	\$30,208,693
Extraordinary.....	5,255,297	1,579,990	20,698	527,718	1,581,245	233,466	136,776	2,739,437	12,074,645
Total.....	\$18,806,624	\$10,163,823	\$224,241	\$4,096,741	\$3,777,763	\$562,004	\$830,177	\$3,652,537	\$42,283,338

TABLE III
CAPITAL OUTLAY (EXTRAORDINARY EXPENDITURE) BY TAXING BODIES

	City	Schools	Public Library	County	Sanitary District	Lincoln Park	West Park	South Park	Total
General administration.....	\$ 461,743	\$ 55,836	.....	.....	\$ 154,799	\$ 1,000	\$ 6,399	\$ 55,646	\$ 736,333
Public health and safety.....	27,991	.....	.....	.....	.....	.....	.....	.....	27,991
Charities and corrections.....	9,310	.....	.....	\$527,718	.....	.....	.....	.....	537,028
Streets and sewers.....	3,800,400	.....	.....	.....	1,059,584	.....	36,605	2,269	4,898,948
Education.....	.....	1,524,072	\$20,698	.....	.....	.....	.....	.....	1,544,770
Recreation.....	10,837	.....	.....	.....	.....	231,591	93,682	2,679,826	3,015,936
Municipal industries.....	930,966	.....	.....	.....	366,952	.....	.....	.....	1,297,918
Miscellaneous.....	14,950	.....	.....	.....	.....	875	.....	1,696	16,621
Total.....	\$5,255,297	\$1,579,909	\$20,698	\$527,718	\$1,581,245	\$233,466	\$136,776	\$2,739,437	\$12,074,645

TABLE IV
DEBT BY TAXING BODIES, DECEMBER 31, 1904

	Bonded	Floating
City Corporate.....	\$22,61,8000	.....
Special assessment.....	1,801,832	.....
Total City.....	\$24,419,832	\$1,422,348
Lincoln Park and North Shore.....	\$1,500,000	.....
Cook County.....	4,034,200*	676,019
Sanitary District.....	15,589,500*	842,012
West Park Board.....	1,130,000	425,000
South Park Board.....	4,531,000	429,814
Total.....	\$51,204,532	\$3,795,193
Sinking funds.....	1,302,600	
Debt less sinking funds.....	\$49,901,932	

* Pro-rated.

bodies within Chicago, it is important that such a consolidated and classified schedule should appear at the outset of a discussion of local finances. In making up these tables, 92 per cent. of the revenue and expenditure of Cook County is included under "County," as 92 per cent. of the assessed valuation of the County lies within the City limits, and, on the same basis, 95 per cent. of the "Sanitary District." No account is taken either of revenue from temporary loans or repayments of such loans.

SECTION I. TAXES

By far the largest item in the revenues of Chicago is that of taxation. From this source, in the year 1904, \$21,469,607, or 56 per cent. of the whole amount, was realized and apportioned to the various financial authorities. The basis of taxation is the real and personal property of the community. The Constitution requires that "the General Assembly shall provide such revenue as may be needed by levying a tax, by valuation, so that every person and corporation shall pay a tax in proportion to the value of his, her, or its property."¹

The assessment of property is partly a local and partly a State function. The capital stock of corporations and railroad right of way, rolling-stock, and capital stock are assessed by the State Board of Equalization, while other property is assessed by the local authorities. The work of local assessments rests with the County Board of Assessors, which is composed of five members elected by the County for a term of five years. To revise the work of the assessors, there is constituted a County Board of Review, composed of three members elected for six years.

Assessment of real estate is made every four years, with opportunity for yearly revision in case of building, addition, or improvements. The values of lands and improvements are determined separately and recorded in separate columns.

The report of the Swift Commission of 1896 estimated the assessment of realty at from 8 to 14 per cent. of the actual value, but at present it is generally estimated by real-estate men that 70 per cent. of the full value is returned by the assessors. For purposes of taxation this valuation is divided by five. Within the central business district, assessment more nearly approximates the market value of real property than elsewhere. Lists of real-estate assessments have not been published since 1899, but the law of 1905 makes mandatory upon the assessors such publication, by election districts, beginning with the year 1907. Doubtless the publication of these lists with the

¹Art. IX, Sec. I.

separate valuations of land value and improvements will do much to remedy inequality of assessment.

Personal property, with the exceptions noted, is also assessed by the local authorities. An assessment is made each year, and the assessments (unrevised) are published, by election precincts. Of this assessment little need be said, since the personal property tax is everywhere a farce. Antiquated and absurd in the extreme, it still lingers; and, if abuses are found, nothing else need be expected. Under present conditions, the personal property tax can be neither equitable nor effective. Specific and detailed accounts of its workings were given in the exhaustive Reports of the Illinois Bureau of Labor Statistics in 1894-96. As a present example, the total personal property assessment in Chicago for 1904 was \$400,000,000, while the bank deposits alone amounted to over \$400,000,000. This does not mean that bank deposits should be taxed, but simply goes to show the utter inadequacy of the personal property tax. There is no student of finance who supports it, no man of affairs but is aware of its weakness. As Professor Seligman, an eminent authority on taxation, says:

All attempts to stem the current and to prolong the tax by a more stringent method of administration have had no effect but that of injurious reaction on the morale of the community. America is today the only great nation deaf to the warnings of history. But it is fast nearing the stage where it, too, will have to submit to the inevitable. . . . Practically, the general-property tax as actually administered is *beyond all doubt one of the worst taxes known in the civilized world*. . . . It sins against the cardinal rules of uniformity, of equality, and of universality of taxation. It puts a premium on dishonesty and debauches the public conscience; it reduces deception to a system, and makes a science of knavery; it presses hardest on those least able to pay; it imposes double taxation on one man and grants entire immunity to the next. In short, the general-property tax is so flagrantly inequitable that its retention can be explained only through ignorance or inertia. It is the cause of such crying injustice that its alteration or its abolition must become the battle-cry of every statesman and reformer.¹

The personal-property tax is as inadequate and ineffective here as it is anywhere and everywhere else. For the \$5,000,000 Chicago obtains from it we pay a staggering amount of inequality and injustice.² It is, of course, only a question of time when the per-

¹ *Essays on Taxation*, pp. 57, 61.

² Possible substitutes for the personal-property tax will be considered in Part IV.

sonal property tax will everywhere be abolished. It cannot be reckoned upon as a permanent source of revenue, and the sooner adequate substitutes are provided, the better will it be both for the finances and the morals of the community.

In addition to the local assessment of real and personal property, certain valuations are made by the State Board of Equalization. Under this head are included the capital stock of Illinois corporations¹ and the value of railroad right of way and rolling-stock. The railroad assessment for 1904 amounted to \$20,251,788 (full value, \$100,638,940) in Chicago, while the capital stock of corporations was rated at \$12,090,712 (full value, \$60,453,560). These assessments are made annually by the State Board of Equalization, a body composed of twenty-five members, elected one from each congressional district every four years, at the time of the presidential election.

Railroad property is valued partly by the local assessors and partly by the State Board of Equalization. Main track, second main track, side track, buildings on the right of way, rolling-stock, and capital stock are valued by the State Board. Their value is then distributed among the several counties in the proportion that the length of track in the county or other district bears to the whole length of the road in the state, except that the value of the buildings on the right of way is returned wholly to the district in which they are located. Local authorities assess only such real estate as is not considered "right of way," and personalty along the line of the road, except rolling-stock.

No clear description has been made of the exact methods followed by the State Board of Equalization in determining the valuation of railroad property. Apparently the valuation for each road as a whole is first determined under several heads—such as main line and right of way, side tracks, switches, stations, and real estate locally assessed. It is known that the first of these items includes all of the land used for railroad purposes, and the three following items cover only the structures built on the land. It seems clear that the latter items are determined separately, perhaps on the basis of an estimated

¹ Corporations organized for "purely manufacturing and mercantile purposes, or for either of such purposes, or for the mining and sale of coal, or printing or for publishing of newspapers, or for improving and breeding of stock" are excepted.

cost of production; and that to right of way is assigned all that remains of the aggregate valuation of the railroad, as determined probably in some relation to the market value of stocks and bonds.

Omitting the Illinois Central, which pays a percentage of gross receipts to the state in lieu of taxes, the aggregate assessed valuation of the railroads in the state for 1904 was \$433,000,000. According to the estimate by the United States Census Bureau, this was 63 per cent. of the total commercial value of the same roads.¹ This ratio of assessed to commercial value of railroads in Illinois is surpassed by only four states,² but it shows, nevertheless, a large undervaluation of the railroad property; and even on the assumption that other property in Illinois is not assessed at more than 70 per cent. of its value, there is room for a considerable advance in the railroad assessments. An increase from 63 per cent. to 70 per cent. of the commercial valuation would add nearly \$50,000,000 to the assessment for the state. On the present scheme of apportionment, this would mean an increase of \$14,000,000 in the assessed value of Cook County, or nearly \$3,000,000 added to the taxable value.

But the present scheme of apportioning the railroad valuations operates to deprive Chicago and Cook County of a much larger amount of taxable value. As the valuation for main line and right of way is apportioned among the various counties on the basis of the main line mileage, Chicago, with all the valuable terminal property of many roads, is assigned for the land value only an amount based on the few miles of main track for each road within the city.

Two years ago the City brought suit in the courts to secure a change in the method of assessment. Evidence was presented to show that the terminal property of the roads in Chicago had a market value of over \$50,000,000, but that the assessed full value assigned to Chicago covering this property was only \$750,000. It was also shown that a road with valuable terminal property within the city, but entering on the tracks of another road, had no main-line assessment assigned to Chicago, and thus paid no taxes at all on its terminals to the City; and another case was presented where a road, by purchas-

¹ *Bulletin No. 21.* This includes only property used for transportation purposes.

² Connecticut, Michigan, New Jersey, and Wisconsin. In Connecticut and New Jersey the tax-rate on railroads is low, and the amount of taxes paid is less proportionately than in Illinois.

ing property for extending its terminals, had withdrawn it from the local tax list, with no visible increase in the railroad assessment. It was therefore claimed that the terminals of the railroads should be assessed by the local assessors as real estate, and not by the State Board of Equalization.

It was held, however, by the Supreme Court of the state that the value of the terminal property was included, and rightly included, in the valuation of the right of way made by the State Board of Equalization; and that the apportionment of this valuation, as prescribed by statute, on the basis of main-line mileage, was not only constitutional, but also "equitable and just."¹ In support of this view was cited an opinion of the United States Supreme Court that "it may well be doubted whether any better mode of determining the value of that portion of the track within any one county can be devised than to ascertain the value of the whole road, and apportion the value within the county by its relative length to the whole."²

In view of these opinions, it may seem an idle effort to criticise further the existing method of apportionment. But other evidence is at hand to emphasize the injustice of this method, and it is not impossible that the Legislature may come to appreciate this injustice, and establish a more equitable basis of distribution.

To secure this result, however, there are other methods than that proposed in the suit of two years ago, namely, to allow the local assessors to value the terminal real estate. There are important advantages in having the property of railroads assessed as a unit; and the just claims of Chicago can be recognized by a better system of apportioning the assessment between the counties. One may even admit that the United States Supreme Court did not err when it said, over twenty years ago, that the mileage basis was the best devised *up to that time*. But some advance in railroad taxation has been made since then; and Professor B. H. Meyer, the transportation expert of the Census Bureau, asserts that the mileage basis for apportioning valuation is the "least satisfactory" of the various methods now considered.³

¹ People *ex rel.* Chicago vs. State Board of Equalization (205 Ills. 296).

² State Tax Cases (92 U. S. 575).

³ *Census Bulletin No. 21*. On systems of assessment in other states see the report of the Interstate Commerce Commission on "State Taxation of Railways and Other Transportation Agencies," 1903.

The same writer, in apportioning the commercial valuation of railroads among different states, adopts as the best basis that can be practically applied under existing conditions that of gross earnings. This basis, or perhaps a combination of the gross earnings and mileage bases, could be established by an amendment to the statute which would require the railroads to record and report their earnings in each county (and town) for this purpose. If this should be done, a large part at least of the valuation claimed by Chicago would be apportioned to it, with a corresponding increase in the revenue from taxation.

Another solution of this and other difficulties in the administration of tax laws would be that discussed elsewhere in this report—to allow the State to take over the whole of the tax on railroads, and in return abandon the state tax on locally assessed property. That, however, involves an important change in the policy of state government; and if it cannot be secured, there should at least be some change in the method of apportioning the railroad valuations, such as is here proposed.

Our system also provides for state assessments of railroads, even when lying wholly within the limits of a city or county. In this way street railways and elevated roads are included within the scope of the State Board's action, not only so far as capital stock is concerned, but also in the case of the elevated roads, in respect to right of way, track, rolling-stock, etc. Thus the Metropolitan, the Northwestern, and the South Side Elevated lines are assessed by authorities outside of the City, and independent of local control, except for local representation on the State Board of Equalization. The capital stock of surface street railways is subject to state assessment, but the value of the tangible property is determined locally and deducted from this. It is important to observe, in this connection, that the valuations of the companies have materially declined within the last few years. The Chicago City Railway was assessed on capital stock at \$23,440,000 in 1902, \$21,420,000 in 1903, and at \$17,608,810 in 1904; while the Union Traction, valued at \$40,768,045 in 1902, was returned at \$21,620,035 in 1903, and in 1904 fell to \$16,338,015. The total value of the capital stock of street-railway companies fell from \$71,961,000 in 1902 to \$33,846,825 in the year 1904.

Of the corporations other than railroads assessed by the State Board of Equalization, the most important are those having special franchises in the public streets for street railways, gas, electric lighting, and telephones. A study of the assessments of these corporations in Chicago during the past few years reveals some significant facts.

Prior to 1900 the assessments of the State Board of Equalization on the capital stock and franchises of these corporations regularly equaled precisely the locally assessed value of their real estate and personal property, so that there was no additional assessment by the State Board. In the year 1900 a small assessment was added by the State Board, aggregating \$2,560,000 *taxable value* for the local franchise corporations in Chicago. It so happened that for this year there was a marked decrease in the local assessments in Chicago, with the result that the revenue of the Board of Education (with other taxing bodies) was seriously reduced in the following year. To meet this reduction in revenue, the Board of Education suspended advances in salaries and reduced salaries of teachers in the schools. This action led the Teachers' Federation to investigate the taxing system; and as a result they brought suit to compel the State Board of Equalization to increase the assessments of the local franchise corporations for 1900, so that additional revenue might be secured for the Board of Education.

After trial in the Circuit Court and an appeal to the Supreme Court of Illinois, a writ of mandamus was issued requiring the additional assessment.¹ An attempt to secure an injunction from the United States Circuit Court failed; and a new assessment aggregating \$32,732,000 was made, based, as prescribed by the Supreme Court, on the market value of the stocks and bonds of the companies.

As the result of another suit brought by the companies in the United States Circuit Court, after the supplementary assessment had been made, the collection of the tax on this assessment was in large part enjoined. Judge Grosscup held that the supplementary assessment had been made under duress, and was not on a proper basis.² He decided that the assessment should be based on the capitalization

¹ State Board of Equalization vs. People (191 Ills. 529).

² Chicago Union Traction Co. vs. State Board of Equalization (112 Fed. Rep. 557).

of net earnings; and on this basis the companies eventually paid taxes on an additional assessment, aggregating \$7,190,000, taxable value.¹ Including the taxes previously paid, mainly on their tangible property, the franchise corporations paid taxes for 1900 on a total of \$21,034,000, taxable value.

Meanwhile assessments had been made and taxes paid for 1901. These were on a much lower valuation than was the basis of the supplementary assessment for 1900, but were distinctly higher than the valuations used in paying the taxes for 1900 under Judge Grosscup's decision. In his opinion Judge Grosscup stated that the valuations under this rule would approximate those made voluntarily by the State Board for 1901; but the amounts paid for 1900 taxes under his decision were, in fact, on a valuation 25 per cent. less than that on which the companies paid without dispute for 1901. Judging by the valuations on which taxes were paid for 1901, the additional assessment for 1900 should have been double that allowed by the United States Circuit Court.

An appeal was taken from Judge Grosscup's injunction; but it has never been argued before the United States Supreme Court. In view of the general attitude of the latter court, declining to interfere with assessments of property for taxation under state laws, it seems probable that the valuations on which taxes were actually paid for 1900 would be materially raised, and that a substantial payment would have to be made to the local authorities.

In view of the fact that the taxation of corporations is becoming more and more important, the method of valuation becomes exceedingly significant. As the old personal property tax tends to disappear, the new forms of taxation deserve special attention. Every principle of sound finance requires that the machinery for corporation assessment should be most carefully constructed and that its actual operation should be closely and continuously scrutinized.

It is generally conceded by students of taxing systems that a State Board of Equalization, constituted after the manner of the Illinois

¹ The additional taxes paid amounted to \$598,000, of which about \$280,000 went to the Board of Education. But the board did not restore the teachers' salaries, and used the funds for other purposes, although the revenue was entirely due to the efforts of the Teachers' Federation.

board, is a clumsy and ineffective device. In the excitement of the presidential campaign, during which members of the Board are chosen, the candidates are lost sight of, and little or no attention is given to them. Not one man in ten can name the member of the State Board from his district, and not one in a thousand knows what the attitude of his representative is on the very important questions of policy that come before a board charged with the assessment of corporations and of railway property.

In any event, a body of twenty-five members is much too large to carry on effectively the work of valuation. Twenty years ago the Oglesby Commission recommended the abolition of the State Board of Equalization, and the substitution of a small board of Tax Commissioners to be appointed by the Governor. Their recommendations were unheeded, however, and although new and grave responsibilities have been placed upon the Board, its composition remains the same. State after state has abandoned the old-style board, which has been universally condemned by its history, and adopted the plan of a smaller, appointive board, instead of the large elective one. The results achieved in such states as Indiana, Wisconsin, and Michigan are instructive illustrations of what might be accomplished here.¹ There is no question that a board of three or five members, appointed by the Governor of the state, would be far more effective than is the present machinery.

If the State Board is retained, provision should be made for more prompt return of assessments to the local authorities. At present these reports are made late in December. Not until this is done can the total valuation of City or County be determined, nor can any tax levy be made, nor can the tax be distributed or the tax-books made out. This embarrasses the work of framing the city budget, and hinders the machinery of collection. If legislation is necessary to expedite the process of state assessment, such laws should be forthcoming.

TAX-RATES

Each of the various governing authorities of the locality is given by the state the power to levy a tax for its support. The maximum rates estimated on the basis of \$100 taxable valuation are as follows:

¹ See *Proceedings of the American Political Science Association*, Vol. I, pp. 151 ff.; also *State Tax Commissions in the United States*, by James W. Chapman (Johns Hopkins University Publications, Fifteenth Series, Nos. X, XI).

City, \$2.00 plus the amount necessary for interest and sinking fund; schools, \$2.50 for educational purposes and \$2.50 for the school-building fund, plus the amount necessary for interest and sinking fund; Public Library, 10 cents; Lincoln Park—no legal limit to its tax-rate; West Park, \$1.25; South Park, 40 cents, plus a lump sum of \$300,000, and levy for interest and sinking fund; County, 75 cents and 4 cents for bonds issued prior to the adoption of the Constitution, total 79 cents,¹ unless further authorized by vote of the people of the county; Sanitary District, 50 cents, and for the last three years a special tax of 25 cents; Forest Preserve District (if established), 10 cents, and levy for interest and sinking fund.

The so-called Juul Law of 1901 requires, however, the limitation of the tax-rate within bounds narrower than these. This enactment provides that whenever the aggregate of all taxes (with certain exceptions) levied against property in any taxing district exceeds 5 per cent., the rate shall be reduced by the County Clerk sufficiently to bring it down to 5 per cent. The exceptions are the state tax, the school-building tax, and the Sanitary District special rate. Each taxing body certifies its demands to the County Clerk, who then computes the rates required to meet such demands, provided they are within the legal limit, and then determines in which district the aggregate of rates is greatest. For purposes of reduction the taxing district asking the highest aggregate tax-rate for all purposes (excluding the excepted rates) must be taken as a basis. This aggregate must then be reduced to 5 per cent., and each separate rate in all other towns reduced in the same ratio. In this way it may happen that other towns are reduced not merely to 5 per cent. in the aggregate, but below this. The law of 1905 further provides that in this process of reduction the tax-rate for city purposes shall not be brought below \$1.80, nor the county rate below 65 cents on the \$100.

The West Town demands for tax levy (state, school building, and special sanitary district tax excepted) aggregated in 1903 \$7.55.² These rates were then scaled down $\frac{2}{7}\frac{5}{8}\frac{5}{8}$, and the total thus reduced

¹ The Constitution permits the county tax-rate to be raised on a favorable vote by the people of the county.

²As stated by Collin C. H. Fyffe in his instructive pamphlet on *The Juul Act*. The County Clerk's records have been lost or misplaced.

to 5 per cent. The same ratio was then applied to the demands made by all other taxing bodies. The uniform scaling down is, of course, necessary in order to preserve a uniform rate of taxation within the same district, as in city, county, etc. If, for example, the Sanitary District rate of 50 cents were scaled down one-third in the West Town and one-fourth in the South Town, the result would be an unequal rate in various sections of the Sanitary District. It should be observed that under the law of 1905 the City rate cannot be scaled below 1.80, nor the County rate be reduced to less than 65 cents. This really raises the limit fixed by the Juul Law to the extent that \$1.80 and 65 cents respectively exceed the rates otherwise allowed. On the 1904 basis, this advance would be 21.9 for the city and 13 for the county, or a maximum of 5.35 instead of 5 per cent; but the expiration of the special rate of 25 cents for the Sanitary District this year will leave the total rate about the same.

The Juul Law thus links together all of the taxing bodies, even where expenditures are concerned. Every additional mill of taxing power given to one of the governments affects all the others, and every additional dollar of borrowing power given to one affects all of the others, because it authorizes additional taxes for interest and sinking fund. Thus, if a park district borrows \$5,000,000, this involves a sinking fund of 5 per cent, and interest at 4 per cent., making a total rate of 9 per cent., or about \$450,000, to be taken out of the general levy, the park district of course sharing in the general reduction.

Outside the operation of the Juul Law there are a number of tax-rates remaining unaffected. These are the state tax, 55 cents in 1904; the school-building tax, .666; the Sanitary District special rate of 25 cents for development of water power (and recently a special rate of 0.125). Thus the West Chicago rate of 1904 was:

Schools	\$1.654
City	1.581
West Park	0.749
Cook County	0.530
Sanitary District	0.330
Library	0.065
Town of West Chicago	0.041
Boulevard rate	0.050
Total within Juul Law	<u>\$5.000</u>

School-building fund	\$o. 666
State tax	o. 55o
Sanitary District	o. 375
Total outside Juul Law	<u>\$1. 591</u>
Grand total	\$6. 591

As a result of this process of reduction, the tax levy was divided (1904) among the various governments as follows:¹

Schools	36. o% = \$9,356,124
City	24. 5% = 6,375,876
Sanitary District	10. 9% = 2,843,132
Parks	10. 6% = 2,753,880
State	8. 5% = 2,218,047
County	8. 2% = 2,137,590
Library	1. o% = 262,133
Town	o. 1% = 37,505

The practical operation of the Juul Law results in some extreme absurdities. Two illustrations of this will suffice to emphasize the point.

In the year 1901 an act was passed authorizing the authorities of the Town of West Chicago to issue bonds to the extent of one million dollars for the acquisition and maintenance of small parks and pleasure grounds, and to raise a tax of one mill on the dollar for the purpose of maintenance and of paying the interest on these bonds and their sinking fund. If that tax had not been levied in 1903, instead of there being an aggregate rate of taxation of 7.55 per cent., it would have been 7.45 per cent. This difference in the rates seems to represent an extremely small amount of money; but the result of it was this, that that mill on the dollar, or ten cents on \$100 of taxable property, when distributed between the other taxing bodies, made a loss to the City of Chicago of a little over 2½ cents on the \$100. That 10 cents was so spread over the other taxing bodies that the loss to the Sanitary District was about 1 cent, and the loss to the county about the same. The loss to the schools was something like 3 cents on \$100 valuation. The result of it was this, that the levy produced for the West Park Board, on a valuation of \$89,000,000, \$89,000. Now, as the Juul Act cuts down the levies about 33 per cent., this \$89,000 was reduced to about \$60,000 or \$61,000, so that all that the Town of West Chicago or the West Park Board received for the purposes of its small parks and pleasure grounds under the act of 1901 was about \$61,000. The City of Chicago suffered a reduction of about 2½ cents on the \$100 by reason of that additional tax for the West Park system. As the assessed valuation of the city's taxable property was \$411,000,000, the additional reduction of 2½ cents amounted to about \$100,000. This sum the City of Chicago actually lost by reason of the West Town getting \$61,000 net. The loss to the school system

¹ See tables showing development of this plan of distribution, Part I.

of Chicago from the same cause was something like \$130,000; the loss to the county, \$50,000; the loss to the Sanitary District, perhaps \$30,000. The total loss to all the taxing districts could not have been less than \$300,000.

Again, the Sanitary District of Chicago has had, under the statute creating it, since 1899 (the time of the completion of the main Drainage Channel) a tax-rate of 50 cents upon the \$100; one-half of 1 per cent. (or 5 mills on the dollar) on the assessed valuation. It has a right to an indebtedness of \$15,000,000, and under the Constitution of the state and the statute it must, as must all municipalities, levy every year a sinking fund for the retirement of its indebtedness within twenty years, and must levy for the payment of interest on its indebtedness. This levy will amount to about 10 per cent. of this \$15,000,000. That comes to about \$1,500,000, which the Sanitary District must levy under the Constitution every year for the payment of its bonds. That amounts to a rate on its valuation equal to about 34 cents on the \$100. It has to have this 34 cents on the dollar, *which cannot be reduced*; yet under the operation of the Juul Act, which cuts down the taxes that are asked for about 33 per cent., you have 17 cents taken off of 50 cents. So, instead of having 34 cents with which to pay the bonded indebtedness of the Sanitary District, you have about 32 cents, or 33 cents in all—*not enough to pay the bonded indebtedness alone, and not a cent left for the maintenance of the Sanitary District and the purification of the water supply of the city.*

The authorities who spread the taxes in Cook County were in a great difficulty. They did what it always seemed to me their duty called upon them to do. They arbitrarily and unlawfully, without any regard to the Juul Act staring them in the face, gave the Sanitary District about 20 or 25 cents out of hand. The Sanitary District had no more right to this increase than the City of Chicago has a right, for corporate purposes, to levy a 2½ per cent. tax instead of 2 per cent. That illegal increase of the Sanitary District's tax has been made two years running to my knowledge.¹

This system of maximum tax-rates fixed by the State Legislature for specific local purposes can hardly be regarded as other than vicious in character. In the first place, the distribution of local taxes to parks, schools, and other local interests, can be made far more intelligently by the locality than by the state, since the local authorities are in close touch with local needs, and with the relative importance of these needs. Chicago knows better how to distribute its local revenue than the Legislature at Springfield. The apportionment of taxes by the State Legislature is not the result of a carefully reasoned plan, but is made haphazard, a mill here and a mill there, from time to time; a bond issue here and another there; but a deliberate and careful balancing of local needs cannot be made. The only authority

¹ Collin C. H. Fyffe, *The Juul Act*.

capable of making out a judicious plan of local revenues is the locality itself—the locality that contributes the money, and is directly affected by its distribution and application. For such a purpose a local body is unquestionably superior to any legislative committee or series of committees. After a maximum tax-rate for all local purposes is fixed by the Legislature, the local distribution of the revenue so raised should be left to the locality. The city is steadily approaching this point, and will doubtless reach it in the near future. The days when the Legislature prescribed fifteen kinds of local city taxes¹ are fortunately past, and the next step is the consolidation of the local rate.

Another unfortunate feature of the taxing system is the requirement that the County Clerk shall extend separately the tax for each individual tax-rate. This often involves computing the tax due on a particular piece of property ten or eleven times, once for each of the several tax-rates levied within that district. Thus on property within the West Town the tax should be figured at all of the eight rates included within the Juul Law, and for at least three rates outside the Juul Law. This involves an immense amount of labor both in the Clerk's office and the office of the County Treasurer. Every necessary purpose would be equally well served by a single computation based on a consolidated rate. The amount collected could then be apportioned, as the law required, among the various taxing bodies entitled to a share in the tax levy. Of every \$1,000,000, for example, it would be very easy to determine the share belonging to the several governments, and to distribute the proper amounts accordingly. The present method is slow, expensive, and unnecessary. For a community perplexed for funds it is wholly out of the question, and its continuance can be due only to general lack of knowledge regarding the method employed.

COLLECTION OF TAXES

The collection of all taxes is centralized in one of the various governments—the County. The County Treasurer is *ex officio* County Collector and *ex officio* Town Collector for all towns lying wholly within the City of Chicago.² The Treasurer assumes respon-

¹ See Part I for enumeration of these taxes.

² North Town, South Town, West Town, Lake, Lake View, Hyde Park, Jefferson.

sibility for the collection, custody, and distribution of the entire tax levied and collected within the various districts lying within Cook County. He also collects and settles for the state tax due from Cook County, and acts as the agent of the state in the collection of the inheritance tax. In addition to this, the Treasurer is collector of special assessments when turned over as delinquent by the City Collector. In the collection of taxes he acts as Town Collector until March 10, and from that on as County Collector. He becomes Collector of Special Assessments after March 10 of each year. The Treasurer is, in fact, the key to the whole local revenue situation, so far as taxes are concerned.

The bulk of the collections is made during the months of March and April, since a penalty attaches beginning May 1, and payments are made in time to avoid this. In fact, owing to the delay on the part of the State Board of Equalization, it is difficult to prepare the tax-books before February 1. The amount of delinquency for 1903 was: on realty, 3.5 per cent.; on personalty, 7.5 per cent.; total delinquency, 4.48 per cent. Collections of delinquent taxes are made by the Treasurer, with the co-operation of the County Attorney, and tax sales are also conducted by him.¹

One of the unfortunate features of the process of tax collection is the long period between the beginning of the fiscal year and the collections. Thus the fiscal year begins January 1, 1905, but taxes for 1905 are not collected until 1906, and then not until March and April. The appropriations are necessarily made before the assessment and revision are completed, and the money is expended long before a dollar of the prospective taxes is collected. The constant borrowing of money in anticipation of taxes, and the general demoralization of finances incident, are very expensive and wasteful.

The City during the year 1904 expended no less than \$240,000 in interest on temporary loans, made in anticipation of taxes. These loans, at the rate of 5 per cent. are a great strain on the finances of the Corporation. The Board of Education was also a borrower to the amount of \$2,560,000 in order to keep up with the pay-rolls. This loan at the rate of 4 per cent. cost the Board \$9,373.95 which

¹ No investigation has been made of the very important subject of tax-sales and forfeitures.

might otherwise have been expended for school purposes. Likewise the County was a borrower, in 1904, to the amount of \$700,000, the cost of which was \$9,180.54. The aggregate of these items for the various taxing bodies amounts to over \$250,000 a year, paid out for the sole purpose of anticipating tardy taxes. This sum takes no account of the loss of credit on the part of the local governments, and of the fact that slow and uncertain payments are likely to result in higher prices. Not only does the City fail to discount its bills, but its slow payments often involve an advance in price to cover the period of delay. Nor does such reckoning consider the embarrassment that falls upon the administration because of lack of funds, as, for example, in connection with school supplies. This large item of actual expense and the indirect costs are especially unfortunate in view of the large balances carried by the various local governments at $1\frac{1}{2}$ per cent., and the high rates of interest paid for these temporary loans.

It is a matter of some interest to observe at this point that in Philadelphia and St. Louis provision is made for assessment of taxes in advance of the fiscal year for which the taxes are levied. For example, 1906 taxes are assessed in the year 1905, and collected during the year 1906, in time to meet current needs. In Chicago collection lags farther behind expenditure than in most any other large city in the United States; and in no other large city is prompt collection so imperative a necessity.

Another way of obviating the expense of anticipating taxes would be to provide a surplus sufficient to tide over the period of anticipation. Under stringent safeguards it might be provided that transfers could be made temporarily from some of the large funds lying in the Treasury. Chicago's experience with the sinking fund, however, shows that great care must be taken to avoid permanent depletion of particular funds.

The fees allowed the County Collector (1 per cent. on all collections) and Town Collector (2 per cent. on all collections) are now turned in by the Treasurer to the County, as is the interest on County money held by him from time to time. The salary of the Treasurer is fixed at \$4,000—a sum much too low for so responsible an office, especially so when it is considered that a bond of \$8,000,000 must

be furnished by that officer. He receives, however, a salary of \$1,500 as Town Collector for each of the seven towns lying wholly within the limits of Chicago. In addition to this, he receives 2 per cent. on all inheritance-tax collections, netting about \$6,500 a year. The interest on inheritance-tax money which is turned in twice a year, and on state-tax money as long as held, is also among the perquisites of the Treasurer.

It is unfortunate for the public that an annual report is not issued by the County, detailing and summarizing the most important facts about assessment and collection. Such a report should show the valuation of each town, the amount of tax levied, the purpose for which levied, the amount collected by Town Collector and County Collector on realty and personalty, and the amount of tax delinquent. It should also show such facts as the percentage of delinquency, the amount of back tax collected, and give some account of the tax-rate operations. It should show the distribution of funds to the various taxing bodies, including the amounts and times of payment. As conditions now are, there is practically no publicity regarding the operation of the system of assessment, tax levy, and collection, although the system in vogue is by all odds the most intricate and complex in the United States. Not all of these facts come within view of the Treasurer, but they are comprehended in the offices of the County Clerk, Board of Assessors and Review, and the Treasurer. The expense occasioned by such publications would not be extravagance, but the strictest economy, or it might even be regarded as insurance. Publicity regarding the important facts concerning the local taxing system is the only guaranty of intelligent public opinion and action regarding the system. Considering the vast importance of taxation in any community, it is amazing that these essential facts regarding our system are practically inaccessible to the public.

It is also desirable that there should be a regular and thorough audit of the Treasurer's accounts from time to time by some authority outside of the office. A careful audit of the transactions of the office would do much to protect both the public and the Treasurer. As is shown in another part of this report, the decentralized character of the County administration makes adequate control over the county officers difficult, if not impossible. The auditing performed under

the direction of the County Commissioners does not extend to the Treasurer. There is a system of auditing within the Treasurer's office, and also an audit in behalf of the Treasurer's bondsmen, but no effective inspection in the interest of the public.

CITY ASSESSMENT

The Charter Amendment contemplates the establishment of a system of City assessment and collection. The significant clause authorizes the Legislature to "provide for the assessment and collection of taxes within said city for corporate purposes, in accordance with the principles of equality and uniformity prescribed by this constitution." Ninety-two per cent. of the taxable property in Cook County lies within the City, and it is only proper that the valuation of this wealth, and its collection of taxes levied on it, should be in City hands. One of the vital functions of a municipal government is the power to assess property, and to collect and distribute the taxes levied; and this power should be under the control of the City itself. To place this all-important authority in any other hands is to weaken the whole political fabric of the municipality. There are, it is true, certain valuations, such as those of railroads and corporations, that are frequently vested in state assessing boards, but the valuation of local property and the collection of the taxes levied on such property ought not to be placed elsewhere than in the city that contributes and expends the money. For rural communities, where counties contain only a few minor towns, the system of county assessment and valuation is not inappropriate; but as applied to a county containing a great metropolis like Chicago the system is absurdly out of date. Now that the old plan of assessment and collection is abolished, for the seven towns lying wholly within the limits of Chicago, the next step, logically and historically, is to transfer these powers to the City. For local and County purposes assessment and collection might still be carried on by the towns outside, but within the limits of the City there should be a distinctively city assessment. The Board of Review and the Board of Assessors should be City officers, elected or appointed by the City of Chicago, while the machinery of collection should be vested in the municipal authorities. Such a policy has been adopted by all of the large cities in the United States, and closely conforms

to the principle of municipal home-rule. In no other way can the necessary unity and responsibility of local government be secured.

This discussion of local taxation is not intended to be an exhaustive treatment of the subject. Its purpose is to describe the main outlines of our local system and point out the gravest defects in its operation. The most serious evils are found in connection with state assessment of corporations, in the complexity and obscurity of the system, in the large expense occasioned by the delayed collection of taxes, and in the fact that the taxing machinery is a county rather than a city function. These, however, are typical and representative evils, and by no means constitute a comprehensive catalogue of all of them. They are symptoms of more general disturbances. Systematic investigation would reveal many more.

The fact is that not only is our taxing machinery defective in construction and costly in operation, but the plan of taxation is at fault. The personal property tax in its present form cannot be successfully administered under any combination of revenue laws, and will cripple any revenue scheme of which it is a part. Nothing short of a State Revenue Commission, however, can properly cope with this situation. Such a body, with power to investigate the facts regarding the workings of our taxing system, and make recommendations for needed changes, is urgently needed now in this state.

The following tables show the assessed valuation for 1904 of the seven towns lying wholly within the city limits, and of each of the taxing districts. The second table shows the tax-rate for each of the towns, and the items or elements of which the rate is made up. Table III illustrates the collection of taxes by towns. The last table shows the rise and fall of the assessments of franchise corporations.

TABLE I

ASSESSED VALUATION BY TOWNS AND TAXING DISTRICTS

(The Calumet Park District is 90 per cent. outside of the city, and had a tax-rate of 29 cents in 1903, and 39 cents in 1904; Ridge Avenue Park District, Evanston Township, had a park-rate of 43 cents in 1903, and 40 cents in 1904; North Shore District had a park-rate of 43 cents in 1903, and 41 cents in 1904.)

Name of Township	Real Estate Assessment	Personal Property Assessment	Railroad Property Assessment	Total
South Town.....	\$106,634,715	\$57,244,465	\$ 3,658,475	\$167,537,655
Hyde Park.....	40,059,929	5,982,348	3,504,379	49,346,656
Town of Lake.....	21,936,993	4,667,264	4,021,319	30,625,576
Total of South Park.....	\$168,631,637	\$67,894,077	\$11,184,173	\$247,709,887
North Chicago.....	\$21,585,304	\$8,093,186	\$1,173,935	\$30,852,425
Lake View.....	19,980,666	2,372,550	844,405	23,197,621
Total of Lincoln Park . . .	\$41,565,970	\$10,465,736	\$2,018,340	\$54,050,046
West Town, identical with West Park District.....	\$70,671,855	\$12,823,106	\$5,930,172	\$89,425,133
Calumet Park District.....	\$ 481,009	\$ 32,899	\$ 28,776	\$ 542,684
Evanston Township, Ridge Ave. Park District.....	364,483	14,040	none	378,524
North Shore.....	774,419	59,274	47,638	881,331
Sanitary District.....	305,527,469	93,862,830	23,347,633	422,737,932
City of Chicago.....	291,329,703	91,832,726	20,125,788	403,288,217
County of Cook.....	314,990,236	95,355,324	26,197,653	436,543,213

TABLE II

TAX-RATES, 1904, OF ALL TAXING BODIES

RATE IS ON \$100 OF TAXABLE VALUATION

Name of Town	Year	Total Rate	State Rate	County Rate	City Rate	Public Library Rate	School Rate, Educational Fund	School Rate, Building Fund	Sanitary District Rate	Sanitary District Rate Special Three-Yr. Tax	Sanitary District Rate to Meet Bonds and Inter't	Park Rate	Boulevard Rate	Lake Shore Protection	Town Bonds
West Town.....	1904	6.591	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.749	.05	none	.041
South Town.....	1904	6.391	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.64	none	none	none
North Town.....	1904	6.591	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.733	none	.107	none
Hyde Park.....	1904	6.391	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.64	none	none	none
Lake.....	1904	6.391	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.64	none	none	none
Lake View.....	1904	6.591	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	.84	none	none	none
Jefferson.....	1904	5.751	.55	.53	1.581	.065	1.654	.666	.33	.25	.125	none	none	none	none

TABLE III
COLLECTION BY TOWNS

	Tax Levied on Real Property	On Personal Property	Total	Collected by Town Collector
Hyde Park.....	\$ 2,338,588	\$ 397,464	\$ 2,736,053	\$ 462,058
Jefferson.....	420,140	19,528	439,669	457,142
Lake.....	1,399,050	318,067	1,717,118	362,375
Lake View.....	1,220,500	160,749	1,381,248	200,441
South Chicago.....	6,277,998	3,637,469	9,915,465	3,322,029
West Chicago.....	4,401,853	879,461	5,281,314	1,029,414
North Chicago.....	1,371,501	579,742	1,951,244	561,272
Total county.....	19,528,913	6,264,831	25,793,744	6,848,168

	By County Collector	Realty Uncollected	Personalty Uncollected	Total
Hyde Park.....	\$ 2,169,991	\$ 33,149	\$ 70,928	\$ 104,077
Jefferson.....	361,649	30,283	2,021	32,305
Lake.....	1,207,020	123,590	24,122	147,713
Lake View.....	1,158,778	4,641	17,386	22,027
South Chicago.....	6,212,651	144,254	236,562	380,817
West Chicago.....	4,128,609	61,463	61,827	123,290
North Chicago.....	1,313,570	35,748	40,652	76,400
Total county.....	17,787,940	686,116	471,520	1,157,636

TABLE IV
ASSESSMENTS OF FRANCHISE CORPORATIONS IN CHICAGO

	Full Value	Assessed Taxable Value	Tangible Property Taxable Value	Net Assessment State Board of Equalization Taxable Value
Street railways—				
1899.....	\$ 22,376,000	\$ 4,475,000	\$4,475,000	.....
1900*.....	25,381,000	5,076,000	3,626,000	\$1,450,000
	122,835,000	24,567,000	3,626,000	20,940,000
	34,130,000	6,826,000	3,626,000	3,200,000
1901.....	73,625,000	14,725,000	5,277,000	9,447,000
1902.....	71,961,000	14,391,000	7,389,000	7,002,000
1903.....	43,040,045	8,608,009	4,958,515	3,469,494
1904.....	33,846,825	6,769,365	4,444,365	2,325,000
Electric light—				
1899.....	3,758,985	751,797	751,797	.....
	4,770,095	954,019	629,019	325,000
1900*.....	12,149,000	2,429,000	629,019	1,800,000
	5,720,000	1,144,000	629,019	515,000
1901.....	9,014,715	1,802,943	685,914	1,117,029
1902.....	13,913,750	2,783,750	1,872,901	909,809
1903.....	14,013,275	2,802,655	1,760,000	942,655
1904.....	10,493,560	2,098,712	1,537,394	561,318

*The three series of figures for 1900 are: (1) the original assessment; (2) the assessment under the mandamus of the state Circuit Court; and (3) the assessment used as a basis for payment of taxes under the decision of the United States Circuit Court.

TABLE IV—Continued

	Full Value	Assessed Taxable Value	Tangible Property Taxable Value	Net Assessment State Board of Equalization Taxable Value
Gas companies—				
1899.....	15,425,190	3,085,038	3,084,038	1,000
1900*.....	19,568,595	3,912,719	3,453,719	460,000
	63,350,000	12,670,000	3,453,719	9,217,000
	34,267,000	6,853,719	3,453,719	3,400,000
1901.....	44,721,950	8,942,000	2,859,393	6,082,997
1902.....	46,571,735	9,314,347	4,334,468	4,979,879
1903.....	49,789,310	9,957,862	4,038,961	5,318,901
1904.....	50,073,480	10,014,696	4,318,822	5,695,874
Telephone companies—				
1899.....	17,543,000	3,508,000	3,508,000	.....
1900*.....	19,499,000	3,900,000	3,575,000	325,000
	21,750,000	4,350,000	3,575,000	775,000
	18,300,000	3,660,000	3,575,000	85,000
1901.....	14,813,000	2,962,000	2,162,000	800,000
1902.....	11,207,730	2,241,546	1,663,000	578,000
1903.....	9,654,800	1,930,000	1,759,000	172,000
1904.....	10,780,000	2,156,000	1,901,000	254,000

* See p. 97.

TOTAL PUBLIC-SERVICE CORPORATIONS (FULL VALUE)

1901	\$142,174,000
1902	143,654,000
1903	116,497,000
1904	105,190,000

SECTION II. MUNICIPAL INDUSTRIES

Under this head are included revenues raised by the local governments acting in a quasi-commercial capacity. This income is analogous to that produced by a private corporation in the investment of funds or conduct of a business enterprise. It includes such affairs of the city as the operation of water-works, the rental of public properties, the investment of the public funds on hand. Of course, this cannot be regarded as net revenue, since expenses of operation are not deducted, and in some instances, notably that of the water-works, such expense absorbs a great part of the income. The total of these classes of income in Chicago is about five millions of dollars (\$4,870,000), and constitutes about one-eighth of the entire revenue.

WATER RENTALS

Of the various kinds of commercial income, by far the largest and most important is the revenue derived from the conduct of the water-works (\$4,181,193). It is not the purpose of this discussion to consider whether, on the whole, a net revenue is derived from the water-works, or whether such a service should properly constitute a source of city revenue, but merely to show what the gross income is and how it is obtained.

The income of the city water-works is assessed and collected by the Water Bureau in the Department of Public Works. Receipts are turned over daily to the City Treasurer; and the Comptroller's office may occasionally make a superficial examination of the books of the water office. But the distinctly financial officials of the city have no effective supervision over this important source of city revenue.

Within the Water Bureau the arrangements for assessing water rates are inadequate; the methods for enforcing the collection of the rates assessed seem satisfactory, if thoroughly followed; and the audit of collections by the bureau itself is pretty well regulated.

Assessments are made against the various pieces of property in the city in accordance with the scale fixed by city ordinance. Very large consumers are assessed by means of water meters, and about one-

third of the income comes from metered assessments. But in most cases the rate depends on the frontage and the use to which a building is put, with extra charges for various fixtures which involve the use of water. The system of making bills against each piece of property seems likely to prevent omissions, or conflicts as between owners and tenants. New buildings are placed on the list by means of the building permits issued by the building department, and personal inspections by agents of the Water Bureau, to determine what items should be included in the assessment.

The most obvious weakness of the assessment administration is in connection with the arrangement for revising the charges as needed. The inspectors of the bureau make what is called an "annual inspection" of buildings, and also special inspections in order to determine whether the charges should be increased or decreased. But the "annual inspection" covers only a fraction of the buildings each year; and the special inspections are very largely at the request of the consumers asking for a decrease. Plumbers are supposed to report at the Water Bureau when additional fixtures are placed in old buildings; but nothing like complete reports are made, and the bureau has no complete means of ascertaining where increased charges should be made.

To what extent the water mains are tapped by pipes entirely unknown to the Water Bureau it is impossible to say. The discovery of some cases of this nature makes it seem probable that there are more. But it would take an exhaustive investigation to ascertain the facts.

Complete and accurate assessment of water rates can be secured only by a comprehensive system of metering. It would require a large increase in the force of inspectors to secure an adequate assessment under the existing ordinance. But at best this method of assessment encourages the waste of water by the consumers. The amount of water pumped by the city works—170 gallons per head per day—is clearly excessive; and the experience of Cleveland during the past few years shows what can be gained by means of metering, without restricting the consumption for any necessary purpose.

Bills are made out from the assessment ledgers and mailed to each building assessed semi-annually, at the beginning of the period

covered. Payment of water charges is enforced by shutting off the water from the premises when the bill is not paid within sixty days after the beginning of the assessment period. Payments are made to the cashier of the Water Bureau, and entries are made from two stubs detached from each bill when it is received. One stub is retained by the cashier as his voucher; the other is delivered at once to the registrar, and later goes to the bookkeeper, who enters the amount on the appropriate ledger account. The accounts of the cashier, registrar, and bookkeeper are checked up with each other at regular intervals.

Each day the receipts are handed over to the City Treasurer; and the Comptroller has nominally the right to audit and examine the books and accounts in the Water Bureau. In practice, however, there is no systematic audit, and the efficiency of the accounting system depends on the arrangements within the Water Bureau. These arrangements seem fairly satisfactory, so far as keeping a record of the payments made is concerned; but it cannot be said that the Comptroller has an adequate control over, or responsibility for, all of the city finances, as is usually supposed to be the case.

RENTS

Next in importance is the income from rentals of public property, amounting to about \$600,000. Of this, the greater part is derived from the rental of the school lands granted by the United States for the support of the public-school system. A part of these lands was sold and the proceeds applied to educational purposes; but the portion still retained covers some of the most valuable business property in the city, and yields a very considerable revenue. The total appraised valuation of this land (valuation of 1895) is \$8,657,865.33. On this the annual amount collected is \$488,396. These rentals are estimated as a 6 per cent. return on the valuation of the property. Whether or in what way these school lands are subject to general taxation is a matter now in litigation.¹

Many of the leases are now made for a period of ninety-nine years, without privilege of revaluation, although there are still a number

¹ Until recently the leasehold has been taxed, but an effort is now being made to tax the fee. The case is still pending.

that are subject to revaluation at intervals of ten years. Extensive revaluations were made this year (1905), and are now in litigation. The leases are made under the direction of the Board of Education, and the collection of rentals is in the hands of the Secretary of the Board. Payments of rentals are in some cases made monthly, and in others quarterly, in advance. A list of all properties leased is published each year in the Comptroller's report, with the name of the lessee, description of property, dates, and terms of leases. The list is reprinted at the end of this section.

Several properties are also owned and leased by the City, and these taken together bring in a revenue of about \$100,000. Of these, by far the most important is the land upon which the Rookery is built. This is now valued at \$1,780,000, and is rented at \$35,000 a year. The lease runs for ninety-nine years, and is not subject to revaluation. Moreover, this property is exempted from taxes, which are paid by the City. Some interesting properties are the Gage farm of 160 acres near Riverside, which is used for raising hay, and on which a yearly rental of \$450 is paid. The City has also an undivided half interest in 65 acres near Grossdale, which lie unused. The title to these properties is in litigation, and hence no sale can be made at this time. A list of the most important City properties yielding revenue is given at the end of this section.

There are also investments made by the Board of Education which bring in some revenue. These consist of the proceeds from sales of school lands, and constitute distinct funds. The principal of this cannot be used, but the interest or earnings may be applied to school purposes. These funds amount to \$1,089,215, and the income to about \$50,000. Investments are made in Chicago city securities, including tax warrants to the amount of \$278,500 in 1904.¹ There are also mortgage notes to the value of \$754,900, the largest of these being the loan of \$650,000 to John C. Neal and the Great Western Railroad Co., running for fifty years and drawing interest at the rate of 5 per cent. There are also a number of special funds under the Board of Education, such as the Moseley Book Fund, the Foster Medal Fund, and the Perkins Bass Fund. All of them, taken together, constitute a total of about \$64,000. These special funds are invested in securities

¹ Including \$18,500 in bonds of the Sanitary District.

of the City and the Sanitary District, bearing interest at from $3\frac{1}{2}$ per cent. to 5 per cent.

INTEREST ON PUBLIC DEPOSITS

In still another form the city realizes a considerable amount of commercial revenue; namely, as interest on public deposits. The disposition of the public moneys not needed for immediate use is an important source of income and deserves careful attention. The various local governments, taken together, have at their disposal immense sums, which require careful handling to produce proper results. Although Chicago is often rated as a poverty-stricken city, its bank account, nevertheless, compares favorably with that of any municipality in the United States, or in the world. The combined cash on hand of the different authorities was at the beginning of the fiscal year 1904, \$14,000,000, and about the same at the close of the year. This was distributed as follows:

City, schools, and library	\$8,000,000
South Park	1,919,000
Lincoln Park	1,214,000
Sanitary District	1,866,000
County	962,000
West Park	81,000

The amount of interest received indicates that a balance about like this may be found all the year round.

The total amount of interest paid to the various governments was \$269,755, which at the various rates of $1\frac{1}{2}$, 2, and 3 per cent. would indicate average deposits of \$17,000,000. Of this interest the city received about \$110,000,¹ at the rate of $1\frac{1}{2}$ per cent. on the *minimum monthly* balance. The county received \$78,000,² at $1\frac{1}{2}$ per cent. on a minimum monthly balance. The South Park received \$31,000, at 2 per cent. on daily balances.³ The Sanitary District contributed to the total the sum of \$38,854, which was paid on daily and minimum monthly deposits at the rate of 2 per cent. Lincoln Park received \$10,000, estimated at a rate of 2 per cent. on daily balances. And, finally, the West Park Commissioners received \$2,000 on a basis of 2 per cent. interest on daily balances.

¹ \$218,439.21 for the years 1903-4.

² \$134,424.39 for the two years 1903-4.

³ First deducting \$1,000.

On the proceeds of a \$1,000,000 bond sale, October, 1904, the Lincoln Park Board receives 3 per cent. interest, withdrawing the funds as they are required. In this case, however, the bonds were purchased by the depository.

In the case of the City the amount is especially small, for interest is paid at the rate of only $1\frac{1}{2}$ per cent., and that on the *minimum monthly* balance, in the given depository; and even at that a settlement is made only once in two years. The situation is, however, aggravated by several facts; namely, the permanency of many of the deposits, the "active bank" system, and the large temporary loans made by the City at high rates of interest. In the first place, the City deposits are distributed into a number of funds; for example, the Corporate Purposes Fund, from which general running expenses are paid; the School-Building Fund, the Special Assessment Fund, the Water Fund, and the Permanent Improvement Bond Account. Funds like the Corporate Purposes Fund are, of course, a comparatively uncertain quantity, and at times fall almost to zero. But other funds, although drawn upon from time to time, are kept up by receipts which come in almost as fast as disbursements go out. The School-Building Fund, for example, runs from \$1,500,000 to \$2,000,000, and would average \$1,800,000. The Sinking Fund, under the present plan, does not fall below \$1,500,000; in fact no demands can be made upon this fund until 1907. The Special Assessment Fund averages also about \$1,500,000. The Permanent Improvement Bond Account stands at \$2,000,000. The Water Fund is also a very large account. Such funds as these are practically fixed, and may be counted upon with a reasonable degree of certainty. In view of the permanency of such funds, it would seem that especially favorable terms should be secured, when such amounts are deposited.

Not only is this true, but there is also in practice a system that distributes the work of carrying on the City business between the various depositories in such a way as to make their burdens lighter and their benefit greater. Of the eleven city depositories, six are selected as "active banks." Of these, one is chosen each month as the "active bank," and through this depository practically all of the City business is transacted. Deposits and payments are made through it, while the other institutions retain their balances unimpaired for

business purposes until their respective periods of activity come again, except that the beginning of each month an adjustment of balances may be made. Deposits made under such terms and conditions are not demand, but time deposits, not likely to be disturbed for five months, and perhaps not at all. In the case of "inactive" depositaries interest rates ought to be much more favorable. Other taxing bodies follow the same method as is pursued by the City, and on their inactive accounts ought to obtain higher rates.

It is especially unfortunate that the City Sinking Fund, reserved for the redemption of the debt as it matures, should be so unprofitably invested. This amount of about a million and a half dollars should, following the precepts of sound municipal finance, be invested in the City's own securities. In this way 4 per cent. could be secured instead of $1\frac{1}{2}$, or if the anticipation tax warrants were purchased, 5 per cent. on the present basis. As the situation now stands, this fund brings in only about \$22,000 a year, whereas, if invested in City or other local securities, it should be worth at least \$60,000, or, on a 5 per cent. basis, \$75,000.¹ In 1900 an attempt was made to invest the sinking fund, but it was successfully resisted by the Treasurer, who regarded the interest as in part his personal perquisite.

An additional consideration of importance in this connection is the fact that the City is so frequently in distress as to find it necessary to borrow money in anticipation of its revenues. The anticipation tax warrants issued each year are floated, however, only at the rate of 5 per cent.—an item of expense amounting to \$240,000 last year in the case of the City alone. The City is hence forced into a position where it receives $1\frac{1}{2}$ per cent. interest on its balances (minimum monthly), and pays 5 per cent. for the money necessary to meet its current expenses. In comparison with the New York City method, this is a costly process. There the rate of interest paid is 2 per cent. on average daily balances, while large sums of revenue bonds, in anticipation of taxes, are floated at from $3\frac{1}{2}$ to 4 per cent. In all large cities at least 2 per cent. interest is paid on deposits, and in St. Louis a little more than this, $2\frac{1}{4}$ per cent.

¹ Curiously enough, while the City sinking fund draws $1\frac{1}{2}$ per cent. interest, the Board of Education invests large sums of money in City anticipation tax warrants, and might well invest the entire school fund principal in such securities.

In fact, the amount paid by the various local governments for temporary loans during a few months of the year wholly offsets the amount of interest received by all the depositaries during the entire year. About \$275,000 a year is received as interest on the combined deposits of the local governments, and about the same amount is paid out for interest on temporary loans. In other words, practically no interest is received on the \$15,000,000 of public money placed on deposit by the different governments.

The root of the difficulty in the City is found in the state law, which fixes the bond of the Treasurer at an extravagantly high figure. The significant words in this section are:

The Treasurer may be required to keep all moneys in his hands, belonging to the corporation, in such place or places of deposit as may be designated by ordinance. Provided, however, no such ordinance (designating depositories) shall be passed by which the custody of such money shall be taken from the Treasurer and deposited elsewhere than in some regularly organized bank, nor without a bond to be taken from such bank, in such penal sum and with such security as the Council or Board of Trustees shall direct and approve, sufficient to save the corporation from any loss; but such penal sum shall not be less than the estimated receipts for the current year from taxes and special assessments, levied, or to be levied, by the corporation.

The City ordinance stipulates that "the City Treasurer, before entering upon the duties of his office, shall execute a bond, with sureties to be approved by the City Council, in a sum not less than the amount of the estimated taxes and special assessments for the current year." On this basis the bond of the Treasurer has been fixed at \$22,500,000. This immense bond has been furnished by banks, which in turn have made arrangements with the Treasurer regarding the use of the funds in his charge. The Treasurer, furthermore, has regarded the City funds as his private perquisite, and resisted the attempts of the Council to secure a part of the interest accruing on the public money. A Council ordinance now limits the Treasurer to 25 per cent. of the interest, out of which he pays his office expenses. The campaign pledge of the last Treasurer bound him to take not more than \$30,000 for the two years.

The long-standing controversy with regard to the amount of interest that might be retained by the Treasurer has been settled,

it is hoped, by the law of 1905, adopted by referendum vote, November 7. This law, if sustained by the court, provides that

It shall be the duty of the Comptroller at least once a year to advertise for bids from national and state banks of the city on public moneys. Awards are to be made by the City Council to the highest and best responsible bidder or bidders. All depositories must furnish a bond in such sum and with such sureties as the Council shall approve. The City Treasurer is, furthermore, discharged from responsibility for all moneys deposited by him pursuant to the order of the Council.¹

It is also distinctly stated that:

Neither the Treasurer nor any other officer of the City of Chicago having public funds in his possession or custody shall be entitled to the interest accruing thereon or any part thereof, but such interest shall inure to the benefit of such city, and be paid into its treasury.

A similar struggle has taken place in the County government, where large sums of money are placed in the treasury for a considerable time, and where these funds have been looked upon as private perquisites. The present incumbent, during the campaign of 1902, pledged himself to turn over to the County the interest on public funds in his possession. This is a matter for regulation by law, however, rather than by campaign pledge. During the years 1903-4 he turned over to the County \$134,000 of interest. So important a matter as \$134,000 interest in two years ought not, however, to be left exposed to the action of the political elements, but should be carefully safeguarded by clear and unmistakable language of the law. Moreover, the Treasurer's interest returns are not audited in any way.

There are in circulation sinister rumors regarding the control and use of public moneys by various political combinations, but of this question no investigation has been made. It is safe to say that the use of \$15,000,000 of the public money offers very great temptations, especially in an era of great speculative activity, but nothing short of an official body, carrying with it official sanction, could determine the necessary facts in this case.²

¹ *Laws of 1905*, pp. 107, 108.

² This paragraph was already in the hands of the printer, when the dangers referred to were illustrated by the fall of local banking institutions, dependent upon public deposits for their existence. See "Profits as Bank Deposits," by E. D. Howard, in the *Journal of Accountancy*, January, 1906, pp. 205 ff.

The table following gives a list of the depositaries for each of the local governments with the amount of interest paid by each of them during the fiscal year 1904. In this connection attention is called to the fact that in Philadelphia the amount on deposit in any institution is limited to an amount not greater than 25 per cent. of the capital and surplus of the depositary and in New York to 50 per cent. The purpose of this regulation is to prevent the use of public funds as private capital.

TABLE I
DEPOSITARIES FOR THE LOCAL GOVERNMENTS, WITH INTEREST PAID BY
EACH DURING 1904

	City	County	Sanitary District*	South Park*	Lincoln Park	West Park
Chicago National...	\$13,259	\$12,962	\$16,276	\$31,000	.....	\$2,101
Equitable Trust....	13,832	14,759	12,257	.....	.....	.....
Federal Trust.....	12,774	12,692	.....	.....	.....	.....
Fort Dearborn.....	12,129	11,021	.....	.....	.....	.....
American Trust....	12,329	11,212	.....	.....	.....	.....
First National.....	12,732	.....	.....	.....	\$2,882	.....
National Bank Rep.	12,497	10,567	.....	.....	.....	.....
Metropolitan Trust.	5,607	5,144	.....	.....	.....	.....
Commercial Nation'l	11,810	.....	.....	.....	.....	.....
Home Savings.....	.....	.....	9,904	.....	.....	.....
First Trust.....	.....	.....	.....	.....	7,749	.....
Calumet National...	1,313	.....	.....	.....	.....	.....
Corn Exchange.....	946	.....	.....	.....	.....	.....
Central Trust.....	.....	.....	.....	.....	.....	.....
First National, N. Y.	.....	.....	.....	.....	.....	.....
Total.....	\$109,228	\$78,357	\$38,437	\$31,000	\$10,631	\$2,101

*The Central Trust and the First National of New York were depositaries of the Chicago National for South Park funds. The amounts so deposited are not known.

TABLE II
MISCELLANEOUS CITY REAL ESTATE (RENTING FOR \$400 OR MORE ANNUALLY)

Location	Valuation	Annual Rental	Lessee	Lease Expires
77-79 E. Madison St.....	\$450,000	\$27,000	Mollie Netcher	2002
85 W. Jackson St.....	12,000	672	Joseph Downey	1942
S.W. cor. Adams and Franklin Sts.	200,000	12,000	Chicago Mercantile Co.	1985
N.W. cor. Adams and 35th St. ....	.....	600	Ehrman Coal Co.	1906
Part S.E. cor. LaSalle and 33d St. . .	482,000	720	A. F. Gibson	1905
Gage Farm, near Riverside.....	.....	450	Cornelius Sullivan	1909
65 acres near Grossdale.....	.....	.....	.....	.....
3901 Lake Ave.....	.....	600	Dorothy Jacobs	1906
Rookery site, Adams & LaSalle Sts.	\$1,780,000	35,000	Central Safety Deposit Co.	1985

TABLE III
REAL ESTATE BELONGING TO SCHOOL FUND
(Reprinted from Comptroller's Report, except 1905 Valuations)

Leases	Description	Sub- lot	Lot	Blk.	Size of Lot	Date of Lease	Expira- tion of Lease	Appraised Valuation of 1895	Appraised Valuation of 1905	Annual Rental to May 7, 1905
	<i>Fractional Section 15 Add.</i>									
Eugene S. Pike.....	S. 10 ft. of.....	3	7 and 10	2	20x83	1880	1985	\$120,000.00	.....	\$ 7,200.00
	N. 10 ft. of.....	4								
	<i>Original Town</i>									
Harry Brown.....	E. 66 ft. of.....	..	9	50	66x56	1881	1985	40,000.00	.....	2,400.00
	W. 84 ft. of.....	..	9	50	84x56	1899	1904	44,000.00	.....	2,640.00
Chicago Daily News Co.	.....	..	6	55	80x179.9	1880	1985	220,000.00	.....	14,400.00
Estate of Chas. Netcher..	.....	..	6	55	80x160.28	1881	1985	400,000.00R	.....	24,000.00
	<i>School Section Addition</i>									
John M. Smyth.....	.....	..	1	1	204.65x180	1880	1985	183,333.33	\$127,000	11,000.00
	.....	..	2 to 9 incl.	1	200x100	1880	1985	180,000.00R	138,750	10,800.00
Charles H. Blair.....	.....	..	11 to 15 incl.	1	125x150	1881	1985	145,000.00R	106,242	8,700.00
	.....	..	16 to 20 incl.	1	136.65x100	1880	1985	13,000.00R	10,000	780.00
Thomas Coughlan.....	.....	..	10	1	20x150	1880	1985	117,000.00R	96,172	7,020.00
Board of Education (Supply Dept. and Workshop).....	.....	..	21	1	204.92x189 50x118.325 34x100	No lease	.....	.....	.....	.....
John O'Malley, Jr.....	E. 1/2 of.....	..	1	52	50x80.25	1880	1985	14,000.00R	20,000	840.00
Margaret Hertz.....	W. 1/2 of.....	..	1	52	50x80.25	1882	1985	24,000.00R	30,000	1,200.00
Edward H. Van Ingen.....	.....	..	2	52	50x160.05	1880	1985	40,000.00	.....	3,000.00
Charles W. Lasher.....	S. 1/2 of.....	..	10	113	25x105.33	1879	1985	25,000.00R	37,500	1,500.00
	.....	..	16, 21 and 22	113	149.81x105.33	1901	2000	175,000.00	.....	14,375.00
	.....	..	14, 17, 20 & 23	113	199.59x105.33	1901	2000	112,500.00	.....	4,800.00
Rand, McNally & Co.....	.....	..	8 and 11	113	100.33x105.33	1902	2000	40,132.00	.....	1,500.00
	N. 1/2 of.....	..	10	113	25x125.33	1880	1985	25,000.00R	.....	50,148.00
National Safe Deposit Co.	.....	..	17	119	95x191.25	1900	1999	835,800.00	.....	25,500.00
Joseph E. Otis.....	E. 3/4 of.....	..	1 and 2	142	48x80	1880	1985	425,000.00	.....	25,500.00

TABLE III—Continued
REAL ESTATE BELONGING TO SCHOOL FUND

Leases	Description	Sub- lot	Lot	Blk.	Size of Lot	Date of Lease	Expira- tion of Lease	Appraised Valuation of 1895	Appraised Valuation of 1905	Annual Rent to May 7, 1905
Estate of George L. Otis.	W. $\frac{1}{3}$ of.....	..	1 and 2	142	40 X 48	1880	1985	\$140,000.00	.....	\$ 8,400.00
Evan Lloyd.....	.....	..	3	142	24 X 120	1880	1985	160,000.00R	\$360,000	9,600.00
Stumer, Rosenthal, Eckstein & Noyes.....	.....	..	4, 5 and 6	142	72 X 120	1880	1985	450,000.00	.....	27,000.00
Estates of Henry Weil and Geo. Rounsavell.....	.....	..	7	142	24 X 120	1876	1985	150,000.00R	312,000	9,000.00
Rosalie Cavanna.....	.....	..	8	142	24 X 120	1880	1985	170,000.00R	324,000	10,200.00
McVicker Theater Co.....	.....	..	9, 10 and 11	142	81.48 X 192	1880	1985	450,000.00R	896,280	27,000.00
Tribune Co.....	.....	{	12, 13, 14, 15, 16 and 17	142	144 X 120	1880	1985	752,000.00	.....	45,120.00
James K. Sebree.....	.....	..	18 and 19	142	48 X 120	1880	1985	190,000.00R	384,000	11,400.00
Alice F. Chambers and Ava W. Farwell.....	.....	..	20 and 21	142	48 X 120	1880	1985	187,000.00R	384,000	11,220.00
Estate of Caroline F.....	Lot 22 and N. 16 ft. of.....	..	23	142	40 X 120	1880	1985	133,000.00	998,400	7,980.00
Daniel F. Crilly.....	S. 8 ft. of Lot 23 and all of.....	..	24 to 27 incl. 28 and 29	142	104 X 120	1880	1985	540,000.00R	.....	32,400.00
Augusta Lehmann.....	.....	..	30	142	54.32 X 192	1880	1985	330,000.00	.....	13,800.00
Augusta Lehman.....	.....	..	31 and 32	142	27.16 X 192	1880	1985	110,000.00	.....	6,600.00
Stumer, Rosenthal & Eckstein.....	.....	..	33	142	48 X 240	1880	1985	315,000.00R	636,000	18,900.00
Estate of G. B. Jenkinson	.....	..	34	142	24 X 120	1880	1985	150,000.00R	300,000	9,000.00
A. Bishop & Co.....	.....	..	34	142	24 X 120	1880	1985	150,000.00R	288,000	9,000.00
Stumer, Rosenthal & Eckstein.....	Russell, Mather & Roberts' Add. .....	..	35, 36, 37 & 38	142	96 X 120	1901	2000	750,000.00	.....	47,500.00

THE REVENUES OF CHICAGO

	N. 1/4 of.....	14	60	20 X 150	1885	1935	3,500.00R	3,000	210.00
Wacker & Birk Brewing Co.	C. T. Sub. of S. E. fr. 1/4 Sec. 21, T. 39, R. 14	8, 9, 12 and 13	26	200 X 124.6	1885	1938	*22,500.00	71,696	1,350.00
Geo. B. Weise.....	Bronson's Add. S. 264 ft. of.....	207	...	264 X 181.05	no lease	....	82,000.00R	....	4,920.00
Board of Education (Lyman Trumbull School).	Hege's Sub. Hough & Reed's	5	10	25 X 118.8	1901	1904	11,500.00	....	60.00
*Mary Bartlett.....	Sub. Norwood Park.	55 and 56	4	50 X 158.5	1902	1903	400.00	....	36.00
Geo K. Campbell.....	Auburn Park	2, 3 and 4	1	150 X 127	1901	1904	11,500.00	....	60.00
*J. W. Rees.....	W. 25 ft.....	6	10	25 X 140	1902	1904	14,000.00	....	240.00
McKey & Poague.....	Except N. 50 ft. of Charles Busby's Sub..	8	3	50 X 175	1902	1911	10,000.00	....	500.00
James A. McLane.....	School Sec. Add. Rees & Sawyer's Sub. of Ken- sington and Lot 6, Blk. 12 of Ekhardt's Sub. of 5 acs. in N.W. cor. of N.W. 1/4 of Sec. 22, T. 37 N., R. 14.....	1	12	116.2 X 25.13	1896	1995	15,000.00	....	395.00
*F. B. Abbott.....	E. Washington Heights.....	17, 18, 19 & 20	30	100 X 125	1902	1904	11,500.00	....	150.00
*Mary F. Lincoln.....	Norwood Park..	24	1	50 X 127	1902	1903	11,000.00	....	84.00
Not leased.....	Boyd & Hall... Hillard & Hill's Sub.	46, 47 and 48	1	75 X 125.5	....	....	13,000.00	....	....
Not leased.....	N. 1/4 of.....	7	2	25 X 75	....	....	1300.00	....	....

TABLE III—Continued
REAL ESTATE BELONGING TO SCHOOL FUND

Leases	Description	Sublot	Lot	Blk.	Size of Lot	Date of Lease	Expiration of Lease	Appraised Valuation of 1895	Appraised Valuation of 1905	Annual Rental to May 7, 1905
Not leased.....	<i>H. M. Thompson's Sub. of W. ½ N. E. ¼ Sec. 1, T. 39, R. 13</i>		7 to 10 and 30 to 42 incl. 41 and 42	5	200×125	.....	.....	
Not leased.....	<i>Colvin's Sub. of S. E. ¼ of N. W. ¼ Sec. 36, T. 38, R. 13</i>		6 to 9, 12, 18 to 21 and 44 to 50	6	50×125	.....	.....	†10,000.00		
Charles M. Henderson.....			15 to 22 28 to 34 37 to 44	2	About 3 acres	1901	1906	†3,900.00		10.00
Board of Education (Parental School).....			Town	3						
			Sec. 40	R.	10 acres					
	Block 5.....	II	40	13	10 acres	No lease				1,800.00
	Block 12.....	II	40	13	10 acres					
	Block 20.....	II	40	13	10 acres			36,000.00		
	Block 21.....	II	40	13	10 acres					
John Boldt.....	W. ½ of S. W. ¼	13	36	12	80 acres	1895	1905	†16,000.00		160.00
Charles Alm.....	E. ½ of S. E. ¼	15	37	13	80 acres	1894	1904	†16,000.00		240.00
Henry Yager & Son.....	E. ¼ of N. W. ¼	23	37	13	80 acres	1894	1904	†16,000.00		240.00
Jacob & Stefan Aggen.....	W. ½ of N. W. ¼	23	37	13	80 acres	1894	1904	†16,000.00		240.00
Estate of P. Schafer.....	N. E. ¼ of S. W. ¼	7	40	14	40 acres	1892	1904	†40,000.00		740.00
Not leased.....	W. ½ of N. W. ¼	33	40	13	80 acres	.....	.....	†80,000.00		
In litigation.....	E. ½ of S. E. ¼	34	38	14	80 acres	.....	.....	†80,000.00		

Total appraised valuation of 1895 \$8,657,865.33
 Total annual rental to May 7, 1905 (on basis of 1895 valuation) 507,268.00

Valuations marked R are subject to readjustment every ten years. The 1905 valuations are now in litigation.
 * Monthly payments. † Appraised valuation of 1902.

SECTION III. LICENSES

The total revenue derived from licenses and fines in Chicago is \$4,506,223. Of this amount, \$4,230,993 is obtained from licenses, and \$192,091.62 from fines and forfeitures. By far the most important item in the license revenue is the income from saloons, which amounted to \$3,759,554 in 1904. Saloon licenses are issued at the rate of \$500 per year, or a proportionate sum for any shorter period. The year is divided into three periods of four months each, beginning January 1, May 1, and September 1. For wholesale dealers in malt, spirituous, and vinous liquors, liquor licenses are issued at from \$50 to \$500. For brewers and distillers the rate is \$500. Next in importance to the saloon is the street car. A license of \$50 per car is required, and yielded in 1904 \$172,997. For the street cars it has been computed that thirteen round trips constitute a car in the sense of liability to license. On the elevated roads a license of \$50 for each car used is required. At the present time the amount of license to be paid by the Chicago City Railway is a subject of controversy and remains undecided. When permission was given to use trolleys on Indiana Avenue, a rate of \$100 per car was agreed upon. Later these permits were revoked. Still later an ordinance providing for the payment of \$5,000 per month in lieu of all other licenses was passed by the Council, but was vetoed by the Mayor. The dog license is also a considerable source of revenue, bringing in \$113,906, on a basis of \$2 per capita. Cigarette-dealers at \$100 each yield \$56,333 a year; peddlers, about \$80,000; milk-peddlers and dealers, about \$50,000. Next in importance come butchers, \$56,333; brokers, \$41,721; and brewers, \$31,996.

The following table gives a list of all objects or occupations requiring a license, with the license fee and the amount collected from each source during the year 1904:

	Amount	Annual Rate		Amount	Annual Rate
Amusements (16 classes)	\$26,796	\$2 per day to \$500 per year	Milk vendors	\$ 48,302	\$ 10*
Auctioneers	6,200	\$300	Nurseries		10
Automobiles		5	Pawn-brokers	23,950	300
Bakers	4,155	3	Peddlers—wagon	55,799	10-50
Billiards and pool	9,635	10 per table	Peddlers—hand-cart	469	25
Bill-posters	187	25-100	Peddlers—basket	3,099	15
Bowling-alleys	4,493	10	Poulterer or fish- monger		15
Brewers and dis- tillers	28,333	500	Roofers	1,089	10 per wagon
Brokers	31,996	25	Runners	533	12
Butchers	41,721	15	Sale of fire-works and explosives		5-25
Cigarettes	56,334	100	Saloons	3,759,555	500
Delicatessen		5	Scavengers	1,437	5†
Detective agencies		100	Second-hand dealers	10,321	50
Dog	113,906	2	Shooting galleries	227	25
Drain-layers		5	Smoked meats	6,966	5
Druggists	1,884	5	Soap factories— rendering or slaughtering	3,304	100‡
Hospitals	300	10	Street cars	172,997	50
Ice-wagons	6,642	10	Tanneries	900	50
Junk-dealers	6,379	50	Tickers		1
Junk-wagons		10	Undertakers	3,942	10
Liquors, malt—wh'le	1,854	50	Vehicles	25,288	2.50-5§
“ spirituous	15,400	100	Weighers	308	10 per scale
“ vinous	8,863	50	Workshops	708	2
Livery stables		25			
Lumber-dealers	8,917	100			
Meat dealers		15			

* And \$10 for every wagon above one.

† Night scavengers, \$50 per wagon. In some instances licenses indicated here were not in force in 1904, and hence no returns are reported

‡ Tanks, \$20 each.

§ Drivers of licensed vehicles \$1.

In addition to these licenses, fines collected amount to \$192,091.02. These penalties are fines imposed in the public magistrates' or justice courts for violation of some city ordinance. Justice-court fines are, however, practically a negligible quantity, under the present system, as they are not generally reported. Returns for the police magistrates' courts are checked by means of a copy of the docket sent in about once a week to the Auditor. The amounts indicated are there checked up against the amounts turned in.

The administration of the license system rests partly with the City Collector, partly with the Police Department, and partly with the City Clerk. The field-work of determining who are liable to

payment of licenses is carried on by the Police Department. In each of the forty-four police precincts of the City an officer is detailed from the force for license purposes, and known as the license officer. His duty is to report on liability to license within his district. Licenses are recorded and fees received by the Collector, while the license is issued from the office of the City Clerk. Under his own personal charge and direction the City Collector has no license officers, except four men who follow up the matter of collecting. He is thus made dependent to a great extent on the co-operation of another department, and weakened by having no adequate force under his own immediate direction.

The result of this division of authority and responsibility is that license administration is not as vigorously carried out as is desirable. In the first place, the collection of the license revenue is slow, and therefore costly. For example, although saloon licenses are due on the first day of the periods, there is always great delay in collection. In 1904, during February, March, and April, about \$100,000 was collected on licenses due January 1; during June, July, and August, \$183,876 on licenses due May 1; during October, November, and December, \$323,185 on licenses due September 1. A part of this was no doubt collected on new licenses, but only a small fraction, while, on the other hand, this reckoning takes no account of the amounts paid within the first thirty days of the period. The same delay is characteristic of payments of many other licenses.

Doubtless a penalty attached to deferred payment would result in more punctual returns. Under the present conditions there is really a premium on delay. Licenses may, of course, be revoked, but this is a drastic measure, not likely to be employed in any but extreme cases; while a penalty could be readily applied with a strong prospect that it would bring in the money promptly. Again, there appears to be no adequate reason why saloon licenses should be calculated down to a day, as is the case when application is made for a new license after the opening of the period. The minimum might well be fixed at a month, or even a period; in some cities the minimum period for which a license is issued is one year, with payment required in advance. Certainly the present practice of allowing a saloon to remain delinquent for a month or more, and at the end of that time

to go out of business, on payment for the exact number of days since the beginning of the period, is a very unfortunate one for the city.

Not only is the system of license collection defective, but there is good reason to believe that many possible license fees are never collected. For example, there are only about 560 licenses issued for the sale of cigarettes; of licensed brokers there are only about 1,300; only 960 billiard tables pay a license to the city. Moreover, a comparison between the Federal list of payments for the sale of liquor and the City's list shows a wide discrepancy. The Federal district covers all of Cook County, and the Federal tax covers wholesale and retail dealers, druggists, and rectifiers. Omitting all dealers outside of Chicago and all classes excepting retail liquor-dealers, it appears that there were in September, 1905, on the federal list some 9,200 names, not including druggists. The City list at the same time contained 8,000 names of retail liquor-dealers. This leaves a margin of 1,200 between the retail list of the United States, as shown on the books of the Collector of Internal Revenue, and the City list, on the books of the City Clerk and Collector. These two lists, the City and the Federal, have been copied and compared, and some of the surplus places on the Federal list have been examined under my direction. From the investigation, covering about two hundred dealers, it appeared that these places, taxed by the United States, but not by the City, were of various kinds. Some were simply "blind pigs," where the sale of liquor was being carried on in a more or less covert fashion, as in tea-shops, bowling-alleys, cigar stores, etc. Others were restaurants serving wines, beer, or other liquors without the sanction of a City license, although coming under the license requirement. In other cases, liquors are sold by women in houses of prostitution or assignation. These women pay the federal government \$20 a year, as retail malt-liquor dealers (R. M. L. D.), but contribute nothing to the municipal government. Under the present circumstances a saloonkeeper pays \$500 for the right to sell liquor at retail, while a prostitute is granted the privilege without charge.

An immediate reorganization of the Collector's office would doubtless increase to a considerable amount the annual revenue of the city. In St. Louis an effective administration of the license system

has resulted in increasing the license revenue by 50 per cent. Thus in 1901 the amount received from licenses in that city was \$1,515,000; in 1902, \$1,749,000; in 1903, \$1,843,000; and in 1904, \$2,052,000. A vigorous execution of the license ordinances of Chicago might perhaps result in figures as satisfactory as these.

It is, moreover, a fact worthy of note that the saloon license in Chicago is lower than in any other of the large cities of the country. In New York the rate is \$1,200, of which one-half goes to the state; in Boston, \$500 to \$2,000, of which one-fourth goes to the state; in Philadelphia, \$1,100, of which \$100 goes to the state; and in St. Louis, \$600, of which \$100 goes to the state. The per capita payment on account of saloons is also lower here than in other large cities except Philadelphia. Liquor licenses in New York average \$3.18 per capita; in St. Louis, \$2.46; in Boston, \$2.44; in Chicago, \$1.95; and in Philadelphia, \$1.46. On the Boston or St. Louis basis our saloons would pay about \$1,000,000 more than at present. On the New York basis the payments would be increased about \$2,300,000. The effect of an advance cannot be calculated in quite this fashion, however, since a higher rate would no doubt diminish the number of saloons, which is now only 2,000 behind that of New York, although the population of the latter city is almost twice as great. A reduction in the number of saloons would, however, involve a reduction of operating expenses, and this would make easier the payment of a higher license.¹

In miscellaneous revenue Chicago exceeds all other cities of its class, except St. Louis. In Boston miscellaneous licenses and permits amount to 10 cents per capita; in New York City, to 14 cents; in Philadelphia, to 17 cents; in Chicago the average is 36 cents; and in St. Louis, 50 cents. In Philadelphia, however, many license fees which are here paid into the City Treasury are paid directly to the state. In New York and Boston the lack of revenue from licenses is met by a high valuation of property and a high tax-rate. Yet the per capita amount raised by miscellaneous licenses in Chicago is not uncommonly high or unusual. In San Francisco the figure is 66 cents; in Washington, D. C., 57 cents; in Pittsburg, Pa., 33 cents; in Cincinnati, 30 cents. In southern cities, where the license system is freely used, the rates are frequently higher than here. In New

¹ See Census Bulletin 20, pages 74-76, for retail liquor license fees in various cities.

Orleans, for example, 78 cents per capita is raised by miscellaneous licenses. For the 175 cities of the United States having over 25,000 population the average amount per capita raised in this way was 27 cents, Chicago's rate being 36 cents; but in many of these cities large amounts of license fees are paid directly to the state government, and are not reckoned in with local receipts. Furthermore, it must be borne in mind that in many cases street-car licenses are reckoned in with miscellaneous revenue, while in other cities compensation from the street railways is obtained in some other form. In Chicago the street-car license constitutes about one-third of the entire amount received from miscellaneous sources. On the whole, it cannot be said that the license system in Chicago is burdensome or oppressive in amount or in incidence.

The suggestion has already been made that a more vigorous administration of the city license ordinances would probably result in the addition of a considerable amount to the annual revenue. Aside from this, however, it has been urged that much broader licensing power should be granted the city. Wholly apart from the Charter Amendment, the Legislature has power, under Art. IX of the Constitution, to tax all trades, occupations, and professions. Subject to the condition that the occupation tax be uniform within the class on which it operates, the Legislature has power to tax every trade, occupation, and profession. This power may, furthermore, be delegated by the Legislature to cities. Mr. Maclay Hoyne, Assistant Corporation Counsel, in an opinion given December 10, 1904, states that,

Under the powers vested in the Legislature of this state, that body can authorize all cities in this state, or certain classes of cities, if it deemed best to classify them, with the power to tax for the purpose of revenue, every occupation, trade, and profession carried on within the city limits.

As revenue-producing possibilities he suggests a variety of occupations. Among these are "telegraph, telephone, steam railroad, insurance, express, and other corporations engaged in business wholly or in part within the city limits." Steam railroads might be charged a fee fixed at so many dollars per mile of railroad track within the city, or a certain amount for each depot within the city. Telegraph companies might be reached by a license fee at a stipulated sum per pole and per mile of wire within the city limits. Other possibilities men-

tioned by Mr. Hoyne are restaurants, hotels and public boarding-houses, foreign breweries engaged in local retail business, lumber-yards, packing-houses, etc. All such industries, it is suggested, might be utilized to yield revenue for city purposes.

A grant of power may be made to the city in detailed form as in St. Louis, where a list of about one hundred occupations is painfully enumerated. In several of the southern states, where occupation taxes are common, long lists of particular classes of callings are detailed in the statutes, as, for example, in Louisiana and Tennessee. A much simpler and far more flexible provision is that found in Portland, Oregon: "to grant licenses, with the object of raising revenue, or of regulation, or both, for any and all lawful acts, things, or purposes, and to fix by ordinance the amount to be paid therefor, and to provide for the revoking of the same." A still simpler provision is that contained in the statutes of the state of Washington, granting to cities of the first class power "to grant licenses for any lawful purpose, and to fix by ordinance the amount to be paid therefor, and to provide for revoking the same."¹

¹Chap. IV, Title VII, Sec. 33.

SECTION IV. SPECIAL ASSESSMENTS

Next in importance to licenses as a source of revenue comes the \$4,300,000 collected in 1904 in the form of special assessments. In one sense, this class of receipts is not a source of public revenue, since it is never at the disposal of the financial authorities and never figures in any of the various budgets. It is, however, a payment for a public purpose, and the administration of the work is largely a public process. Special assessments, accordingly, should be, and commonly are, included in a complete statement of the revenues of any city.

Special assessments may be levied for street, sidewalk, sewer, or water purposes. They may be undertaken by the City, or by any of the park systems within their respective jurisdictions. As is well known, a City special assessment originates in the Board of Local Improvements, passes the City Council, and is confirmed by the County Court. For the payment of these assessments, the cost of the improvement may be divided into five or ten installments, and bonds issued, secured by the prospective collections. Such bonds are not, in the constitutional sense, a part of the debt of the City, within the 5 per cent. limit. They constitute an obligation against the property benefited, rather than against the City as a whole.

The spreading of special assessments, the distribution of the tax necessary, is made by the Superintendent of Special Assessments, subject to review by the court. The collection of the amounts due lies within the province of the City Collector until March 10, after which time they are turned over to the County Treasurer, acting as County Collector. Under this division of authority, in 1904, \$1,880,000 was taken in by the City Collector, and \$2,415,000 by the County Treasurer, or a total of \$4,300,000. There seems to be little reason why this dual system of collection should be maintained, as it involves duplication of machinery and accounts used for the same purpose. The collection should be in the hands of one officer or set of officers. The City Collector now possesses no power to enforce payment, and can merely receive what is paid in to him. Until 1905 the Collector

granted a discount of 1 per cent. on payments made to the City, but this situation has been changed.

If installments are paid in before maturity, the property-owner is no longer obliged to pay interest, and any deficiency must in that case be made good to the bond-holder by the City. For this additional cost the property-owner or owners who have paid up may be assessed again to make up the deficiency. Frequent bond calls would tend to prevent such contingencies, but, on the other hand, the complexity of accounting would be increased still more.

Whether there are abuses on the expenditure side of local assessments, and how serious these may be, it is not the province of this report to discuss. This is a matter of disbursement, and whether honestly and economically carried on with an eye single to the public interest, cannot be satisfactorily known unless a thorough investigation of that side of the system is undertaken. The policy of the City is certainly unfortunate. In the first place, the property-owner must pay the entire cost of the improvement. In the next place, the City makes practically no provision for the repair of improvements, and when they are worn out, levies another assessment. These facts bring the matter of proper expenditure into an exceedingly important position; for if improvements must be made at frequent intervals, we have what amounts to a tax spread over a short term of years. Thus, if a pavement must be relaid by the owner once in seven years, with some degree of regularity, this payment approximates a tax; and the situation affects the willingness and ability of the property-owner to assume the burdens of the general tax. In other words, costly and frequent special assessments practically raise the tax-rate on real estate. It is estimated that 60 per cent. of the annual expenditure for special assessments is made upon property once assessed.

The situation demands a very careful and searching inquiry into the whole question of the City's policy and practice in the matter of special assessments. In view of the intimate relation between tax-rates and special assessments, such an inquiry should be made at an early date by some authoritative body. The tax-rate is the key to the local revenue situation, and the special assessment is the key to the tax-rate.

SECTION V. DEPARTMENTAL RECEIPTS

About \$2,000,000 a year is raised by means of fees, charges, and permits required by various departments of the City and other local governments. In the case of the City, such fees and charges are fixed by ordinance of the Council, and, in the case of the County, by the state law. Thus the Building Department turns in to the City about \$80,000 a year, as the proceeds of inspections and fees secured; the Department of Electricity earns about \$60,000, chiefly from inspections carried on; from the Department of Public Works about \$160,000 is obtained. Boiler inspection is responsible for \$27,000; weights and measures, for \$16,000 more.

Such items of City revenue are paid in to the City Collector, and turned over by him to the City Treasurer daily. Permits are presumably, although not necessarily, paid for in advance, while inspection fees are received by the Collector on the basis of the inspector's report of the charges or costs on collection warrants. In a few cases payments are not made directly to the City Collector, as the fees paid to the Board of Examining Engineers, the City Sealer, police court fees, market fees, House of Correction receipts, death certificates, and a few other fees. In these instances returns are made to the office of the City Collector by the officer collecting the fees.

These revenues are audited, after a fashion, by the Comptroller's office. In the case of the Department of Public Works, reports of permits issued are sent to the Comptroller, and these are checked up against the receipts of the City Collector. Duplicates of warrants for collection are also sent to the Comptroller, and are compared with the amounts paid to the Collector for such inspections. The auditing force is so inadequate, however, that the examination cannot be made carefully or frequently enough to be satisfactory. Under or over-charges cannot easily be detected without a more searching investigation than the auditors have time to give, while the failure to require a permit or an inspection is a matter that lies entirely outside the possibility of discovery. A recent illustration of this is the discovery of the fact that house-drain permits were not being issued,

because of the fact that no blank permits were on hand. Unless adequate arrangements for auditing are made, disasters of this kind are likely to occur at any time. Complete provision should be made, not only for the purpose of balancing two sets of figures, but for searching inquiry into the extent to which all possible revenues from such sources are collected. Such work as that done by the Investigating Division of the Comptroller's Office in New York City, or by the Commissioners of Public Accounts, pays for itself many times over during a fiscal year.

COUNTY FEE SYSTEM

A large part of the revenue of Cook County is derived from fees and commissions collected by a number of county officers for various services to individuals and the different public authorities. The aggregate revenue from this source is more than a million dollars—a sum large enough to make an effective system of collection and accounting a matter of no little importance. Yet the methods employed lack many elements of security and system.

These results are due, in large measure, to the statutes regulating the county government. At bottom there is the essential feature of the county system—a series of elective offices, each independent of the others, and subject to no general supervision or control—a system which inevitably hinders any unified methods of accounting. To this is added the confusing variety of statutory provisions in regard to the various offices, prescribing different methods and requirements for each. But part of the responsibility must be placed on the officers, who could do much on their own initiative to introduce improvements, and secure necessary changes in the statutes, if they all fully appreciated the inadequacy of the present methods and desired to establish a more satisfactory plan.

A brief description of the main features of the present methods in general, and some more specific details about certain offices, will make clear the deficiencies and the need for improvement. These fees and commissions are collected by ten different offices: the clerks of the Circuit, Superior, Criminal, and Probate Courts, the County Clerk, the County Treasurer, the Sheriff, the Recorder, the State's Attorney, and the Coroner. In many of the offices the records of

receipts are kept in the crudest and most primitive fashion. Original entries are made by the receiving clerk or cashier, and the totals for each day are carried to the cash-book, which forms the only book of accounts. Often there is no systematic check against the entries; and in some cases it would not be difficult to enter less than the amount received, either by overcharging the ignorant or defrauding the county. In the Superior and Circuit Courts the uniform charge for filing each case enables a rough check to be kept on the larger part of the receipts, by means of the docket numbers; but even in these offices there are other items not covered by this method. In the offices of the County Clerk and Probate Clerk conditions are better. Charges are calculated by others than the cashier; the latter receives all payments, and his records are checked regularly by a book-keeper by means of various documents; and a set of books are kept in some systematic fashion. But at best none of the officers have a thorough double-entry system of accounts, such as forms the basis of all modern bookkeeping.

Besides the fees collected, some offices keep a record of fees earned. These are principally the Sheriff, Criminal Court, and Probate Court, in each of which there are large amounts of fees, which are charges against the County, or for other reasons are not collected. The statement of fees earned constitutes a record of all the work of each office; and if a proper accounting were kept of the fees earned but not collected, it would serve as a check on the cash receipts. But no such accounting is made, and the statement of receipts is entirely independent of the statement of earnings.

Even in the Probate Office, where the book-keeping system is better than in the others, it stops short of using in this way the records kept. Accounts are kept against each estate in the court; and these are closed either by payment of fees or by an order of the court remitting the fees. But many accounts are kept open for a long time; and there is a regular difference between the net "earnings" and the receipts, which aggregated \$175,000 in the period from June, 1897, to December, 1904. There are various reasons why the settlement of some accounts should be long delayed, and others remain open almost indefinitely; but it would seem to be essential to any satisfactory accounting to compare from time to time the outstanding accounts

with the deficiency between earnings and collections. Yet this has never been done.

To make such a comparison would involve a good deal of labor, especially for the first statement. It would require an examination of 50,000 accounts, in more than eighty volumes comprising the records of the present court. Once made, the few accounts in the old volumes could be noted; and subsequent statements could be made by looking over perhaps 15,000 or 20,000 accounts, mostly in the last few years. But no business establishment would think of letting its accounts remain open without analysis and comparison, as have the Probate and other County offices.

One of the most serious defects of the system, and one apparently sanctioned by law, is the retention of the fees by the various county officers for considerable periods of time. Advances are made monthly for the pay-rolls of the different offices, either by turning over a lump sum to the County Treasurer, or by paying the clerical force directly.¹ But settlements with the County are made only semi-annually, when the balances on hand are turned over to the Treasurer, except in the case of the County Clerk, who carries his balances over till the end of his term, to be delivered to his successor.

In addition to the amounts collected in fees and commissions, many of these county officers hold considerable amounts of private trust funds in their temporary possession, for which no public accounting or report is made. The County Clerk takes in about \$800,000 a year in payments for redemption of taxes, which he holds until the amounts are called for by those who bought the tax certificates. Most of this is held only for a brief time; but there is always a balance of from \$50,000 upward in this account, which remains in the County Clerk's possession. In the same way the Clerk of the Probate Court holds funds in escrow for estates passing through his office. And similar funds are held by other officers.

Retention of these funds by the county officers is a survival of the old methods, whereby each officer maintained his office from the fees and other revenue received, without making any accounting. But

¹ Except for the Sheriff, Criminal Court, and Coroner, where the receipts are not enough to pay for the clerical force, which is paid from the County Treasury. In the other courts only the pay-rolls of the clerks' offices are paid from fees; judges' salaries and other court expenses come from other county funds.

while this may not be open to serious objection when the amount of business is so small that it may be transacted by the officer himself, it is far from satisfactory where the revenues are as large as in Cook County. And while the amount in the hands of any one officer is perhaps not very large, in the aggregate the balances would form an appreciable addition to the deposit balances on which the county receives interest. So long as the County Treasurer personally received the interest on the County balances, the other officials might feel entitled to any returns on their balances. But the whole system is in conflict with the constitutional provision,¹ which limits each officer strictly to the salary allowed, without additional fees or perquisites. And the principle now established in reference to the Treasurer's balances should be applied to all of the county officers.

Semi-annual reports are submitted to the County Commissioners by the various fee officers, preliminary to turning over their balances. These reports must be approved by, and were presumed to be audited by, the Commissioners; but only the most perfunctory examination was made. Nor was any audit of receipts made by the County Comptroller's office. But for the past two years the County Commissioners have employed an auditor, who, besides other duties, has partially audited these semiannual reports. His examination checks the reports against the cash-books of the various officers; and to some extent occasional items are checked from other records. But, as has been seen, the records in the offices do not permit of anything like a thorough audit; while one man, however active, is unable to check over the tens of thousands of items covered by the reports, even if the office records were satisfactory. With regard to the Treasurer's reports, there is practically no attempt to audit the various items of receipts, aside from the office audit.

The revenues of the fee offices have declined noticeably during the past ten years. In 1896 the total was \$1,321,000; in 1903 it was only \$1,005,000. In 1904, with the commissions and interest on deposits from the County Treasurer, the total was \$1,455,000;² but

¹ Art. X, sec. 9. All fees, perquisites, and emoluments (above the amount of said salaries) shall be paid into the county treasury.

² The amount turned over by the County Treasurer in 1904 (\$613,000) included about \$100,000 in balances from the previous year, and \$134,000 of interest, and increases the total for 1904 by that amount.

the fee revenue was less than a decade before. The decline is most marked in the fees from the Sheriff and court clerks. An explanation of the decline in court and Sheriff's fees is offered by the transfer of bankruptcy cases from the state to the federal courts, since 1898. But the effect of this must have been fully accomplished in a year or two; and it is surprising to note that there has been no increase in fees during the past five years, while in some cases the receipts reported have been steadily falling off to the present time. The Legislature of 1905 increased the fee charges to an amount which, it is estimated, will produce an additional \$100,000 a year.

The statistics given above, have been compiled from the semi-annual reports as the statement of fees in the County Comptroller's annual report is incomplete. The latter shows the amount of fees after deducting the salary of officers, and some other items. In this respect the Comptroller's report should be changed so as to show the gross amount of fees and commissions collected in each office.

The system of paying office expenses from fees collected is unfortunate in its operation, since the inevitable tendency is toward a balance between receipts and expenses in the several offices. Given a certain amount of receipts, and the natural movement will be toward a like amount of expense. The fact that the number of employees in many offices is controlled by the judges, instead of by the central appropriating body, the Commissioners, makes the conditions still worse, and responsibility still more difficult to fix. The simplest statement of these facts is sufficient, as the disadvantages of such a system are too plain to make argument necessary.

Again, it is evident that office receipts should be turned into the treasury at shorter intervals than the present period of six months. A modern system would provide that such moneys should be turned in daily to the central receiving officer. The natural custodian of public funds is the Treasurer, and not the departmental office, while any advantage or interest accruing from such funds should be a public rather than a private gain. In the same way the various trust funds and deposits now paid to and held by various officers should be given over to the Treasurer for safekeeping. And, again, any interest on such money should be the property of the County, and not the perquisite of any private individual.

Finally, a complete system of accounting and auditing should be installed to cover all of these offices. The large amounts of money received and expended make such a system of control indispensable. A central authority should have power to prescribe a system of accounting for the various offices, and supervise the operation of such a system. Such an authority should also have power to audit all accounts, and there should be a sufficient force of men to carry out the work effectively.¹

MISCELLANEOUS FEES

In many of the City and County offices there are certain fees which are regarded as private perquisites, and are not turned into the Treasury. The 1905 amendment to the Cities act, if sustained, abolishes this evil in the City government by providing that

No officer shall be allowed any fees, perquisites, or emoluments, or any reward or compensation, aside from his salary, but all fees and earnings of his office or department shall be paid by him into the city Treasury.²

The State Constitution provides as to the County Treasurer, Sheriff, Coroner, Recorder, and Court Clerks that

All fees, perquisites and emoluments (above the amount of said salaries) shall be paid into the County Treasury.³

The provisions of the Constitution in fact very completely cover the field of fees. Article X, Sec. 13, stipulates that—

Every person who is elected or appointed to any office in this state, who shall depend in whole or in part by fees, shall be required by law to make a semi-annual report, under oath, to some officer designated by law, of all his fees and emoluments.

This sweeping clause, if enforced by appropriate legislation, would at least provide for publicity in regard to justices and constables.

¹Since the first edition of this pamphlet, the Citizens' Association has preferred serious charges regarding the fraudulent manipulation of accounts against the former Clerk of the Superior Court, and that officer has been indicted by the grand jury. The County Board has appointed a committee to investigate the various County offices and install a modern system of accounting, auditing and inspection.

²*Session Laws of 1905*, p. 107.

³Art. X, § 9.

SECTION VI. PUBLIC-SERVICE PRIVILEGES

From "public-service privileges" Chicago derived in 1904 a revenue of \$513,763. This title covers payments made to the city, or any other of the governments, for privileges in the nature of a franchise, as, for example, the right to use a street above or below the surface, whether for bay-window, switch track, car track, or alley space. It includes also revenue obtained from payments, on the gross receipts of certain public-service corporations. These rates are determined by ordinance of the Council. Under this head is included also the \$168,000 paid by foreign fire-insurance companies, at the rate of 2 per cent. on gross receipts in Chicago. This might also be regarded as a special tax and so classed.

The most important of these items is that of percentages of gross receipts of various companies. This amounts to about \$200,000, and is based on rates running from 1 to 10 per cent. The largest single payment is that made by the Chicago Telephone Co., which is under agreement to pay to the City 3 per cent. of its gross receipts. In 1904 this percentage amounted to \$111,354. Practically no compensation at all is paid by the gas and electric-light companies. Other items are those of vacation of streets and alleys, amounting to \$84,000. These rates are generally fixed on the basis of the value of the adjoining property. For switch tracks, bay-windows, etc., payments are also required by the City, amounting in 1904 to about \$40,000. For switch tracks a rate has been fixed at \$50 for crossing a street and \$25 for crossing an alley. There is no fixed rate for bay-window permits; in fact, until the passage of the act of 1905 such permits could not be legally granted.

Recently an attempt has been made to collect compensation for the use of space under the sidewalks. The City Council passed an ordinance providing for the exaction of a payment for the use of such space; but the City was enjoined from proceeding under the act, on the ground that it had no right to grant the use of such space, and the case is still pending. In the meantime, payments are being collected by the Commissioner of Public Works, who offers the

occupiers of such space the option of eviction from the street, or the payment of compensation to the city. Contracts for the payment of about \$15,000 have been made thus far. The possible amount realizable is estimated variously from \$150,000 to \$500,000. At present compensation is made at the rate of 2 per cent. a year on a valuation of one-tenth of the assessed value per square foot. Space abutting on a lot 20×50, and valued at \$100,000, or \$100 per square foot, would pay at the rate of 2 per cent. on \$10, or 20 cents a foot. If 1,000 feet were occupied, the yearly charge would be \$200. A law of 1905 gives the City power to exact compensation for the use of street space twelve feet above the street level, but not for space below. This should be so amended as to permit the City to receive payment for the use of the valuable property under the street.

The administration of these miscellaneous privileges is divided between the Committee on Compensation, and the Council, which by ordinance definitely fixes the rates to be charged and the period of franchise. In addition, there has been established this year in the Department of Public Works a Bureau of Compensation. This office already has charge of payments for sub-sidewalk space, of the rates charged for switch tracks, and of several other similar matters. It would seem that the work of administration, now divided, might well be centralized here and administered from one place. This need not involve the granting of permits by such a bureau, but merely the determination of the amount of compensation proper to be required if a privilege is granted. This would make possible a much more systematic and scientific treatment of the very important matters of revenue and policy connected with the administration of public-service privileges—a consideration constantly in increasing importance with the growth of the city.¹

¹ See Census Bulletin 20, p. 60, "Public service privileges."

SECTION VII. STATE GRANTS

The income received from the state by Chicago is a considerable sum—\$306,840. This fund is paid in to the Board of Education for the use of the schools. There is, in the first place, an apportionment made according to the number of persons in the city under twenty-one years of age.¹ On this basis, the locality is paid its proportionate share of the state school tax of 2 mills, and of the state fund for common schools. This latter fund is made up from 3 per cent. of the sales of public lands in Illinois, of which amount five-sixths is devoted to common-school purposes, and also a part of the surplus revenue distributed to the several states by the United States in 1837.² From this fund the city received in 1904 the sum of \$306,840. In addition to this, there was paid over by the state \$24,483.33³ for the instruction of deaf-mutes, an allowance of \$150 being made for each pupil. There was also paid \$12,640.78⁴ for the instruction of crippled children, at the same rate of \$150 per pupil. These latter amounts have been credited to school earnings.

The balance between city and state stands, however, slightly in favor of the former. In 1903 Cook County paid over to the state, as the net amount of school taxes collected, \$434,630.51, while there was paid to the County \$363,089.69 as school tax. This leaves a surplus of \$73,540.82 in favor of the County. This statement does not, of course, include the total state tax paid by Cook County, which was, as charged, \$2,495,284 (1903), or 41.9 per cent. of the entire state tax *levied*, \$5,852,493; or of the entire state tax *collected*, 40.78 per cent. was paid by Cook County. This does not include the annual inheritance-tax payment of about \$700,000 paid in to the state by the county.

The law governing the apportionment of school moneys is as follows:

¹ *Revised Statutes*, chap. 122, § 234.

² See Pillsbury, *Sketch of the Permanent Public School Funds of Illinois* (Fourteenth Biennial Report of the Superintendent of Public Instruction).

³ *Revised Statutes*, chap. 122, § 430. ⁴ *Ibid.*, § 459. These sections, 430 and 459, were repealed in 1905.

On the first Monday in each and every year next after taking the census of the state, by federal or state authority, the Auditor of Public Accounts shall ascertain the number of children in each county in the state, under twenty-one years of age, and shall therefor make a dividend to each county of the sum from the tax levied and collected under the provisions of the first section of this article of this act, and of the interest due to the school fund proper and surplus reserve, in proportion to the number of children in each county under the age aforesaid, and issue his warrant to the Superintendent of Schools of each county upon the collector thereof. Upon presentation of said warrant by the County Superintendent to the Collector of his county, said Collector or the Treasurer shall pay over to the County Superintendent the amount of said warrant out of the first funds which may be collected by him and not otherwise appropriated by law, taking said Superintendent's receipt therefor.¹

The distribution of school money is conducted by the County Superintendent of Schools, who is the officer designated by law for this duty. At present the Superintendent is paid a commission of 2 per cent. on all money distributed, but a law of 1905² provided for a payment of a salary of \$7,500 in full for all services rendered. The County Commissioners may allow additional compensation, however. As money is paid over to the County Superintendent, it is deposited to his credit, and paid out on demand of the school authorities entitled to the various shares.

The school revenue derived from rentals of lands remaining from the grant of sec. 16, and the interest or income received from the sales of such section, might perhaps be included in this list as a national subsidy, but they have been discussed under "Municipal Industries."

¹ *Ibid.*, § 234.

² *Session Laws of 1905*, p. 260.

SECTION VIII. EXTRAORDINARY REVENUE

In addition to the revenue derived from ordinary receipts, the income from long-time loans must also be considered. This amounted in 1904 to \$12,063,000, which was distributed as follows:

City	\$8,250,000
South Park	2,000,000
Sanitary District	1,353,000
County	460,000
Total	\$12,063,000

This does not include the receipts from temporary loans, but from bonds only. It is needless to say that the amount of bond issues varies widely from year to year, and that the estimates for a single period signify little. The real importance of revenue derived from bonds appears only when the total debt of the community is considered, or when the debt increase for a recent period is taken into account. An examination of this kind reveals what is probably the weakest point in the whole financial system of the city and community. For practically a generation, and while the city grew in population from 300,000 to 2,000,000, its borrowing power was practically at a standstill. In 1871 the debt of Chicago was \$14,106,000 and the population 306,605. By 1881 the population had doubled, and the debt was \$12,752,000; by 1891 the population had doubled again, and the debt stood at \$13,503,350; by 1903 the population had almost doubled again, and the debt was \$15,123,100. In 1904 a decision of the Supreme Court made possible an increase of the debt for the first time in a generation, so that, after funding \$5,000,000 of floating debt for sidewalk judgments, the bonded debt stood at \$22,618,000. There has been, however, an increase in the debt of the combined governments. In 1871 the total debt of all the local governments was \$19,566,000; in 1904 it was \$50,000,000. This increase in debt has been absorbed by the parks and the Drainage Canal. Of the \$30,000,000 increase in bonded debt, \$16,000,000 has gone into the canal, \$5,000,000 has been applied to the parks, and \$1,000,000 to the County; to the City \$8,000,000 has been granted,

of which \$5,000,000 was expended in the settlement of damage suits, leaving \$3,000,000 for purposes of general improvements. This is a remarkable showing, without a parallel in this country or any other. That a city should grow from 300,000 to 2,000,000 in a period covering thirty years, with practically no loans for general public improvements, is one of the most singular facts in the history of municipal finance.

Taking the community as a whole, it is evident that the loans, so far as made, have been very unevenly distributed among the different governments. With no central and responsible organ or agent, of a local character, the increase in debt has been haphazard and unsystematic. Kept in the custody of the State Legislature, local credit has been parceled out without the careful and comprehensive examination demanded by the conditions. Power that under a proper system should have been exercised by a local council or representative body has been held by the state, which practically determines all of the local budgets. Work that should have been done by a local body, possessing intimate knowledge of local conditions, and with ample time for investigation and discussion, has been carried on by a State Legislature, necessarily unfamiliar with the local needs of Chicago, and without leisure to examine carefully into the facts upon which judgments must be based. The net result was that all public improvements, excepting those for park and Sanitary District purposes, were made directly from taxes.

If the community, while paying for these public improvements from taxes and miscellaneous revenues, had been raising sufficient money for the ordinary operations of government, there would be little to say, except that the burden was really greater than need be borne. But, on the contrary, during all this time the money raised for maintenance and operation of the government has been wholly inadequate to meet the demands made on it. Taxation has by no means risen to the height required by the double necessity of paying for permanent improvements and running expenses at the same time. Funds for police, street-cleaning, schools, public buildings, etc., have been entirely insufficient, and the city has suffered accordingly. In short, Chicago has for a generation made such public improvements as have been carried on, at the expense of the primary functions and

needs of government. The interest on borrowed money has no doubt been saved, but at a sacrifice of such fundamentals of government as an adequate police force, a sufficient number of teachers, streets properly paved and cleaned, and other indispensable elements of a well-regulated government. We are in the position of a man who built a house from his savings in order to avoid borrowing money, and half-starved and half-clothed himself and his family in the meantime. As far as revenue is concerned, this stands out as the gravest defect in the financial policy of this city and community.

In this connection, attention should be directed to certain peculiarities of our local system of raising and applying extraordinary revenues. The first of these is the custom of the Sanitary District to redeem and reissue bonds each year as a regular source of income. The greater part of the annual revenue of the district is and has been extraordinary—that is to say, raised by long-time loans. For example, the revenues of the district in 1904 amounted to \$4,000,000. Of this, \$1,425,000 was raised by means of bond issues; and this has been the general practice since the establishment of the district. The reason for this policy is found, of course, in the fact that the work of the Trustees has been largely one of construction rather than of maintenance, and that, as the expense was properly “extraordinary,” so the revenue obtained should also be “extraordinary” in nature.

In school work, however, the work of constructing permanent improvements has been carried on by means of tax levies. Although school lands and buildings are properly regarded as permanent improvements, the expense incurred in such undertakings has been met, not by bond issues, but by direct taxation. The law allows a tax of $2\frac{1}{2}$ per cent. for the purpose of school-building fund, and this has been drawn upon, although by no means to the full limit, from year to year. This plan has been adopted as the settled policy of the Board.

Whatever may be thought of the wisdom of defraying the expense of public improvements from current taxes, there can be no question that recent experience with the building fund has been unfortunate. For a number of years large sums of money have been collected by taxation, while a school-building fund of from \$1,500,000 to \$2,000,000 has been kept on deposit. This would indicate, either that the tax

levy was too high for building purposes, or that the work of school construction was not being pushed with sufficient energy; or perhaps point to defects in the law regarding condemnation of sites and payment on contract. Mr. Fetzner, chairman of the Committee on Buildings and Grounds, in a report dated September 12, 1905, showed that there was \$6,000,000 tied up for school buildings, of which amount \$4,500,000 was for buildings not at that time under contract. There is pressing need for more school buildings to accommodate the growing school population, but this ought not to necessitate the taking of large sums of tax receipts far in advance of the time when such funds are actually needed.

While permanent improvements are being made from tax receipts by the Board of Education, a confusion of policies seems to exist in the other governments. Thus the City for some years has been obliged to meet the expense of new buildings and equipment from taxes, having reached the limit of bonded indebtedness. A considerable sum, which cannot easily be estimated (as accounts prior to 1901 do not distinguish between ordinary and extraordinary expenses), has been paid in this way out of current revenue, for the benefit of the next generation. This year, however, the new bond issue of \$2,000,000 has been used, in part, to meet current expenses. So that, instead of paying for permanent improvements from current revenue, we are now paying for current expenses from the proceeds of bond sales. One of the governments pays for buildings from taxes, and another pays policemen by bond issues.

Again, a glance at the ordinary and extraordinary receipts and expenditures shows that confusion exists here as to the relation between sources of revenue and subjects of expenditure. In general, all the parks apply current revenue, not only to maintenance and operation, but also to permanent improvement of the system. Thus the ordinary revenue of the South Park Board for 1904 was about \$1,350,000, but the amount of expense for maintenance and operation was only \$813,000. The ordinary revenue of the West Park Board was \$740,000, while the amount of ordinary expenditure was \$693,000. The revenue of the Lincoln Park Board was \$500,000, and again the ordinary expenditure for maintenance and operation was only \$328,000. Thus the permanent improvements of the parks

are being paid to a considerable extent from taxes, and not from bonds. In 1904 close to \$1,000,000 raised by taxation was expended in permanent improvements for the various parks.

What has been said does not involve criticism of the financial management of these governments, but rather of the complexity of the whole system of local revenue and expenditure. It is a recognized principle of public finance that expenditure upon improvements of a permanent and enduring nature, such as the purchase of lands, construction of buildings, purchase of additional equipment, etc., should be met by bond issues rather than by direct taxation. In this way the burden of expense is distributed over a period of years. On the other hand, expenditures for maintenance and operation should be paid from current revenues of the municipality. Here, however, we violate both these maxims by taxing our citizens for school sites, and issuing bonds to pay for policemen. In any well-organized system of local finance such confusion of policies must be avoided. Laws and measures necessary to this end should be forthcoming under a consolidated system.

In conclusion, it would appear that the finances of the city might be much improved by the expedient of issuing bonds for all or most permanent improvements, thus setting free for general purposes this amount of taxes. In this way \$3,500,000 for permanent improvements might be borrowed annually, which, after deducting charges for interest and sinking fund, would be available for maintenance and operation, for police, streets, schools, and other necessary current expenses. In ten years, on the present valuation, almost all of this \$3,500,000 would be required for interest and sinking-fund charges, but the natural and gradual increase in valuation would cover this and leave the same amount free. If in ten years the valuation had increased 10 per cent., this end would be attained; and that such an advance will occur there is no doubt. Indeed, the strengthening of our local government would itself contribute materially to this result. Of course, legislation would be required in order to enable the city to use the taxes set free by the issue of bonds. The school-building fund rate, or that part of it now used, 0.666 in 1904, might be added to the general City tax-rate, and a part of the park tax also added. This would free \$3,500,000 of taxes now used for permanent improvements,

and make the amount available for current expenses of maintenance and repair. For a period of years this would afford the community material relief; in the meantime an advance in value or valuation of property, an increase in the tax-rate, or a development of miscellaneous revenue might be brought about.

SECTION IX. AUDIT AND INSPECTION

The auditing of the various items constituting the regular revenue of the various governments is a very important part of the financial system, and merits careful attention. Reference has already been made to the revenue of the County, and to the supervision of tax collection in connection with the fee system.

The auditing of City revenues is conducted in the office of the Comptroller, under the immediate supervision of the Auditor and Deputy Comptroller. Under his control this energetic officer has for the examination, both of revenues and expenditures, a force of only ten men at his command. A part of the duties of this division, then, is the examination of the indirect revenue of the City, amounting to about \$5,000,000, and including such items as licenses, fines, fees, permits, franchise taxes, etc. In the case of payments made to the City Collector—and this includes practically all of the miscellaneous receipts—reports are made out and forwarded to the Comptroller's office, and are checked up and compared by the Auditor with the Collector's receipts. In the case of inspection or other collection warrants, a similar practice is followed. Other items of revenue, such as receipts from magistrates' courts, the House of Correction, the various forms of franchise tax on public-service corporations, are all subject to examination and investigation by this division of the Comptroller's office. Special assessment collections are theoretically audited, but in practice the inspection is imperfect.

A mere sketch of these duties is conclusive proof that a force of ten men is wholly inadequate to such a task, when the greater work of auditing expenditures must also be performed by the same men. Anything like careful scrutiny of the numerous items or classes of revenue is made impossible by the utter inability of the office staff to carry out the work allotted to it. The task is great and the difficulties are numerous.

Attention has already been directed to the lack of effective system of accounts and audit in the County, and hence little additional discussion of that subject is needed here.

In the County not only is the central audit of revenue very defective, but in many of the offices the accounting system is decidedly unsystematic. Not only is this true, but even the right and power of the County Board to conduct a detailed audit are not fully conceded. And even if none of these difficulties existed, the auditing force of the County is inadequate to carry on the necessary work thoroughly. One man cannot properly audit the large and varied revenues of the entire county government, no matter how capable he may be, or how well supported by the Board. As the situation stands, the revenue of the County Treasurer's office, covering extended, complicated, and important financial transactions, is not subjected to this audit at all.

The other governments, except the Board of Education, obtain most of their income from taxes, and hence the audit of revenues does not play an important part in their system. In the Board of Education the auditing force is sufficient to cover the revenue side of the accounts.

The importance of properly auditing and inspecting the \$38,000,000 of local revenues cannot easily be overestimated, while the audit and inspection of the expenditures is even more important. There should be a central bureau or division with power to prescribe methods of accounting, to audit all revenues and expenditures, and to investigate sources of revenue and objects of expenditure. Such a bureau should be fully equipped with a force of men sufficient to carry out the system devised, thoroughly and systematically. In connection with this bureau there should be a corps of investigators with power to probe into particular classes or items of revenue and expenditure, when searching inquiry is regarded as necessary. In this respect the work of the New York City Investigating Division is well worthy of attention. The cost of such an organization, when compared with the magnitude of the amounts involved, would be inconsiderable. Indeed, if the experience of New York City should be repeated here, the money expended would be a profitable investment rather than an expenditure.

SECTION X. SUMMARY AND CONCLUSION

From the foregoing facts it appears that, of the many financial difficulties that beset Chicago, there are three of paramount importance. These are the constitutional limitation of the borrowing power, the lack of unity in the scheme of local finances, and finally the scantiness of revenue in relation to the extensive territory to be governed.

The first of these difficulties has been overcome by the Charter Amendment, which, if sustained by the court, makes possible, after consolidation, the increase of the city debt to **Additional Bonds** 5 per cent. of the full value of the taxable property. This will give the city an additional bonding power of about \$50,000,000, and will open the way to a development previously impossible.

At the present moment, however, the most urgent need is for unity and responsibility in the local revenue system; consolidation **Consolidation** in some form is essential to the proper growth and development of this great city. The advantages of a unified system may be briefly summed up as follows: In the first place, it makes possible a united and comprehensive plan of local revenue and disbursement. The distribution or apportionment of revenue to each particular need of the city, whether education, recreation, public health and safety, can be far more wisely and carefully done by one central body, viewing the city and its needs as a whole, than by eight different and competing bodies. This is as true of the distribution of borrowing power as it is of ordinary revenue. In either case a comprehensive plan can better be worked out by a representative local body than by the action of competing bodies struggling with the State Legislature.

A far more important consideration is that of publicity. Under the present system the citizen and taxpayer must follow the deliberations of no less than eight different revenue-raising and disbursing bodies, in order to obtain any idea of the progress of local finances. He must read and combine no less than eight different budgets,

which he must classify and compare, in order to have before him the most elementary facts regarding the city government. The citizen and the public cannot and will not do this. The deliberations of one body like the City Council are observed, reported, and discussed. The Finance Committee is a conspicuous body, whose movements any intelligent citizen may easily understand. But to follow the financial course of this committee, together with that of seven other similar bodies, is out of the question. To expect the public to do this is to invite disappointment. Now, publicity is a cure for many of the ills the body politic is heir to. It is not a panacea, but it is a very powerful preventive and remedial agent. Publicity will not effect a complete or permanent financial regeneration, but we may be sure that no permanent advance will be made without it.

Furthermore, consolidated financial management would bring responsibility. At present the financial policy of the community is determined by no one body of men in particular, and there is no one in particular who may be held responsible. Under the Juul Law each one may blame all the others for a shortage in revenue, and any one will be as fully justified as any other. Or responsibility may be shifted over to the State Legislature, because of a low tax-rate for a particular body or an insufficient borrowing power. No one, not even all of these local bodies, has control over the revenues and expenditures of this community, and none can be held responsible for the situation as a whole. Consolidated financial management would, however, leave one body of men clearly in power and clearly responsible.

If complete consolidation cannot be secured, there should be, at the very least, a well-developed system of co-ordination. This might take the form of a central board of control, with sufficient authority over all local bodies to insure unity of action in regard to revenue and expenditure. To such a body the various local authorities might be required to submit their proposed budgets, and on this basis a combined budget made up. Such a process would be of great advantage in balancing in a deliberate way the various needs of the different governments, and would be likely to result in much more scientific adjustment than is now possible. The "irreducible minimum" of consolidation should be a central Board of Estimate and Apportionment.

The present condition of local finances is a climax of decentralization and disorder. For some time this group of local governments has at least served the useful purpose of enabling the community to go outside the constitutional limit on city debt. But now that this difficulty has been overcome, these governments should be united. Until this is done there can be neither system, nor responsibility, nor economy, nor efficiency in our local governments. We must have a Chicago City government, in place of a series of confederated local governments.

With regard to the scantiness of city revenue, it is evident that some decided action must soon be taken. We must face the fact that, in comparison with the income of other great cities, the revenue of Chicago is decidedly second-rate. A first-class city cannot be kept up in first-class condition on a second-class income, especially when it cannot borrow. The city must increase its revenues.

It is desirable, in the first place, to see to it that all the revenue to which the city is entitled under existing laws is collected and returned. This would involve aggressive action in the **License Collection** collection, and prompt collection, of all licenses required by city ordinance. All the evidence tends to show that thousands of dollars are being lost to the city every year by failure to enforce collection, and that the municipal income might be materially increased by a more vigorous license policy. The preliminary cost of such measures would probably be many times paid by the results.

Furthermore, rigid auditing and inspection of all revenues now paid to the various local authorities would increase the local income **Audit** by preventing costly leaks in revenue and expenditure. That comprehensive, thorough, and faithfully continued auditing will tend to swell the annual receipts of the local government there can be no doubt. A central bureau of audit should be established, with power to audit and inspect the revenues and expenditures of all local taxing bodies.

With some slight changes in the law, or even without such changes, a considerable gain might be realized on the interest received for public money, especially in its relation to temporary **Public Deposits** loans. On a daily balance of between ten and fifteen million dollars, some profit should be reaped; but at the present time practically all the interest is eaten up by the payments for loans in anticipation of taxes. Careful and unified man-

agement of these funds should make it possible to save at least the \$250,000 now expended for tax loans.

If a change were made in the revenue law so as to permit of advance assessment, all of the money now expended for anticipation of taxes might be saved, and the interest on public funds would then be pure profit. But as long as the city continues to receive the bulk of its revenue only after the fiscal year is ended, a heavy expense in interest, direct or indirect, is inevitable.

An investment of the sinking fund in city securities would also profit the municipality to the amount of \$45,000 a year more than the revenue now obtained. At present this fund draws interest at the rate of only $1\frac{1}{2}$ per cent., although it cannot be used until 1907.

Immediate relief might be obtained by issuing bonds for all or most permanent improvements, thus setting free the same amount of taxes. This would make possible the increase of the revenue for current purposes by about \$3,500,000 a year, and would provide funds until the increase was absorbed by expenditures for interest and sinking fund. In the meantime other measures for increasing the city revenue might be developed and applied.

Passing to the subject of new revenues, it appears that there are various fields that might profitably be developed. An advance in the rate of saloon licenses might easily increase the revenues of the city a million dollars a year without unreasonably burdening the interests affected, or an expansion of the miscellaneous license revenue might add to the income of the municipality. The scope of compensation for public-service privileges may easily be broadened so as to include sub-sidewalk space—an item that would eventually amount to hundreds of thousands of dollars.

The tax-rate of Chicago is notoriously low, and the tax receipts must eventually be raised to a higher figure, if the city is to compete with others of its class. This increase might be brought about either by raising the valuation of property or by making an advance in the rate of taxation. Unless miscellaneous revenue is developed in a remarkable way, one or

the other of these alternatives must be faced, provided the government of Chicago is to be placed on the proper level of efficiency. If, however, such an increase in tax revenue is obtained, it should be accompanied by several important modifications of city policy. The city ought, in justice to the property-owner, to bear a share of the original cost of local improvements, seeing to it that in the expenditure of such money the most rigid economy is observed; and, furthermore, the city ought at its own expense to repair and repave streets once paved. Moreover, street-cleaning should be furnished at public cost, and not at the private expense of property-owners.

Ultimately the personal-property tax must be abolished and adequate substitutes provided, as the iniquities of the present system render its permanent use out of the question. Just at the present moment this difficulty need not be met, but the inevitable tendency away from such a tax should be clearly recognized, and preparation made to meet the new conditions. In this connection the desirability of a State Revenue Commission cannot be too strongly urged.

**New Taxing
System**

PART IV

APPENDIX

This part of the report contains certain material of some importance to those interested in the reconstruction of the local revenue system. The separation of state and local sources of revenue, a citation of the most important parts of the habitation tax proposed by the Massachusetts Tax Commission of 1897, and a statement of the main provisions of the new revenue law of Toronto are briefly presented. All of these propositions are supported by eminent authority and are well worth the attention of anyone interested in questions of local finance. There can be no question that in the near future Chicago must find new sources of revenue, and a prudent forethought would dictate careful comparative study of recent developments in this field.

SECTION I. SEPARATION OF STATE AND LOCAL SOURCES OF REVENUE

The general-property tax as a source of both local and state revenues has been proved by experience to have very grave defects. There has appeared everywhere a strong tendency among local assessment districts toward a competitive undervaluation, for the sake of escaping as large a part as possible of the local share of state burdens. So long as assessment is in the hands of local officers, and so long as there is a general state tax based on that assessment, no means has been devised for preventing undervaluation and gross inequalities. State boards of equalization, though not everywhere so complete a failure as in Illinois, have not succeeded in securing fair and uniform assessment throughout the state.

Another form of injustice, aside from that between assessment districts, arises from the attempt to assess both real and personal property in a single total, and to tax both at a uniform *ad valorem* rate. Personal property has succeeded in escaping very generally its share in public burdens; and no inquisitorial measures have been devised whose success at all compensates for the increased evasion and perjury which they produce. The rapid multiplication in recent years of intangible forms of wealth, incidental to the spread of cor-

porate forms of business enterprise, has tremendously aggravated the defects of personal-property assessment. It should be noted that these evils inherent in the revenue system have been magnified by the rapid growth of public expenditures.

Several states, realizing the vicious features of the general-property tax, have abandoned it, either entirely or very largely, as a source of state revenue, and supplied its place with various specific taxes. Illustrations of this system are given here.

1. *New York* raised in 1903 a total revenue of approximately \$25,500,000. Of this amount only about \$900,000, or 3.7 per cent. of the total, was raised by a general-property tax; and the retention of even this small amount was due to a rigid constitutional requirement in connection with the Erie Canal debt. The principal part of the revenues was secured from three great taxes, yielding together \$21,500,000, or 84 per cent. of the total. The liquor license yielded somewhat more than \$9,000,000. The tax on the capital stock of corporations produced a little more than \$7,000,000. The transfer or inheritance tax brought in upward of \$5,400,000. Next after these three stood the tax on the organization of corporations, which produced \$200,000.

The development of these taxes is indicated in the following figures:

	1900	1902	1903
General state tax.....	\$8,550,000	\$6,974,000	\$ 943,000
Liquor tax.....	4,236,000	4,222,000	9,040,000
Corporations.....	2,625,000	6,226,000	7,033,000
Inheritances.....	4,335,000	3,304,000	5,428,000
Organization of corporations....	357,000	381,000	200,000

The direct or general-property tax produced, in 1900, 36 per cent. of the total; in 1902, 29 per cent; in 1903, only 3.7 per cent.

In 1905 the Legislature of New York added a new form of tax, which, although not immediately taking a leading position in the sources of revenue, will almost certainly do so within a few years—the mortgage tax. However experience may settle the controversy as to which will really pay the tax, the mortgagor or the mortgagee, it seems at least certain that the tax is one easily enforced and of very considerable magnitude.

2. *Massachusetts*.—In Massachusetts also other forms of revenue than the general-property tax have been systematically cultivated, although the general tax still constitutes a more important part of the total than in New York. In 1904 the total income for state purposes was \$9,918,000. Of this, \$2,500,000, or 25 per cent., was raised by a general state tax. Of the remaining 75 per cent., almost all came from seven large taxes. Two yielded more than a million each: the savings-bank tax, \$1,715,000; the corporation tax, \$1,183,000. The liquor tax produced \$802,000; the collateral legacy tax, \$562,000; the insurance tax and licenses, \$512,000; the tax on national bank stock, \$346,000; and the excise tax on life insurance, \$285,000.

3. *New Jersey*.—Of the total revenue used for general state purposes, amounting in 1904 to \$4,387,000, not any is raised by direct state tax. The principal sources of revenue are: the tax on miscellaneous corporations, producing \$2,301,000; on railroad and canal corporations, \$924,000; on collateral inheritances, \$439,000; banking and insurance companies, \$160,000; and fees from the Secretary of State, \$152,000—principally fees for the organization of corporations. These taxes together constituted 90 per cent. of the total general revenue of the state. There is still levied, however, a state school tax, which is a general-property tax, prescribed by the constitution. Since 1900 the state has found its revenues more than sufficient for general purposes, and has appropriated an amount equal to 35 per cent. of the state school tax, to relieve the localities of the burden of the tax to that degree. The remaining 65 per cent., amounting in 1903 to \$1,703,000, is paid into the state treasury; 90 per cent. of it is then immediately returned to the counties in proportion to their payments. The remaining tenth, constituting the reserve fund, is subsequently distributed to the counties in proportion to school population; so that no part of the general tax offers any serious incentive to the localities to evade its payment.

4. *Pennsylvania* has no general state tax on real and personal property combined. Real estate is left to the localities altogether; enumerated classes of personal property are assessed, and on them a tax of 40 cents per \$100 is levied, three-fourths of which is returned to the local authorities, and one-fourth kept for the use of the state. In 1903 this personal-property tax yielded the state about \$3,200,000,

or 15.1 per cent. of the total state revenue. Of the remaining \$17,900,000 which the state raised in 1903, \$10,900,000, or 51.7 per cent. of the total, was produced by taxes on miscellaneous corporations, levied in proportion to capital stock, to loans, to gross receipts, or some other method. Financial corporations (banks and trust companies) contributed \$1,900,000, or 9.1 per cent. The third source of revenue was the inheritance tax, producing \$1,300,000, or 6.1 per cent.

5. *Wisconsin* in 1903 raised \$3,654,000. Of this amount, only \$510,722, or 14 per cent., was raised from direct taxes, that amount being the total contributions from the counties for charitable and penal institutions, high schools, graded schools, and for interest on certain certificates of indebtedness. The license tax on railroad companies (levied in proportion to gross receipts) yielded \$1,795,000, or 49.1 per cent. of the total revenue. Of the other ordinary sources of revenue, the license tax on life-insurance companies was most important, producing \$312,000, or 8.6 per cent. In 1903 Wisconsin abandoned its tax on gross receipts of railroads, and substituted a tax on railroad property, as assessed by a State Board of Assessment. The rate is determined by computing the average rate on general property in all the counties of the state. Governor LaFollette declares that this tax will yield enough revenue to remove the necessity for any state general-property tax whatever.

6. *Connecticut* has for a number of years depended altogether on specific taxes for her state revenue. The most important tax is that on steam railroads, which yielded, in 1904, \$1,084,000, or 32.7 per cent. of all the state revenue. Next stands that on savings banks, \$448,000, or 13.5 per cent.; then that on mutual life-insurance companies, \$309,000; on inheritances, \$266,000; on street railroads, \$250,000; and on military commutations, \$151,000. These six taxes together produced 75.6 per cent. of the total revenue—a proportion which has been practically constant for several years.

In other states the tendency toward finding for the state a source of revenue apart from the general-property tax, though it has not made the same progress, is still noteworthy. The Virginia Constitution of 1902 authorizes the Legislature after January, 1913, to classify property for purposes of taxation, and to designate distinct subjects

for the state and for local taxation. In Ohio a similar constitutional amendment was submitted, but was defeated by popular vote in November, 1903. The direct state tax has, nevertheless, been reduced in Ohio. The Governor of West Virginia, in 1903, made vigorous recommendations looking toward the abolition of the state general-property tax; no legislative action, however, appears to have followed.

Oregon has recently (1901) adopted a different plan, intended to meet the evils of the old system, and at the same time obviate certain defects which are pointed out in a state revenue system based wholly on a series of specific taxes. Those defects are, chiefly, inelasticity—a difficulty in adaptation to increasing demands of the state for revenue; and the removal of the close connection between the localities and those who vote the taxes, principally representatives of rural constituencies, and those on whom the burden of supporting the state expenses rests. The argument is that new specific taxes must be added from time to time, as expenditures of the state increase, since the nature of these taxes necessitates a fixed, not a fluctuating, rate; at the same time, the localities and their representatives are relieved of their immediate interest in the control of state finances, and are interested only in devising ways to make corporate and commercial interests pay the bills.

The alternative plan, known as the apportionment or local-option plan, provides for the apportionment of the state revenue to the various counties in proportion to the total ordinary revenues of the respective counties, and of the municipalities within the counties. Each county would then be required to contribute to the state in proportion as it spent money at home, and would be left free to raise its contribution by such means as it saw fit, within such general restrictions as the state might impose. Professor Seligman enumerates four advantages claimed for this plan:

First, it would provide elasticity, as did the old system; second, it would tend to keep down state expenditures, because each locality would be interested in the control of state finance . . . ; third, it would tend to keep down local expenditures; and, fourth, it would enable each locality to raise its revenues in any way that seemed best to it, and would put a stop to conflicts between country and city. If the rural districts desired to maintain the personal-property tax, they could do so; if the large cities desired to substitute something else, they would be equally free to follow their own bent.

The law passed in Oregon in 1901 is an imperfect application of this scheme. It provides for the collection of statistics by the state showing the revenues of the counties, and an apportionment every five years on the basis of the average revenues. The defects are in the unsatisfactory definition of the term "revenues," since no distinction is made between ordinary and extraordinary; and in the fact that county revenues alone are the basis, expenditures of cities and towns being disregarded. Since the first apportionment under the act takes place only in 1905, there is as yet no experience on which the experiment can be judged.

In *Illinois* the state revenue now secured from local taxation amounts to about \$5,500,000. This general tax might be abandoned, if other sources of revenue were given over to the state. If the state were to tax as well as assess railway property, the sum realized would be about sufficient to offset the loss of the general tax. The value of railway property is about \$85,000,000, which, at the same rate of taxation as is now applied throughout the state—namely, about \$5.25 per \$100—would give the state an income of about \$4,500,000. Such revenue might be supplemented by various forms of corporation taxes, similar to those now in use in New York and Pennsylvania, or by a stock transfer tax such as now nets New York State about \$5,000,000. Under such circumstances the equalizing process would be eliminated, and local valuations made independently. Chicago would, of course, lose the revenue now received in the form of taxes from such railway property and probably a part of the tax on corporations; but, on the other hand, would be freed from the present state tax of about \$2,000,000, levied on real and personal property. The important consideration is that this system would open the way to the development of a local revenue system, adapted to the needs of an urban community, subject, of course, to such restrictions as the general interests of the state might require.

SECTION II. HABITATION TAX

The report of the Massachusetts Tax Commission of 1897, of which Professor F. W. Taussig, of Harvard University, was a member, recommended, as a source of revenue, a tax on the occupants of habitations (pp. 104-10), as a partial substitute for the personal-property tax. A bill for such a tax was also drafted, and presented with the indorsement of the Commission. The recommendation, in part, was as follows:

We recommend for adoption by the General Court a tax on presumed or estimated income, based on the expenditure of the taxpayer for dwelling-house purposes. We propose that a tax shall be levied on all persons occupying dwellings of an annual rental value of more than \$400, at the rate of 10 per cent. on the excess of rental value over that sum. We propose to levy no tax of this sort on persons whose incomes are so moderate that their expenditure for dwelling accommodations is not over \$400 a year. Those whose income is such that they exceed this expenditure for their dwellings are to pay, not in proportion to their total dwelling rental, but in proportion to the excess of rental over the exempted limit of \$400. Thus, a person occupying a house whose rental value is \$500 would pay a tax of \$10 a year, this being 10 per cent. on the excess of the rental value over \$400. A person occupying a house whose rental value was \$600 would pay a tax of \$20; a house of \$800 rental, \$40; a house of \$1,200 rental, \$80; and so on. The tax, it will be observed, is on the occupier of a dwelling, and of a dwelling only. Houses or parts of houses used for business purposes are in no way affected by it. The tax is to be levied on the occupier, whether he be owner or tenant. If owner, it is a tax on his general income, additional to the direct tax which he pays as owner of the house. If tenant, it is again a tax on his general income, separate from the direct tax which the landlord pays on the house. In either case it is a tax on presumed or estimated income, proportioned (in the manner described) to the expenditure for dwelling accommodation.

The advantage of a tax on house rentals can be easily stated. It is clear, almost impossible of evasion, easy of administration, well fitted to yield a revenue for local uses, and certain to yield such a revenue. It is clear, because the rental value of a house is comparatively easy to ascertain. The tax is based on a part of a man's affairs which he publishes to all the world. It requires no inquisition and no inquiry into private matters; it uses simply the evidence of a man's means which he already offers. We have provided that a taxpayer may either declare the value of the dwelling he occupies or leave it to be estimated by assessors; the matter being one which, in the majority of cases, can be so nearly estimated

without declaration by the taxpayer that it is not very material whether he hands in a statement or does not. It cannot be evaded except by change in the style of living, which few people, if any, would undertake because of a moderate tax. We have endeavored to provide, in the bill submitted, for the due assessment of persons dwelling in apartment houses and in hotels. We have provided also for the payment of two taxes in respect of house rentals by those persons who are so well-to-do as to occupy for their own use two separate houses in the commonwealth; for the bill provides that (except in case of mere change of residence) occupancy of any dwelling for a period of three months or more shall be ground for the collection of the tax. Hence those who have winter and summer houses will pay this tax in both localities in which they reside.

It may be objected that the tax is on real estate, and is additional to the taxes already levied on real estate. As to the owner of a dwelling who occupies it for his own use, it is true that he will pay not only the present taxes on the real estate, but another tax based on the rental value of his house. But this additional tax is levied with respect to the income which he must have, if able to live in an expensive house. No one can own and occupy a house whose rental value is \$600 or \$800 or \$1,000 a year, unless he has some considerable income from other sources; and on that income he may be fairly called on to pay a tax, if it be not unduly heavy, and be proportioned in some approximate way to his income. So far as tenants of dwellings are concerned, the owners are called on to pay the direct tax on the real estate, and the tenants alone to pay the proposed tax on rental values. If, indeed, this second tax were so heavy as to cause tenants to avoid dwellings whose occupancy would subject them to it, and were to cause them to seek cheaper houses, it might indirectly affect the demand for houses, and so might affect their rentals. But the rate of tax, as proposed, is very low on houses of moderate rentals, and advances slowly on houses of higher price. We do not believe it would cause any appreciable shifting in the selection or tenancy of dwellings; for comfort or luxury in dwellings is highly valued by most men, and they will hardly modify their expenditure on it because of a moderate tax. We believe, therefore, that this tax would operate, as it is designed to operate, not as a tax on real estate, but as a tax on the incomes of those who are prosperous enough to dwell in comfort or in luxury. We may remark, also, that its financial yield would be an important addition to the revenue of the towns and cities in which it would be levied, and would operate, so far as this went, to make possible a reduction in the rate of direct taxation on real estate.

AN ACT IMPOSING A TAX ON OCCUPANTS OF HABITATIONS

Be it enacted, etc., as follows (in part):

SECTION 1. On and after the first day of May, in the year 1898, there shall annually be assessed and collected in each city and town within the commonwealth, upon every occupant of a habitation situated within such city or town, a tax of 10 per cent. of the annual rental value of such habitation in excess of four hundred dollars. If any person is the occupant of more than one such habi-

tation, there shall be deducted from the annual rental value of each such habitation a proportional part of four hundred dollars, according to the number of such habitations, and the tax shall be assessed upon the balance of the annual rental value of each.

A habitation for the purpose of this act, shall mean a building or that part of a building used as a place of abode by one or more persons forming a single household, with so much of the land and outbuildings about or connected therewith as is used in connection with the house for the purposes of residence, but excluding so much of the building, land, and outbuildings as is used exclusively for purposes of trade, business, or a profession, or for agriculture, or other gainful occupation. If different parts of any building are used as places of abode for separate households, the part used by each household shall be deemed a separate habitation, and in any building used as a hotel, inn, apartment house, or lodging-house, each room or suite of rooms used as a place of abode for a guest or lodger having no household, or for several guests or lodgers together forming a single household, shall be deemed a separate habitation. Each habitation in a building shall include all parts of the building, and all land and all outbuildings, to the exclusive use of which in connection with such habitation the occupant is entitled, and a proportionate share of all parts of the building, all land, and all outbuildings to the use of which in connection therewith such occupant is entitled in common with others, such proportion being determined by the share to which each is entitled.

Every person shall be deemed the occupant of a habitation within the meaning of this act who, as the head of the household, occupies by himself or others as a place of abode for himself, his family, or dependents, or keeps for use as such a place of abode, such habitation, as owner or tenant, for a period of three months or more in the year preceding the first day of May; but if during the year such person permanently and in good faith gives up the use of one habitation which he has occupied, and occupies for three months or more, prior to the first day of May, another habitation situated in the same or in a different city or town in the commonwealth, he shall be deemed the occupant of that one of said habitations which he has last so occupied.

If two or more persons occupy a habitation in common, and no one of them is the head of the household, then such tax shall be assessed to each upon such part of his pro rata share of the annual rental value of such habitation as exceeds four hundred dollars.

SECTION III. EXTRACT FROM ASSESSMENT ACT OF ONTARIO

(4 EDW. VII, c. 24)

In 1904 an Assessment Act of the Province of Ontario provided for a "business assessment" in place of a tax on personal property. All realty is first assessed in the ordinary way, and then an additional "business assessment" is made. Thus a retail merchant occupying premises valued at \$100,000 is assessed an additional 25 per cent., or \$25,000, on the business value of the property. If he is the owner, he is taxed on a total assessment of \$125,000; if not the owner, he must pay on the \$25,000. The purpose of this method is to measure roughly the value of the business, on the theory that the size of the business may be determined by the value of the premises occupied for business purposes. In other words, income is estimated by the value of the property used for business. Under this system personal property is, of course, not taxed. In connection with this assessment, there is a regular income tax provided. As the law has just gone into operation, no judgment on it can yet be made. The principal provisions of the statute are given below:

X. (1) Irrespective of any assessment of land under this act, every person occupying or using land in the municipality for the purpose of any business mentioned or described in this section shall be assessed for a sum to be called "business assessment" to be computed by reference to the assessed value of the land so occupied or used by him, as follows:

a) Every person carrying on the business of a distiller for a sum equal to 150 per cent. of the said assessed value.

b) Every person carrying on the business of a brewer for a sum equal to 75 per cent. of the said assessed value of the land occupied or used by him for such business, exclusive of any portion of such land occupied and used by him as a malting house, and for a sum equal to 60 per cent. of the assessed value as to such last-mentioned portion.

c) Every person carrying on the business of a wholesale merchant, of an insurance company, a loan company or a trust company, as defined by this act, or of an express company carrying on business on or in connection with a railway or steamboats, or sailing or other vessels, where such land is occupied or used mainly for the purpose of its business, or of a land company, or of a bank or a banker,

or of any other financial business, for a sum equal to 75 per cent. of the said assessed value.

d) Every person carrying on the business of a manufacturer for a sum equal to 60 per cent. of the said assessed value; and a manufacturer shall not be liable to business assessment as a wholesale merchant by reason of his carrying on the business of selling by wholesale the goods of his own manufacture on such premises.

e) Every person carrying on the business of what is known as a departmental store, or of a retail merchant dealing in more than five branches of retail trade or business in the same premises or in separate departments of premises under one roof, or in connected premises, where the assessed value of the premises exceeds \$20,000, or of a coal- or wood- or lumber-dealer, lithographer, printer or publisher, or of a club, in which meals or spirituous or fermented liquors are sold or furnished, or the business of selling, bartering, or trafficking in fermented, spirituous, or other liquors in any premises in respect of which a shop license has been granted, for a sum equal to 50 per cent. of the said assessed value; but in cities having over 100,000 population coal-dealers shall be assessed for a sum equal to 30 per cent. of the said assessed value.

f) Every person practicing or carrying on business as a barrister, solicitor, notary public, conveyancer, physician, surgeon, oculist, aurist, medical electrician, dentist, veterinarian, civil or mining or consulting or mechanical or electrical engineer, surveyor or architect, and, subject to subsection 5 of this section, every person carrying on a financial or commercial business as agent only, for a sum equal to 50 per cent. of the said assessed value. Provided that where a person belonging to any class mentioned in this clause occupies or uses land partly for the purposes of his business and partly as a residence, 50 per cent. of the assessed value of the land occupied or used by him shall for the purpose of the business assessment be taken as and construed to be the full assessed value of the land so occupied or used.

g) Every person carrying on the business of a retail merchant in cities having a population of over 50,000, for a sum equal to 25 per cent. of the said assessed value; in other cities and towns having a population of 10,000 or over, for a sum equal to 30 per cent. of the said assessed value; and in all other municipalities, for a sum equal to 25 per cent. of the said assessed value.

h) Every person carrying on the business of a photographer, or of a theater, concert hall, or skating-rink, or other place of amusement, or of boarding-stable, or a livery, or the letting of vehicles or other property for hire, or of a restaurant, eating-house, or other house of public entertainment, or a hotel in respect of which a tavern license has been granted, or any trade or commercial business not before in this section or in clause (i) specially mentioned, for a sum equal to 25 per cent. of the said assessed value.

i) Every person carrying on the business of a telegraph or telephone company, or of an electric railway, tramway, or street railway, or of the transmission of oil or water, or of steam, heat, gas, or electricity for the purposes of light, heat, or power for a sum equal to 25 per cent. of the assessed value of the land (not being

a highway, road, street, lane, or public place, or water or private right of way), occupied or used by such person, exclusive of the value of any machinery, plant, or appliances erected or placed upon, in, over, under, or affixed to such land.

(2) No person shall be assessed in respect of the same premises under more than one of the clauses of subsection 1, and when any person carries on more than one of the kinds of business mentioned in that subsection on the same premises, he shall be assessed by reference to the assessed value of the whole of the premises under that one of the said clauses in which is included the kind of business which is the chief or preponderating business of those so carried on by him in or upon such premises.

(3) Where the amount of the assessment of any person assessable under this section would under the foregoing provisions be less than \$250, he shall be assessed for the sum of \$250.

(4) Where any person mentioned in subsection 1 occupies or uses land partly for the purpose of his business and partly for the purpose of a residence, he shall be assessed in respect of the part occupied for the purpose of his business only; but this provision shall not apply to persons assessed under clause (f) of subsection 1.

(5) A financial or commercial business, in subsection 1 mentioned, shall not include a business carried on by operating vessel property of the following description, namely, steamboats, sailing or other vessels, tow barges, or tugs; nor the business of a steam railway; nor the business of a broker or financial agent, or of a manufacturer's agent, or other agent or intermediary in the business of the sale of goods who has not the actual custody of the goods, or has the custody of samples only.

(6) No person occupying or using land as a farm, market-garden, or nursery shall be liable to business assessment in respect of such land.

(7) Except as provided in clause (c) of subsection 1 of Section XI of this act, every person liable to assessment in respect of a business under subsection 1 shall not be subject to assessment in respect of income derived from such business, nor shall any person be subject to assessment in respect of dividends derived by him from shares in the stock of a corporation carrying on a mercantile or manufacturing business, and which corporation is subject to assessment under subsection 1; nor shall the premiums or assessments of an insurance company be assessable by any municipality.

(8) Every person assessed for business assessment shall be liable for the payment of the tax thereon, and the same shall not constitute a charge upon the land occupied or used.

TAXATION ON INCOME DIRECTLY

XI. (1) Subject to the exemptions provided for in Sections V and X of this act, the following persons shall be assessed and taxed in respect of income:

- a) Every person not liable to business assessment under Section X, and
- b) Every person, although liable to business assessment under Section X,

shall also be liable in respect of any income not derived from the business in respect of which he is assessable under that section.

c) Every person liable to business assessment under clause (j) of subsection 1 of Section X in respect of the income derived by him from his business profession or calling, to the extent to which such income exceeds the amount of such business assessment.

(2) Where such income is not a salary or other fixed amount capable of being estimated for the coming year, the income of such person for the purposes of assessment shall be taken to be not less than the amount of his income during the year ending on the thirty-first day of December then last past. See R.S.O. 1897, c. 224, s. 35.

