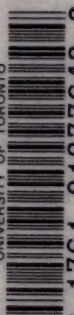


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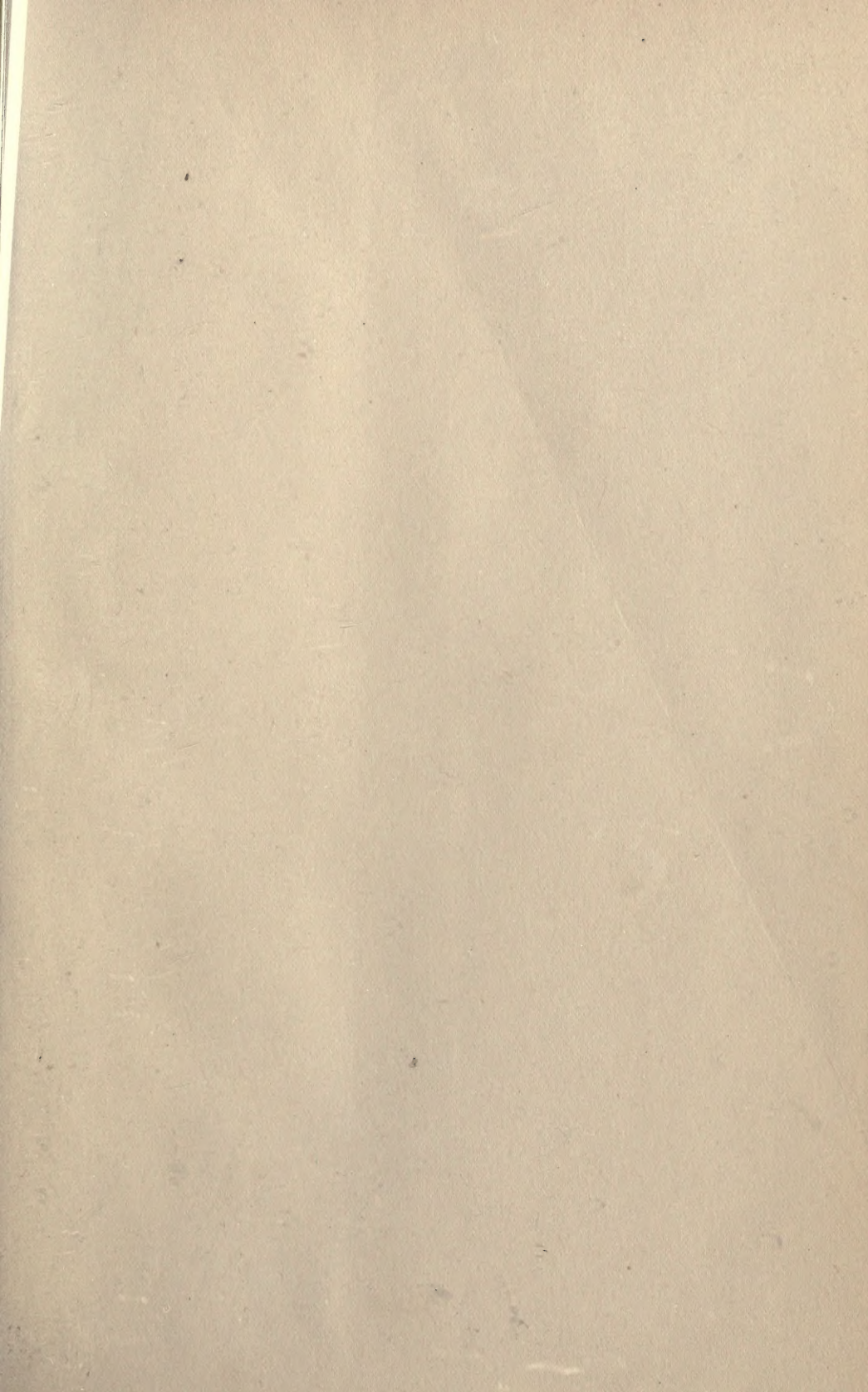



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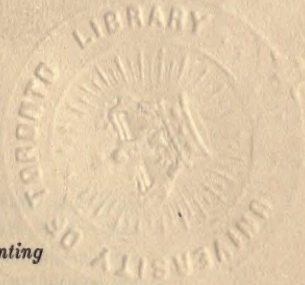
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THE FINANCIAL HISTORY OF NEW YORK STATE

FROM 1789 TO 1912

BY
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SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
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OF NEW YORK STATE

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PREFACE

THIS monograph is one of a series of studies which has been prepared under the direction of the Department of Economics and Sociology of the Carnegie Institution of Washington, as a basis for writing the economic history of the United States. The field of inquiry was divided into twelve divisions, one of which dealt with the problems of federal and state finance, including taxation, and it is to this group of studies that the present monograph belongs. The detailed information derived from intensive studies of the financial histories of several typical states representing various sections of the country will be combined later in a study covering the whole field of inquiry.

The following chapters attempt to describe in as brief and concise a manner as possible the methods employed by the State of New York in acquiring revenues, the purposes for which these revenues have been expended and the methods which have been employed in the management of the funds in the treasury. These three elements of our problem have passed through almost revolutionary changes as the state has emerged from a sparsely settled agricultural community to a densely populated industrial state, and it has therefore been thought necessary to give some account of the changes in economic and political conditions and to point out the significance of these changes in relation to financial policies. The evolution which has taken place in New York state is typical of the changes which are being repeated and will be repeated again and again in other states, and the manner in which New York has met and solved the

new problems which have confronted her in the various stages of her development, cannot be otherwise than instructive and helpful to other states which are undergoing a similar development.

I am under many obligations to my professors of the Faculty of Political Science of Columbia University for encouragement and assistance; to Professor E. R. A. Seligman, under whose guidance and direction the study was made; to Professor Henry B. Gardner, of Brown University, for suggestions and outlines of a similar study of Rhode Island; to Professor H. R. Seager for valuable suggestions and criticisms, and to Miss Adelaide R. Hasse for important assistance in the collection of material.

Further thanks are also due to Mr. John J. Merrill and Judge McElroy, of the State Comptroller's Office at Albany, who have read the chapters dealing with the corporation and inheritance taxes; to Mr. W. A. Shaible, of the Bureau of Canal Affairs of the Comptroller's Department, who has read the historical chapters and given valuable suggestions, and to Mr. J. A. Wendell, Deputy Comptroller, who has furnished information and suggestions.

Grateful acknowledgment is also made for assistance rendered by the Carnegie Institution of Washington, whereby this study was made possible.

DON C. SOWERS.

EUGENE, OREGON, JANUARY, 1914.

CHAPTER I

ECONOMIC FACTORS

THIS chapter endeavors to show the intimate relation which exists between economic conditions and fiscal policies and to point out in what way changes in economic conditions have caused changes in fiscal affairs. The methods of deriving revenue and the objects of public expenditure underwent a radical change as the state emerged from a purely agricultural community into an industrial and commercial commonwealth. During the 123 years covered by this study we witness the growth and development of New York State from a timbered region, sparsely settled and deficient in wealth, and material comforts, to a great and powerful commonwealth, surpassing all other states in population, wealth and resources and comparing favorably with the leading countries of the world. The vast volume of business which the fiscal officers were called upon to handle made necessary a transformation in accounting and auditing methods which resulted in differences as great as are to be found between the book-keeping methods employed in managing a village grocery store and those employed in handling the funds of a million-dollar corporation.

Period 1789-1840

The population in 1790 amounted to 340,120 persons, settled for the most part in the southeastern section of the state along the valleys of the Hudson and Mohawk rivers. New York City, with a population of 33,000 persons, en-

joyed fewer comforts than perhaps are enjoyed to-day in the most remote and backward city of the United States. Wall Street was the fashionable residence district and Broadway was a country drive. Albany was still a Dutch city with some 3,000 inhabitants. Immigration was largely confined to the rivers and lakes. Utica, Syracuse, and Seneca Falls were frontier settlements, chiefly engaged in the fur trade with the Indians. Western New York was still a wilderness, abounding in all sorts of wild game. Buffalo and Rochester were not laid out.

During the decade 1820 to 1830 the growth of population was phenomenal. New York City increased in population 64 per cent; Schenectady, 59 per cent; Troy, 120 per cent; while Buffalo and Rochester increased at the phenomenal rate of 314 per cent and 346 per cent, respectively. This incoming tide of settlers drove back the wolves and bears, cleared the land of forest and established homes. By 1830 all the arable land had been put under cultivation. Flour, grist, oil and saw mills arose along the banks of lakes and rivers; towns and cities sprang up as if by magic. The density of population increased from seven per square mile in 1790 to forty per square mile, and this increase was mainly in the rural population, which in 1830 comprised 86 per cent of the total population.

Of the total population in 1840 of 2,428,921, we find that 689,302 persons were engaged in gainful occupations, and of this number 455,954 persons, or two-thirds, were occupied in agricultural pursuits. Manufacturing engaged 173,193 persons; trade and transportation, 41,146; professions, 14,111, and mining, 1,898.¹ Agriculture was therefore the most important industry and down to the period

¹ *Report on the Growth of Industries in New York*, Department of Labor, 1902, p. 21.

of the Civil War it remained the dominant industry. The state ranked first in the production of barley, oats, buckwheat, hops, potatoes, hay and wool as late as 1840.¹

Rochester, which was laid out in 1812, became the center of the milling industry, and was known as the "Flour City". Grain was sent here from Ohio, Canada and Michigan and shipped from here to Europe. During the two decades 1836 to 1856 the milling industries flourished in Rochester, Oswego and neighboring towns, until the trade was usurped by Minneapolis and St. Paul. In 1840 there were 8,000 establishments employing 10,000 men and producing products valued at over \$16,000,000.

Next to agriculture, in importance, from the standpoint of the number of persons employed in the industry, was manufacturing. Although this industry had a much tardier development in this state than in Pennsylvania and the New England states, yet the census of 1810 showed that a good start had then been made, and before 1830 New York had assumed the priority among American commonwealths.

The textile industry was still in its infancy in 1810, and the factory system was just beginning. Most of the textiles were still made in the families. The domestic manufactures continued to increase until about the year 1825, in which year 15,000,000 yards of cloth were made in the homes of the people, "which unquestionably exceeded the production of the cotton and woolen factories of the state." By 1840 there were 323 woolen mills employing 4,636 persons, and 117 cotton mills employing 7,407 persons. The total capital invested in manufactures in that year was \$55,252,779, and the annual value of the products was \$95,840,194.

¹ *Ibid.*

In matters of transportation we find great activity along every line, from the turnpike road to the modern railroad. During the years 1799-1819, the legislature passed 253 acts incorporating turnpike roads, and from 1790 to 1818, it authorized 70 bridge companies. There were also 21 toll bridge companies with a capital of \$415,000. As early as 1792 the Northern and Western Inland Lock Navigation Companies were incorporated to construct canals from the Hudson River to Lakes Ontario and Champlain. During the next fifteen years no less than twelve acts were passed respecting inland navigation. The great progress in canal construction, however, dates from the year 1817, when the Erie Canal was begun. In 1825 the state had 363 miles of canals, but during the next fifteen years the mileage more than doubled, so that by 1840 the total canal mileage amounted to 840 miles.

Steam navigation on the Hudson began in 1807, and in 1814 the New York and New Jersey Steamboat Ferry Company began to run steam ferries between New York and Brooklyn.

The construction of railroads, which began about 1831, made such progress, that by 1840 there had been constructed 575 miles of railroads.

Since, during these fifty years of the state's history, agriculture was the dominant industry, the needs of the farmer were those which dominated the minds of the people. As in all primitive communities these needs were two in number, namely, for capital and for transportation. It is therefore not strange that the legislators, whose success depends so largely upon the degree with which they forecast the needs of a community, should have set to work to satisfy these two prime needs.

The policies adopted were the following: (1) to stimulate and increase population through the sale of public land,

(2) to supply capital, (3) to provide transportation facilities, and (4) to regulate banks.

As the country was new and developing rapidly in many directions, capital was scarce and in great demand. For the state, it was a period of surplus financiering due to the large receipts from the sale of public lands and the interest derived from the state securities, which became productive through the funding act of Congress. The struggling farmers and manufacturers looked to the state for aid and assistance. The state responded by loaning its funds to cities, banks, manufacturing companies, counties, corporations and individuals; it assisted many a struggling manufacturer by loaning him funds or by discharging debts due to the state, and it became a stock-holder in numerous banks and navigation companies.

In the matter of providing transportation facilities the state contented itself for a short time with granting assistance and encouragement to private enterprise; but this proved too slow and finally in 1817 it took upon itself the burden of digging canals. With the successful completion of the Erie Canal in 1825, and its stimulating effect upon all branches of business, a perfect mania for canal construction swept over the state and each county clamored for a canal of its own at the expense of the state. The result of this experiment was not a happy one. Canals were constructed in regions where it was practically certain they would not prove to be profitable ventures. The canal debt grew year by year with no adequate provision for its payment. This policy reached its culmination in 1842, when to this large canal debt there was added an enormous issue of state stocks created for the benefit of railroad companies, which failed to pay the interest on these sums. Many of these companies failed, the state stocks became a burden on the state finances, and the state found itself upon the verge of bankruptcy.

The remaining factor in the situation had to do with the regulation of banks. For at least a quarter of a century the corrupt practices in the legislature centered around the granting of bank charters. It was the old problem of monopoly and the question at issue was the attempt to disconnect the government from the banking power. In this field of business it early developed that unrestricted and unregulated competition did not work so as to insure a fair degree of justice and equality between man and man, and governmental control became necessary. Accordingly, general banking laws were passed and more strict regulation was effected.

The connection between economic conditions and political and fiscal policies is thus seen to have been a close and vital one. The two reacted upon each other and a study of one would be incomplete without some consideration of the other.

Period 1840-1880

During the four decades, 1840-1880, there were marked changes in economic conditions. Up to 1870, agriculture remained the dominant industry; the acreage of improved lands and the value of farm lands and improvements steadily increased. During the decade 1870-1880, however, New York's agriculture began to feel the competition resulting from the development of western agricultural lands; a depreciation of farm values began and, by 1880, Ohio had wrested from New York the leadership in American agriculture.¹

Side by side with the decline of agriculture, there was going on the development of manufacturing industries, which, in the value of their products, almost equaled those of agriculture in 1860, and by 1870 had surpassed them in

¹ *Report of New York Department of Labor, 1902, p. 23.*

value. Manufacturing industries had become well established by the middle of the century, and the development which followed during the next few decades was amazing. The total product of New York factories in 1850 was only one-tenth of the product in 1880, and did not equal the value of the products of the clothing trade alone at this later period. There were 14,965 establishments with products valued at \$69,000,000 in 1845, and by 1880 the number had grown to 42,739, and the gross value of the product amounted to \$1,000,000,000. The number of wage-earners employed, and the total wages paid in 1850 were 200,000 and \$50,000,000, respectively, while in 1880 they amounted to 500,000 and \$200,000,000, respectively.¹

The industries which showed the most rapid progress were those which produced the luxuries of life. Confectioneries, bakeries, painting and paperhanging establishments grew in importance; carpets and rugs, silks, hosiery, musical instruments, cigars and tobacco, canning and dairy products, were all developed during this period. Electrical apparatus, connected with the telephone and telegraph, and car and railway construction shops underwent marvelous development. On the other hand, sawmills and breweries decreased in number.

It was pre-eminently the period of the development of transportation and communication facilities; the railroads, the telephone and telegraph, express companies and street railways, all showed a marvelous development, which exerted a far-reaching effect upon economic life.

The railroad mileage increased from 575 miles in 1840 to 5,957 miles in 1880. The two great railroad corporations were the New York, Erie and Western and the New York Central and Hudson River; the former chartered in 1832,

¹ *Ibid.*, p. 76.

extended its line to Dunkirk in 1851, and the latter was completed from New York to Buffalo the same year. By 1880 these two corporations together employed 27,000 persons, and paid in wages over \$14,000,000.¹

The express business, which was started by William Harnsden in 1839 was fully developed by 1845. By 1880, twenty-two cities in the state had installed telephone systems, with a total length of wires of over 8,000 miles. Ocean cables and international postal arrangements made communication possible and cheap with all parts of the world.

We find the distribution of the population among the five leading occupations as follows in 1880: agriculture, 379-178; professional services, 88,370; domestic and personal service, 443,883; trade and transportation, 346,590; and manufacturing pursuits, 626,624. These changes resulted in a shifting of the population from rural to urban life. In 1840 there were only seven cities of over 8,000 inhabitants; in 1880 there were thirty-three. The density of population increased during the same time from 51 to 107 inhabitants per square mile. The rural population which, in 1840, comprised 81 per cent of the population, had now decreased to 49 per cent, and New York City alone now contained about 38 per cent of the total population. The growth in wealth, as indicated by the assessed valuation of real and personal property, showed an increase from \$263 to \$528 per capita.

The period presents a striking contrast to the earlier period from 1789 to 1842. The earlier period was one of comparative poverty; wants were few and simple, and while the necessaries of life were abundant, luxuries were rare. The influence of the state was exerted in many ways to assist the people in their struggle for economic independ-

¹ *Census of 1880, Transportation, p. 265.*

ence. This period, on the other hand, was one of unexampled prosperity and progress. Wealth was being accumulated by leaps and bounds:

The simple truth was that the development of the railroads had created a revolution in economic conditions and the country was producing real wealth as never before in the history of the world. In spite of two severe panics and a Civil War, in spite of the inflated currency, fraud, ignorance, and speculation, there was also going on a production of wealth which exceeded all experiences.¹

All eyes were now turned away from the state as an aid to industrial enterprise, and attention was centered upon the rising powers of manufactures and railroads. The state was no longer needed to encourage industries; the industries had become self-sufficient and all powerful. State regulations were regarded as a check and hindrance to progress. It was pre-eminently the *laissez-faire* period of New York history. The state withdrew from the domain of internal improvements as rapidly as possible and left the field open to private capital and initiative. With this withdrawal we note the rise of corporate power. The few feeble attempts of the state to regulate rates on railroads were soon thrown off and the iron arms of this mighty power stretching out in all directions reached the most firmly established institutions, while the legislature and the courts became as plastic as clay in its hands. The same disgraceful scenes which were enacted in the legislature in connection with the granting of bank charters in the twenties were repeated in the sixties on a larger scale. When important bills affecting railroad interests were pending before the legislature, all ordinary business was comparatively ne-

¹ C. F. Adams, *Chapters of Erie*.

glected. Groups of legislators gathered about the hallways discussing in undertones the amount which was to be charged for their votes.

One thing is very clear. The golden age of purity and of simplicity disappeared with the growth of wealth and of material advancement. The homely virtues of simplicity, temperance and economy gave way to a vulgar display of wealth and extravagance. This change affected the morals of the people. The more fortunate individuals sought to ape the doings of European courts in the splendor of their equipages, the costliness of their gowns and jewelry, the magnificence of their homes, and the grandeur of their entertainments. The mad scramble for wealth, power and position had its effect upon city councils and state legislatures and produced the greatest era of political corruption which this country had yet experienced.

The memorable contest between the directors of the Erie Railroad, waged between Commodore Vanderbilt on the one side and Gould, Fiske and Drew on the other, was but one of the disgraceful occurrences of the period. Vanderbilt, in his attempt to corner the stock of the Erie, spent nearly \$16,000,000 in buying stock, which his opponents were issuing fraudulently. A Wall Street muddle was transferred to the courts, and here injunctions and counter-injunctions resulted in no definite action. The matter was then transferred to the legislature, and here the outcome apparently depended solely upon which side would pay the most money for the votes of the legislators.¹

It was the era of the Tweed Ring in New York City politics, when the municipal treasury was robbed of millions in the most bare-faced and reckless fashion. From January 1st, 1869, to September 16th, 1871, the city print-

¹ Breen, *Thirty Years of New York Politics*, p. 142.

ing cost \$7,168,212, while in 1895 the total expenditure for printing was \$265,861. During these three years, \$3,221,865 was spent for furniture, repairs and plumbing for armories and drill rooms, which was worth about \$200,000. The new court house cost the city twelve or thirteen millions. The laying out of parks and the improving of streets was carried out on the same scale of extravagance. On nearly all of these bills for expenditure the "Ring" leaders drew 65 per cent of the amount paid. The total addition to the permanent debt due to this brief period of corruption was over \$61,000,000.¹

Charles Phelps, a clerk in the office of the State Treasurer, embezzled over \$300,000 of the state funds in 1873. The lavish appropriations of the legislature for charitable institutions and state undertakings swelled the expenditures to unusual proportions, and deficits became an annual occurrence.

The rapid development of manufacturing industries brought to view now, for the first time, the evils which accompany them. The factory system which had grown up with its men, women and children on duty 13 and 14 hours a day now culminated in strikes on the part of the working people for a 10-hour day. The strained situation aroused the emotions of the clergy and other idealists of the period. One result was the Brook Farm experiment in 1842. In 1845, the industrial congress arose with a double platform of land reform and a 10-hour day. George Evans, Arthur Brisbane and Horace Greeley became the theorists and spokesmen of the new movement. Their plan of reform was through legislation. As the tariff gave protection to the capitalists, so laws should be passed protecting the laborer. "Young America" and "The Tribune", both

¹ Durand, *Financial History of New York City*, pp. 141, 146.

printed in New York City, were the organs of the movement. Pamphlets were printed, one of which, entitled, "Vote Yourself a Farm," was circulated by the hundred thousand. The practical plans proposed by the labor organizations combined productive co-operation and strikes, as the two equally effective modes of attack upon employers. The era of talk soon gave way to the era of action, and by 1853, trade-unionism, with its demands for recognition of the union, minimum wage, as well as for shorter hours and higher pay, took on its modern form in politics.¹ A new element was thus introduced into the discussion of political and fiscal problems which was to have far-reaching effects upon the financial situation.

Thus, with the growth of wealth and the control of man over nature, a new problem arose. Capital required labor to utilize it, and labor depended on capital for a living. "The contest was not now between man and nature, but between man and owners of capitalized nature."² The new economic conditions produced new classes and interests and new social groups arose with new demands.

Out of this tumult of strife for wealth and power, carried on by means of the exploitation of the weak by the industrially strong, the state found itself face to face with the problem of dealing with defective, the dependent and the delinquent classes. Clinton prison was opened in 1845. The next year the Rochester Industrial School was established. In 1851 the institution for the feeble-minded at Syracuse, and in 1865 the state school for the blind at Batavia opened their doors. Six insane hospitals were built during these decades. The sums donated to hospitals, dispensaries, asylums, schools and other associations amounted to \$200,000 in 1863.

¹ Commons, *Industrial History*, vol. v, p. 43.

² *Ibid.*, p. 27.

The effect of these lavish expenditures for state institutions in so short a period was an increased burden of taxation. Since the general property tax still bore all the burdens, it was put to a severe test and the question of taxation became a troublesome problem. While New York had changed from an agricultural to an industrial and commercial state, her tax system had remained unchanged. The burden of taxation rested upon the farmers and the owners of tangible property while the great mass of industrial capital escaped taxation. State assessors, boards of equalization and tax commissions discussed the problem without any definite action until after the year 1880.

Apart from the canal which the government continued to conduct and to operate in an inefficient way, it was pre-eminently the *laissez-faire period* of New York history. Corporations and individuals carried out their plans and operations without check or hindrance from the government. The industrially weak were crowded out of the struggle and became wards of the state while the industrially strong pursued their way unfettered.

Period 1880-1912

The three decades 1880 to 1910 witnessed the continuance of the tendencies and forces which we have just described. Agriculture continued to decline in relative importance as compared with other occupations such as manufacturing and trade and transportation, although in the absolute amount of wealth produced it showed a decided increase. The number of persons engaged in agricultural pursuits in 1900 was only 13 per cent of the total number engaged in gainful occupations and the proportion of rural population to total population had decreased to 21 per cent. Notwithstanding all these untoward conditions New York still held an important place in the production of agricultural

products. In 1900, it ranked first in the production of potatoes, hops and small fruits, second in the production of orchard fruits and grapes, and third in the production of hay and forage. The total value of her farm products, including domestic animals, amounted to over \$300,000,000 for the year 1910. In recent years, the possibilities of intensive cultivation and of the employment of machinery and new inventions have again turned attention toward agricultural problems, but the other branches of industry have continued and will continue to claim the major portion of public attention.

During recent years, the industrial and commercial activities have been of paramount importance, and it is to these we must now turn if we are to understand the political and fiscal changes which these changed economic conditions have made imperative. The state was eminently fitted by both situation and natural resources to become a great industrial and commercial state. Economical transportation and cheap power furnished by waterways and canals made possible the growth of manufacturing centers and these in turn increased the volume of traffic to be transported. Possessing a great commercial center, the people of the state have not lacked for capital to develop their industries and the tide of immigration which passes through her gateway has furnished an abundant supply of labor. These advantages are continuous and cumulative, and in looking toward the future development there must be added her proximity to the coal fields of Pennsylvania and the natural advantage of her abundant supply of water power which, when transmitted into electrical energy, will run factories and transportation facilities for many years to come.

The result has been that over half of the wage-earning population are now engaged in industrial and commercial pursuits. In 1911, manufacturing and mechanical pursuits

engaged 34 per cent of the population gainfully employed, and trade and transportation pursuits engaged 25 per cent. In 1909, the 44,935 manufacturing establishments in the state gave employment to an average of 1,203,241 persons during the year, and paid out in salaries and wages \$743,263,000. Of the 264 classifications used in the presentation of the 1909 manufacturing statistics for the country as a whole, 243 were represented in New York. The amount of capital invested in these establishments amounted to \$2,779,000,000, while the net wealth created by manufacturing operations amounted to \$1,512,586,000.¹

The transportation facilities have developed to keep pace with the manufacturing progress. The railroad mileage in June 30th, 1910, was 8,416 miles.² There were in addition 101 street and electric railroads with a mileage of 3,885, in 1907. These public service corporations employed 47,878 persons and paid out in wages \$32,419,777. The state had 685,512 telephones in operation in 1907 and over one billion messages were exchanged. The total express mileage operated in 1907 was 9,628 miles. There were 88 telegraph systems in use for electric police patrol signaling and electric fire-alarm signals.³

The result of this extraordinary development has been that 78.8 per cent of the population now lives in cities and villages of over 2,500 inhabitants, and the average density of population per square mile for the state is 191. The congestion of population has made demands upon the state for preserving the health and efficiency of its workers, for supplying water and light, and for providing adequate transportation facilities. The state has had to exercise super-

¹ Census, *Report on Manufactures, New York*, p. 3.

² *Statistics of R. R.*, 1910, p. 12.

³ *Census Bulletin 102*, pp. 44-46.

vision over its wage-earners in factory, shop and mine. Mine inspectors, factory inspectors, boards of mediation and arbitration, a bureau of labor statistics, and finally a Department of Labor have been the outgrowth of the new economic conditions. A railroad commission, a commission on gas and electricity, an electric subway commission, and a public service commission have been created in recent years to supervise the transportation companies. The number of commissions created since 1880 has been remarkable, and the cost of the regulative functions of government is now greater than the cost of all the administrative offices.

The new economic situation has resulted in the formation of new social forces, and it is out of the conflict between these different groups with their various desires and demands that the social policy arises.

The demands of laboring classes for shorter hours, higher wages and better living conditions are opposed by the demands of the employer for more work and less pay. The demands of the business man for better and larger canals are opposed by the average taxpayer who sees in this an increased burden of taxation. To reduce this conflict to a minimum, the state has stepped in and undertaken the regulation of nearly every phase of industrial life, but with added expense to the community. This added expense means more taxation, and here again each group attempts to shift the burden to the other group. The shifting of the ownership of wealth from the agricultural class to the industrial and commercial classes has resulted in the growth and development of a new system of taxation in the state. Entire dependence upon the tax upon real estate has given away to a tax upon business, corporations and other forms of wealth. So productive were these new sources of revenue that until recently the receipts have been more than

sufficient to defray all the expenses of government, no tax upon real estate for state purposes being necessary.

Out of the new economic situation there have arisen new functions which the state must perform and new methods have been devised to meet the new demands. Thus in the transition from an agricultural state to an industrial community a complete new system of taxation has been evolved.

CHAPTER II

POLITICAL FACTORS

THE fiscal policy of a state is not only affected by fundamental economic conditions but is also modified by the rational purposive efforts of its citizens. The economic conditions determine to a large extent what the desires of the people will be, but in order to learn how these desires have been fulfilled we must study the political organizations and their achievements. In a state, possessing diversified industries, social classes arise with diversified aims and ambitions, and the conflicts between these social groups, which usually take the form of political party struggles, result in the ascendancy of one party over the other. The victorious party secures control of the legislature and inaugurates the fiscal policy which it desires.

Any attempt to determine and to measure the influence exerted by any single political party upon the social and fiscal affairs of the state would be not only useless but unimportant. Especially would such a study be inopportune at the present time of political and social unrest, when rigid adherence to party policies is no longer practised. No one party is responsible for all the mistakes that have been made nor is any one party responsible for all the achievements. The usual course has been that a party secures control of state affairs by adopting some reform measure; this reform having been secured, the party sooner or later becomes corrupt or extravagant; the public conscience is then aroused by the heated discussions of the opposing party and

the new party comes into power. A typical case of this kind occurred with the advent of the Whigs to power in 1837, on the reform platform of bank regulation and control. They secured the passage of the General Banking Act of 1838; but no sooner was this accomplished than they entered upon a course of extravagant expenditures for canals which nearly bankrupted the state. In 1842, the Democratic party came into power and secured the Constitution of 1846. Cases like this have been repeated with monotonous regularity during the history of the state.

The important question from our point of view is not what political party made the contribution to the state's progress, but rather what progress has been made and how it has been achieved.

An honest and impartial survey of the political situation in New York State compels one to admit that the legislatures have systematically and continuously disregarded the best interests of the people of the state and that progress in efficient government has been secured mainly by curbing the powers of the legislature through constitutional amendments and by giving the average citizen a larger and larger voice in the management of public affairs.

Under the Constitutions of 1777 and 1821 the legislature was supreme. It was unhampered by constitutional provisions, and furthermore it controlled the election of most of the administrative officers. The only administrative officers elected by the people directly were the Governor and Lieutenant-Governor. The other state officers were first appointed by the Council of Appointments, which consisted of one Senator from each senatorial district, and later by a joint committee from the Senate and Assembly, each committee separately appointing one person for each of the offices, and then meeting together to elect them by joint ballot. The Treasurer was appointed by act of the legis-

lature for one year only, but he could not be a member of either branch of the legislature.

There were practically no restraints placed upon the powers of the legislature to appropriate public money, and the custom gradually developed of granting an additional allowance to each member of the legislature just before the close of the session.

In order to understand the reason why the legislature was held in such high esteem and was given such large power, we have only to recall the rôle which it played in colonial times. In the royal provinces, the chief function of the legislature was to oppose the Governor in his attempts to impose taxes upon the provinces. No taxes could be levied without the consent of the legislature or more especially the consent of the lower house. The legislature thus stood as a bulwark against harsh and arbitrary exactions on the part of the Crown.

As these large powers later came to be abused, a remedy for the abuses was sought in the adoption of new constitutions from time to time, which materially curtailed the powers of the legislature. The Constitution of 1821 contained the following provisions for controlling the legislature.

A limitation was placed upon the compensation to legislators, the maximum being fixed at \$3 per day.¹ For years the legislators included a section in the annual appropriation bill which gave to each member of the Senate and Assembly \$1.50 per day for each day's travel and attendance, in addition to the compensation allowed them respectively by the act entitled "An Act for the Support of the Government." The payment is noted on the Comptroller's books as an "additional allowance to the Legislature," and

¹ Art. i, sec. 9.

amounted to from one-fourth to one-fifth of the regular expenses.¹

The provision requiring a two-thirds vote on bills appropriating public money was evidently intended to check abuses which had grown up in connection with the incorporation of new companies, and the prevalent custom of extending relief to private individuals either by making loans to them out of public funds or by canceling obligations already due the state. In 1807, out of a total of 184 laws, 46 were passed incorporating companies and 38 were for the relief of private individuals.

Any bill might originate in either house of the legislature, and all bills passed by one house might be amended by the other.² The assent of two-thirds of the members elected to each branch of the legislature was required for every bill appropriating public money or property for local or private purposes, or creating, continuing, altering or renewing any body, politic or corporate.³

The proceeds of all public lands sold were set aside as a permanent fund, denominated the "Common School Fund." A Canal Fund was established consisting of the income from rates of toll, the duties on salt, the auction duties, and from a tax on steamboat passengers. These revenues were inviolably appropriated and applied to the payments of interest and capital borrowed or to be borrowed, and were not to be reduced or diverted until the principal and interest of this debt were paid in full. The state was prohibited from selling or disposing of the salt springs or canals.⁴

¹ In 1799 the regular expenses were \$37,559, and the additional allowance \$16,590. In 1815, regular expenses were \$59,376, and the additional allowance \$17,590.

² *Constitution of 1821*, art. i, sec. 8.

³ *Ibid.*, art. vii, sec. 9.

⁴ *Ibid.*, art. vii, sec. 10.

No lottery should ever be authorized in the state and the legislature was authorized to pass laws preventing the sale of all lottery tickets within the state, except in lotteries already provided for by the law.¹

The Constitution of 1821 also extended the suffrage. In 1777, the right of suffrage could be exercised only by freeholders who owned property worth twenty pounds or paid forty shillings a month rent and who had been rated and actually paid taxes in the state.² The qualifications for voters under the second constitution were: a period of residence, the performance of military service and the payment of road taxes. Negroes were required to own and to have paid taxes upon \$250 worth of property.

Constitution of 1846

The Constitution of 1846 extended the suffrage to every male citizen of 21 years of age who had complied with the designated residence requirement. It also made the more important state officers elective instead of allowing them to be appointed by the legislature.

The most important provisions of this constitution, however, were those which curtailed the power of the legislature to incur indebtedness and those which established a financial system for the state.

The details of these provisions will not be given here, as they are stated in full in a succeeding chapter dealing with the canals.

Constitution of 1894

The Constitution of 1894 still further restricted the powers of the legislature with regard to financial affairs. The financial provisions now in force are the following:

¹ *Constitution of 1821*, art. vii, sec. 11.

² *Constitution of 1777*, art. viii.

The credit of the state cannot be given or loaned to aid any individual or corporation.¹ The state may contract debts to meet casual deficits not to exceed \$1,000,000.² Additional debts may be contracted in case of war or insurrection.³

No debt shall be contracted without imposing a tax to pay the interest and principal as it falls due, and this must be sufficient to discharge the debt within 50 years. Every law authorizing the contraction of such a debt must be submitted to the people and receive a majority of the votes cast. A tax so imposed remains in force until the money in the sinking fund is sufficient to discharge the debt.⁴ Sinking funds are required to be separately kept and safely invested and the funds are not to be used for any other purpose.⁵ Claims which would be barred by lapse of time are not to be allowed or paid by the state.⁶ The lands in the forest preserve are to be kept as wild forest lands.⁷

The Erie, Oswego, Champlain, Cayuga and Seneca and Black River Canals cannot be sold.⁸ Tolls are abolished. Canal contracts are required to be let to the lowest responsible bidder and no extra compensation can be made to any contractor.⁹ Canal improvements may be paid for out of bonds or by the appropriation of funds from the treasury or by raising the money by an equitable annual tax.¹⁰

If current revenues are sufficient, the contributions to the sinking funds may be made out of current revenues in the treasury, in which case no direct annual tax need be imposed.¹¹

¹ *Constitution of 1894*, art. vii. sec. 1.

² *Ibid.*, sec. 2.

³ *Ibid.*, sec. 3.

⁴ *Ibid.*, sec. 4.

⁵ *Ibid.*, sec. 5.

⁶ *Ibid.*, sec. 6.

⁷ *Ibid.*, sec. 7.

⁸ *Ibid.*, sec. 8.

⁹ *Ibid.*, sec. 9.

¹⁰ *Ibid.*, sec. 10.

¹¹ *Ibid.*, sec. 2, adopted 1905.

Debts for highway improvement may be contracted not exceeding fifty million dollars at any one time. Sinking fund contributions are fixed at two per cent per annum. The cost may be distributed proportionately among the counties and towns benefited, provided no county shall be required to pay more than thirty-five one-hundredths of the cost of any highway and no town shall be required to pay more than fifteen one-hundredths of the cost.¹ Under a referendum vote under article vii, section 4 of the constitution, \$50,000,000 was authorized in 1912 for highways. By this means the amount specified in article vii, section 12 has been exceeded.

The capital of the Common School Fund, Literature Fund and United States Deposit Fund shall be preserved inviolate. The revenue of the Common School Fund is to be applied to the support of the common schools, that of the Literature Fund to the support of academies, and \$25,000 of the revenue of the United States Deposit Fund is annually transferred to the capital of the Common School Fund.²

The salaries of officers which are fixed by the constitution cannot be changed. The salaries of other state officers shall be fixed by law and cannot be increased or diminished during their term of office. They cannot receive fees or perquisites of office.³

The indebtedness of counties, cities, towns and villages is limited to ten per cent of the assessed valuation of the real estate, based upon the last assessment rolls. In computing the debt limit, revenue bonds issued in anticipation of the collection of taxes are not to be included when they are to be paid out of the proceeds of the taxes of the current year.

¹ Art. vii, sec. 12, adopted 1905.

² Art. ix, sec. 3.

³ Art. x, sec. 9.

Revenue bonds of the City of New York to be redeemed out of the tax levy of the next succeeding year may be issued not to exceed in amount one-tenth of one per cent of the assessed valuation of the real estate. Water supply bonds, for a term not exceeding twenty years, are not included if a proper sinking fund is maintained. Revenue bonds, if not retired after five years, are included.

Debts contracted by New York City for the purpose of investing in transit facilities or docks are not included in computing the city's debt if these improvements are self-supporting, *i. e.*, yield a net revenue sufficient to provide for interest, operation and maintenance expenses and to retire the bonds when they fall due.¹

The movement toward curtailing the powers of the legislature which has been in progress for a century has at last grown to such proportions that the people are now attempting to take even the power of making laws out of the hands of the legislature. The present agitation for the initiative and the referendum is the culmination of the efforts of a century to secure efficient and economical government through an irresponsible legislature.

Another method has been tried, especially in recent years, to secure efficient government, *viz.*, a more centralized control over all state activities. This method of control has assumed two forms; first, that of supervision over local authorities, and, second, that of direct state administration.

Under the former method of control are the reports of local authorities to state boards, such as annual reports on schools, charities, jails, health and taxation. This is especially important in the management of state finances. The comptroller can issue warrants on the county sheriff to collect the corporation tax or can apply to the court to

¹ Art. viii, sec. 10.

appoint a new appraiser in collecting the inheritance tax. The supervision over the administration of all funds and moneys paid into courts of record in this state is now in the hands of the comptroller. Great benefit will come from the new system of state supervision over municipal accounting, which will put the system of municipal accounting on a uniform and businesslike basis.

Under the latter method of control has been the attempt to secure a more centralized control through direct state administration, either through a superintendent elected by the people or through a commission appointed by the governor. The prisons and canals are both under the control of a superintendent appointed by the governor, and charitable and insane institutions are controlled by commissioners also appointed by the governor. The growth of commissions has been phenomenal since 1880. In 1883, the railroad commission and civil service commissions were established, and since that time new commissions have been established with nearly every change of administration, until to-day well-nigh every activity is supervised by a state commission. We now have the departments of health, labor, excise and weights and measures, as permanent government departments. The board of tax commissioners and public service commission have also become permanent institutions. On the other hand, in recent years a large number of commissions have existed for a brief time to carry on some special investigation. Among these are the employer's liability commission, the food investigation commission, the commission to investigate port conditions, and the committee to investigate state departments. As a consequence the annual expenditure for commissions organized since 1880 is now over three times the expenditure for the administrative offices of the state.

CHAPTER III

SALE AND MANAGEMENT OF PUBLIC LANDS

THE territory included within the boundaries of New York State to-day is practically the same as it was when the state entered the Union. The state had previously been one of the claimants to the Crown Lands of the Northwest territory. Her claim to these lands was based chiefly upon purchases and treaties which she had made with the Six Nations who had occupied it. In 1781, by her delegates in Congress, she ceded her claims to this territory to the government of the United States, being the first state in the Union to make cessions of lands or claims of lands. Her concession embraced 315 square miles, about 202,187 acres, now occupied by Erie County, Pennsylvania.¹

For a number of years after the formation of the Union, commissioners were at work establishing boundaries between New York and Massachusetts, Connecticut and Vermont, which were in dispute. New York claimed much of the territory now included in Vermont, and from 1777 to 1789 Vermont stubbornly refused to acknowledge the claims of New York and succeeded in maintaining an independent government.² In 1789, an agreement was reached whereby Vermont agreed to pay the sum of \$30,000 to those who purchased lands from the New York government, and thus extinguished all rights under New York titles.

¹ Donaldson, *Public Domain*, p. 47.

² F. A. Wood, *Taxation in Vermont*.

Lands in the colony of New York before the Revolution were generally granted with the reservation of a certain rent to be annually paid in money or kind. The usual rent charged was two shillings and six pence on every one hundred acres. This small amount was originally the only pecuniary consideration given to the government for the lands. During the Revolutionary War the collections seem, in great measure, to have been suspended and little revenue was derived from this source. Modifications of this system were in force for a long time after the organization of the state. Frequent acts providing for the collection and commutation of rents were passed until, in 1819, all the useful provisions of the former acts were combined into one act. This made the settlement very easy. Payment of 60 per cent of the arrears and commutations would release the lands and the rents were discharged upon all lands upon which arrears had been paid up to 1814. This act appropriated the amounts received from commutations and quit rents to the Common School and Literature Funds. The total payments made, from the close of the war down to 1820, amounted to \$295,702, and the amount still due was \$339,000, from which if 60 per cent were deducted, according to the act cited above, there would remain approximately \$200,000 still due in 1820.¹

The homestead laws of 1783-1801 required actual settlement on each 640 acres to be made within seven years. By the acts of 1801, 1806, and 1809, the time was extended seven, ten, and ten years respectively on all lands bought prior to 1801, so that the time for actual settlement was thus extended to January, 1828.

Early in the history of the state the policy of selling off the public lands was adopted. Lands were distributed in

¹ *Senate Journal 1820*, p. 217.

this way in a lavish manner. Large tracts of land were secured by companies which opened the land to colonists and reaped large fortunes through their speculation. In 1786, William Cooper opened for sale 40,000 acres of land in Otsego County and in sixteen days all the lands were sold. To the west of Seneca Lake 1,000,000 acres were sold to the Holland Company. To the east was the Military tract of 1,700,000 acres set apart by New York to pay bounties to soldiers of the Revolutionary War. Under a law passed in 1791 to sell the public domain, there were sold 5,542,173 acres of land for \$1,030,433, and of this vast domain 3,365,200 acres went to Alexander McComb, for much of which only eight pence an acre was paid. John and Nicholas Roosevelt, James Caldwell, McGregor and others secured hundreds of thousands of acres at prices ranging from one to three shillings per acre.¹

The proceeds from the sale of public lands were an important source of revenue for only a few years in the early history of the state finances. During the years 1790-1795, they amounted to about fifty per cent of the entire state revenue, the year 1792 being the one in which the greatest amount was received, when \$325,000 came in from this one source, out of \$559,500 received from all sources. This sum was not set apart as a permanent fund but was largely consumed in meeting the ordinary expenses of government, some, of course, being invested in the numerous state activities.

In 1805, at the suggestion of Governor Lewis, 500,000 acres were set apart for the purpose of encouraging education and the net proceeds from the sale of this land were to constitute a permanent fund for the encouragement of

¹ Hammond, *History of Political Parties*, p. 58.

education. The money received from the sale of these 500,000 acres of school lands was, however, recklessly loaned to individuals and corporations, who failed and as a consequence the school fund lost \$61,641.

Of the 29,000,000 acres within the boundaries of the state, there remained in the possession of the state in 1822 only 991,659 acres, and these were turned over to the Common School Fund to be sold and the proceeds to constitute a permanent fund.

The sale and management of the public lands was conducted in a careless manner. An inquiry into the number of mortgages in 1804 showed that a considerable number were unpaid, that others had been paid and not cancelled and that the affairs were in a chaotic condition. Suits had to be brought against the commissioners to recover the amounts due the state. Tracts of land were sold to which the state had not a clear title, and this resulted in subsequent litigation on the part of the state.

Perhaps the most important case of this kind was the sale, by the commissioners, of lands acquired by J. J. Astor through inheritance from relatives and which by 1820 had been occupied by seven hundred families and comprised one-third of Putnam County. Mr. Astor agreed to compromise and to settle his claim for the sum of \$300,000 and interest. The state preferred to go to law with him and to make him defend his title. A survey of the claim was made and the 51,000 acres were appraised at \$678,638. In 1827, the commissioners thought it could be settled for \$350,000, but the state continued its opposition and cases were tried in the circuit courts of the state and finally carried up to the Supreme Court, the decision in every case being in favor of Mr. Astor. As a result of this litigation the state paid over to Mr. Astor in 1833 state stock to the value of \$561,-

500, which formed the nucleus of the general fund debt of the state.

In addition to the lands which were sold there were large tracts of land in Albany, Rensselaer, Columbia, Delaware and Schoharie counties which were held by the descendants of the patrons of the Dutch colonial period. Tenants held tracts on the manorial estates under perpetual leases, and as late as 1850 this system was still in force and had important results upon state politics. During the late forties an anti-rent agitation was started by these holders of perpetual leases; they tried to impeach the title of their landlords and refused to pay their rent, and urged on by unscrupulous leaders they controlled state politics for several years.¹

The Onondago Salt Springs were ceded to the state in 1795 by the Indians for \$1,000 and annual royalties of \$700 and 150 bushels of salt, and by each succeeding state constitution this land has been declared to be the perpetual property of the state.²

The Indian tribes owned 270,000 acres in 1819, which were scattered about over the state in different reservations. From time to time the state negotiated treaties with various tribes, whereby it secured large tracts of this land, but in 1880 the Indian reservations still contained 86,366 acres.

It was in connection with the sale of the public lands that the first political scandal in the state arose. The commissioners of the land office were Governor Clinton, Secretary of State J. A. Scott, Attorney-General Aaron Burr, Treasurer Girard Bancker, and Auditor Peter T. Curtenius. Charges were made that Governor Clinton and Aaron Burr

¹ *Democratic Review*, vol. xxviii, p. 532.

² Ely, *Taxation in American Cities*, p. 466.

were personally interested in the sale of lands and had agents employed to buy lands for themselves. A legislative investigation failed to sustain these charges. But even if they did not reap any personal advantage it was certainly the height of folly to allow individuals to acquire such large tracts and to sell off the land at such low figures. The needs of the state were not so pressing as to demand forced sales of land as was shown by the large surplus revenue in the Treasury. If they had disposed of it in smaller parcels, not only would the returns have been greater, but a more equal distribution of land would also have resulted. It is true that the state ought to have sold the land cheaply in order to attract settlers, but the state could have established land offices quite as well as to turn this over to colonizing companies or to individual promoters who reaped most of the profits.

This was but the first chapter in the story of irresponsible and inefficient administrative and legislative control over the resources of the state, which has been repeated with monotonous regularity from that day to the present time.

During the period from 1789-1880, the policy of the state was to dispose of all of her lands to her citizens. The lands were sold at very low prices, and in practically unlimited quantities. The payments for land purchased were made extremely easy, and the homestead laws were liberal. The state's policy was to own only so much land as was needed for public buildings and other public purposes. Lands acquired through the non-payment of taxes were sold to the highest bidder at auction sale.

In 1883, the state adopted a new policy. It prohibited the further sale of lands which it owned in ten Adirondack counties, and the following year a commission was appointed to report on a system of forestry. A forest com-

mission was established in 1885, and 715,262 acres of land were placed under its control. The same year \$1,000,000 in bonds were issued to pay the awards for land taken for the Niagara State Reservation. These bonds bore interest at $2\frac{1}{2}$ per cent, and the last \$100,000 was due in 1895, but owing to the flourishing condition of the treasury the final payment was made in 1893.

The first appropriation to purchase land was made in 1890, when \$25,000 was appropriated to buy Adirondack land at not more than \$1.50 per acre. The forest preserve now includes all lands owned or acquired by the state in the counties of Clinton, Delaware, Essex, Franklin, Fulton, Hamilton, Herkimer, Lewis, Oneida, Saratoga, St. Lawrence, Warren, Washington, Green, Ulster, and Sullivan, except lands within the limits of any village or city, and lands acquired by foreclosure of United States deposit bond mortgages. The Adirondack Park consists of lands owned by the state in Hamilton county, and in certain enumerated towns in Essex, Franklin, Herkimer, St. Lawrence, and Warren counties. The Catskill preserve consists of lands owned by the state in Green, Ulster, and Sullivan counties. This land is to be forever reserved for the free use of all people for their health and pleasure, and as forest land necessary to the preservation not only of the head waters of the chief rivers of the state but also of the future timber supply.

The effects of the forests on the water supply and of denudation upon the washing of soil, have now become apparent. The shortage of wood for commercial purposes has also stimulated the efforts toward conservation. A desire to preserve the natural beauty of the Catskills was the chief factor, however, which led to the acquisition of the Catskill preserve. In 1912, the state owned 1,495,581 acres in the Adirondack preserve, and 112,750 acres in the

Catskill preserve. The area of the proposed Adirondack Park is 3,313,564 acres, and that of the Catskill Park, 576,120 acres. Cornell University acquired 30,000 acres in Franklin county at a cost of \$165,000 in 1898 for the purpose of studying the scientific management of forests under the direction of its Department of Forestry. As a result, however, of disputes and litigation over the use made of this land by the university, the land was returned to the forest preserve in 1912.

In 1895, the forest commission and the fish and game commission were consolidated into the fisheries, game and forest commission. In 1912, all these commissions were consolidated under a state conservation department.

The acquisition of the forest preserve raised the question of the taxation of state land by the towns and counties in this region. The state generously adopted the plan that its lands were to be taxed as the lands of private individuals. If the taxes levied on the state lands exceeded the amounts due the state from the counties, the comptroller paid the excess to the county. The result was that state lands were assessed at a higher valuation than similar lands of a resident, and other devices were adopted which compelled the state to bear nearly the whole burden of taxation. From 1886-1903, the acreage of state lands increased 228 per cent, while taxes increased 510 per cent. The taxes levied for the year 1907 on state lands aggregated \$117,076, based on an assessment of 1,442,209 acres which are valued at \$3,253,000, or an average of \$2.25 per acre. There were wide discrepancies in the assessments. Some lands were assessed as low as \$1 per acre, while others of similar quality and situation were assessed as high as \$6 per acre.

The state owns a number of smaller parks and reservations scattered over the state, most of which have been acquired in recent years, either on account of their

historical interest, or in order to preserve the natural beauty of the scenery. Among these are the Senate House at Kingston, Grant's Cottage, Washington's Headquarters, Saratoga Monument, Lake George Battle Ground, Clinton House, Sir William Johnson Mansion, and John Brown Homestead. The state has also spent considerable sums of money in erecting monuments to the memory of soldiers of the state of New York on the sites of old battle-fields of the Civil War, as, for example, at Andersonville, Antietam, Gettysburg and Lookout Mountain. Besides the Onondago, Salt Springs and the Indian Reservation, it owns reservations at the following places: Niagara, St. Lawrence, Stony Point, Watkins Glen, Cyprus Hills, Fire Island, and Saratoga Springs. Among the most recent additions to state property are the mountain lands along the west bank of the Hudson, known as the Highlands of the Hudson. The Palisades Interstate Park Commission, a joint commission composed of members from both New York and New Jersey, was created in 1900. It was aided by private contributions of money and land, in addition to the \$400,000 contributed by New York and the \$50,000 contributed by New Jersey. Mrs. Harriman has given 10,000 acres of land situated in Rockland and Orange counties for park purposes, and \$1,000,000 to administer this trust. Private subscriptions were secured from residents of New York, Pennsylvania and New Jersey to the amount of \$125,000, on the condition that the state appropriate \$2,500,000, which the state has done.

All the expenditures for the acquisition of state lands have been made out of the annual income of the state, with the exception of the \$1,000,000 issue of bonds for the Niagara State Reservation, the \$950,000 issue of bonds for the Adirondack park, the \$2,500,000 recently issued for the acquisition of the Palisade Interstate Park, and \$950,-

000 for the Saratoga Springs State Reservation. There are several objections to the continuation of this policy. In view of the heavy demands which are already made upon the treasury, it will be almost impossible to secure adequate appropriations to extend the holdings as the interests of the state require. Since the state has decided upon its policy, it should be promptly executed "without waiting for the values to increase, and without risking the perils of further depredation."¹ The outlay is for a capital investment for the benefit of the people of the state for all time, and not in any sense an ordinary expense of government, and it is eminently proper that its cost should be distributed over a long period of years. The fund should be provided by the creation of a state debt.

There is every reason to suppose that in the near future the revenues from the forest preserve will be sufficient to defray all the expenses connected with the maintenance of the public lands. The total receipts from fines, penalties, shell-fish and miscellaneous items amounted to \$223,557 in 1909. The total expenditures of the department amounted to \$388,669. The forest, fish and game commission has devoted much attention to reforestation; in 1909, 1,200,000 trees were planted. In Switzerland the annual net profits from forest land is from eight to ten dollars per acre, while in New York it is only about ten cents an acre. By some amendment to the constitution, permitting a judicious cropping of the forest, the state may acquire a large amount of revenue from the forest land. It already has five nurseries. Several private companies have taken up the business of raising trees for commercial purposes, and considerable tree planting has been done by citizens throughout the state.

¹ *Governor's Message, 1910, p. 11.*

The exact amount of real property belonging to the state is not known. The deeds of land acquired by the state institutions are not on file in any office in Albany.¹ An inventory of all state property, including lands and buildings, should be taken at once and some central office should be established for reporting all conveyances to and from the state. This is especially important now when the state is about to attack the problem of water storage and to enter upon other enterprises in which public lands will be constantly used.

¹ *A. R. Comptroller*, 1910, p. 46.

CHAPTER IV

THE BANKING SYSTEM¹

THE disastrous experience of the state under the Colonial Banking System, with the excessive losses due to inconvertible issues of paper money led the state to distrust banking in all its forms. Accordingly among the first acts passed was one which gave a monopoly of the business to the United States Bank.² In spite of this law, the Bank of New York was organized in 1784, but was not granted a charter until 1791. From this time down to 1838 every bank charter was granted by a special act of legislature, and for the next two decades the corruption in the legislature centered around the granting of bank charters. The political party in power made the distribution of the bank stock a part of the spoils of victory, and in order to secure to itself the advantage of this power, it became necessary to compel all banking to be done through chartered corporations. To this end, laws were passed in 1804 and 1818 which effectively prevented private banks from issuing notes.

New banks, desirous of securing charters, resorted to all sorts of devices to gain their end. Stock was distributed to members of the legislature with the promise of an immediate market at a premium. In 1812, Governor Tompkins prorogued the legislature on the ground that corrupt prac-

¹ This chapter is based upon Robert Chaddock's *History of the Safety Fund Banking System in New York, 1829 to 1866*.

² Law of 1782.

tices had been employed in procuring the charter of the Bank of America.¹ The legislative contests were between those who wished to enrich themselves by securing stock in the new banks and those who were already stockholders in existing banks, and who saw in the incorporation of new banks rival powers which would result in a decrease of their own profits. "Doubtless the clause in the Constitution of 1821 which required a two-thirds vote of both houses to incorporate a monied institution was adopted to prevent a recurrence of such disgraceful proceedings."² A bonus was sometimes demanded by the legislature in return for the granting of the charter,³ but more often a clause in the charter gave to the state the right to subscribe to a certain number of shares. The state became a heavy investor in bank stock, sometimes buying the stock outright, and sometimes securing it as a gift. In 1819, the state had \$996,800 of its funds invested in twenty-five different banks.

The chief concern of the legislature was to prevent losses to the note holders through bank failures or through depreciation of bank paper by over-issue. How to accomplish this was learned only through a long course of experience; each new charter contained some fresh provisions designed to correct abuses which had arisen. The results of past experiences were summarized in the revised statutes of 1827. Among these we find limitation of the bank in ownership of real estate and in trading in goods or stock; certain specifications as to qualifications and election of directors; the requirement of registration for a valid transfer of stock; the regulation of total debts, exclusive of the specie actually on hand, to three times the paid-up capital and the per-

¹ Hammond's *Hist. Pol. Parties*, vol. i, p. 337.

² *Ibid.*, p. 337.

³ *Hist. Safety Fund Bank*, p. 243.

sonal liability of directors. The maximum interest rate for short loans was fixed at six per cent.¹ Directors were prohibited from paying dividends except out of profits, or from paying to stockholders any part of the capital stock or from reducing the stock without the consent of the legislature; from receiving notes of stockholders or from making discounts in payment of capital stock; from receiving from another corporation in exchange for shares, notes and bonds of their own company, shares, notes and bonds of the other company; from loaning to directors amounts more than one-third of the paid-up capital; capital was required to be paid in full before a charter could be granted.² The state now usually reserved the right to modify or repeal the charters granted but no satisfactory method of distributing the bank stock was as yet devised.

The state supervision over banks was far from complete, and only those banks whose charters contained specific provisions requiring them to report to the comptroller made any reports whatever. In 1827, annual reports to the comptroller were required to be made under oath of the president and cashier.

The following table shows the bank charters and the capital authorized from 1791 to 1825:³

<i>Period.</i>	<i>Charters Granted.</i>	<i>Capital Authorized.</i>
1791-1810	10	\$7,430,000
1810-1818	23	17,290,000
1821-1825	10	4,300,000

During this period, eight out of the forty-three banks failed. This was not a bad record, but other abuses existed, such as the issue of stock notes by the smaller banks

¹ *Hist. Safety Fund Banking System*, p. 244.

² *Ibid.*, p. 253.

³ *Ibid.*, p. 247.

whose only security was the private fortune of the individual stockholders.

Excessive issues of these were made without adequate means to redeem them, and in order to keep notes in circulation banks often placed obstacles in the way of their prompt redemption.¹ The system though greatly improved by the legislation of the preceding few years was not yet satisfactory, and in 1829, when twenty-nine old banks sought renewal of their charters, it was deemed advisable to make still further changes.

SAFETY-FUND BANKING SYSTEM

The safety-fund banking scheme was suggested by Joshua Forman. The plan was suggested for the purpose of securing the note holders against loss through the failure of a bank to redeem its notes. All banks of the state were to be formed into an association, and each bank was to contribute not more than one-half per cent of its capital, yearly, to a fund which was to be used in redeeming notes and paying off debts of failed banks. These contributions were to continue until each bank had paid in three per cent of its capital and any diminution of the fund was to be made good by additional contributions of one-half per cent per year and by contributions of the assets of failed banks. The fund was to be invested, and the revenue apportioned as dividends among the associated banks. Three commissioners were appointed, one by the governor and two by the banks, to investigate, examine and supervise the banks, and to see that they conformed to law. After 1837, all commissioners were appointed by the governor and senate.

The plan was opposed by the New York City banks, and for a time they refused to accept charters under the new system. The city banks objected to a tax upon their capital,

¹ *Ibid.*, p. 250.

since they were largely banks of deposit and discount, and their use of notes was more restricted—they kept in circulation less than one-third of the amount of their capital—whereas country banks kept the full amount allowed by law, namely, twice the paid-up capital. It was felt that the sound and conservative city banks were being taxed to support badly-managed country banks. It was admitted that the law was not so favorable to the city banks as to the country bank, but it was considered the best that could be adopted under the circumstances, and that it was an improvement over the existing system.

It will not be possible to go into the details of the actual workings of the system. Two main difficulties may be mentioned in passing. Banks in the country were not required to redeem their notes except at their own counters. They did not depend upon specie in their own vaults, but kept funds in the city banks and redeemed their paper by drafts on the city. In 1834, the city banks stopped taking up their notes and sending them home. In 1839, the system became so deranged that discounts on country notes ranged as high as 6 per cent. To remedy this, a law was passed requiring all banks outside the city to appoint an agent and open an office in New York or Albany for the redemption of their notes at not more than one-half per cent discount. This figure was still considerably greater than the expenses of redemption and a large number of banks engaged in the business of shaving notes, until the rate was reduced to one-fourth per cent discount, which just covered the expense of redemption, and drove these banks out of business. The second evil arose over the distribution of bank stock. The banking business was lucrative and the wave of speculation, which culminated in the crisis of 1837, was at its height in 1836. Banks were organized by men without capital, who were anxious to engage in speculation.

While the law limited the number of shares one person could purchase, it was evaded by transferring shares, so that sooner or later a majority of the stock was held by a few persons. In one case, out of 500 original subscribers, 97 actually received stock in the first distribution. After the transfer of the stock had taken place, there were only 36 holders of stock, and 7 men held 7,659 shares out of the total of 12,000.¹ The law of 1837 remedied these evils of distribution by regulating the size of shares, by providing for advertisement of sale at public auction, and by guarding against transfers of stock in other ways.

The system was put to a severe test during the panic of 1837. There was a sudden demand for specie for export. Specie was withdrawn, followed by a run on city banks, which completed the panic, and specie payment was suspended in New York City on May 10th. This would by law have worked the revocation of the charters had not prompt action been taken by the legislature. "The suspension was not due to defects in the organization of banks," according to the commissioners, "but was an incident to their connection with the commercial interests of the country."²

The first call upon the safety fund was made in 1837 to pay the debts of three defunct banks in Buffalo. Two other banks had their charters repealed for violation of the banking laws during the same year, but the serious failures did not begin until 1840. During the years 1840 to 1842 eleven banks failed. The causes of failure were three: an imperfect system, lack of moral responsibility on the part of the officers and directors to stockholders, and laxity on the part of bank commissioners. Under the heading of an imper-

¹ *Safety Fund Banking System*, p. 287.

² *Ibid.*, p. 300.

fect system, must be mentioned the plan of distributing stock, as well as the manner of securing a charter; the lack of a system of registering the notes issued to prevent illegal issue; the use of funds by bank officers; the toleration of the practice of hypothecation of the bank's own notes as security; too large loans to individuals, and often on insufficient security; and finally no definite specie-reserve requirement. Banks were too often managed by unscrupulous men, who were interested primarily in the speculative side of banking. Loans were concealed and false statements made. Charges of political influence in appointment and incompetency on the part of commissioners were made. The comptroller, writing in 1848, says: "The place was sought for, and conferred upon partisan aspirants without due regard to qualifications to discharge the delicate trust committed to them."¹ If true, this may account in part for the fact that some bad practices were overlooked; but it may be said that for the most part the commissioners were probably deceived as to the correctness of the bank statement, and were powerless to prevent the bad practices. The office of commissioner was abolished in 1843.

When this great demand was made upon the fund, the comptroller was forced to demand the one-half per cent additional contribution, which the law allowed, to replenish it, and every solvent bank was forced to pay this additional contribution as long as its charter lasted. Solvent banks were allowed to commute these annual contributions for the next four or five years in notes of insolvent banks on which they were allowed interest at 7 per cent on the amounts commuted, until these would have been regularly due. Sixty-four banks took advantage of this provision and paid in \$477,609 in notes of failed banks. The total

¹ *A. R. Comptroller 1848*, p. 51.

contributions from the solvent banks from 1830 to 1866 amounted to \$3,119,999.

The total number of banks existing at any one time under the safety-fund system was 91. The fund amounted to \$119,342 in 1841, but of this amount one-third was required by law to be kept for the payment of other debts than the redemption of notes. The amount paid out in redeeming notes was \$1,615,302 and for other debts, \$1,088,109; while the receipts from assets of failed banks paid into the fund amounted to only \$138,077, so that the final burden upon the safety fund was \$2,565,334.

In 1842, it was recognized that the fund could not secure all the debts of failed banks, and it was accordingly provided that the fund, after paying all liabilities already incurred by bank failures should be applied only to the payment of notes. If originally the fund had been liable for notes only it would have proven ample indemnity for the note holders. As it actually happened, however, during the years 1840 to 1845, when the fund could not meet all the demands made upon it for redemption, great losses were caused to note holders due to depreciation. The amount is estimated at from 20 to 25 per cent. In 1845, the state came to the assistance of the fund by authorizing an issue of 6 per cent state stock, and by 1849, the state had issued \$900,829 of stock. This was made a charge on the bank fund, and it was redeemed as fast as convenient from the contributions made by the solvent banks. The bank fund became mortgaged to the full extent of all future contributions due it, so that creditors of banks which failed after 1842 could not depend upon the fund for redemption of notes or the payment of other debts. The fund was responsible for notes only, but even these note holders could not be reimbursed until the state stock had been redeemed, and if there then remained a surplus, their notes might be redeemed. The

Constitution of 1846 made notes the first claim on the assets of an insolvent bank, and made stockholders liable to the amount of their stock for debts of banks contracted after 1850. It is clear, then, that the only hope of payment to creditors lay in the first claim upon assets, and in the liability of stockholders. The first safety-fund bank to fail after 1842 was the Canal Bank, which failed in July, 1848. The next was the Lewis County Bank in 1854, and during the panic of 1857 three others failed, namely, Bank of Orleans, Reciprocity Bank and Yates County Bank. The notes of these banks depreciated and before the fund became available most of them disappeared.

In 1866, when the last charter under the safety-fund system expired, all claims upon the funds for debts contracted by failed banks prior to 1842, and for the state stock issued in 1845 and following years had been paid, and a surplus of \$88,048 remained. A dividend of 40 per cent was declared on the outstanding circulation on the insolvent banks whose notes had not been fully paid. So few notes were presented for redemption that the fund was ample to pay in full all the notes which were presented, and after paying these there still remained a surplus of \$13,144. This balance was paid into the treasury. Out of this, \$3,959 was refunded to the Bank of Oswego for an erroneous payment made in 1842. The failure of the safety-fund system was due not to the principle but chiefly to the attempt to charge it with all debts. In 1829, the chief losses had been suffered by note holders, and the primary object of the law was to make bank notes a safe universal currency. With this the state could have stopped, because as the comptroller said in 1849, "The state was under no more obligation to attempt the impossibility (that is, to secure against all losses) than it would be the equally absurd one of making every merchant capable of meeting all the obligations he should incur."

As a matter of fact the fund would have been sufficient to redeem all notes issued, but the charge for redemption would have been greatly decreased if fraudulent overissues had been prevented by a registration requirement, as was later done. The total illegal issues of two Buffalo banks amounted to \$252,647, which became a charge upon the fund.

SECURITY-DEPOSIT SYSTEM

The adoption of the security-deposit system of banking under a general banking law was not due to a failure of the safety-fund system, because in 1838 nothing had been lost on notes issued during the nine years of its existence. The chief point of opposition was found in the growing hatred of the monopolistic character of the banking business. It was felt that whatever advantages were to be derived from the banking business should be free to all citizens alike. The deposit business was now attaining considerable proportions and while the principle of protection to the note holder was admitted, the monopoly of the deposit and discount business was strongly opposed. Comptroller Flagg, in 1836, advocated allowing banks of deposit and discount without the power of note issue, and Gallatin opposed restrictions on deposit and discount by private bankers. A new party came into power in 1838, and influenced by the widespread spirit of opposition to monopolies it undertook the inauguration of a new banking system.

The law of 1838 was the result. It required a specie reserve of $12\frac{1}{2}$ per cent. Banks and corporations possessing a paid-up capital of \$100,000 could be incorporated and receive notes from the comptroller on depositing stock of the state, United States, or other states, or bonds and mortgages of a specified sort. From 1838 to 1849, thirty-one banks failed and were closed by a sale of securities which

had been pledged with the comptroller; in most of these cases the proceeds of the securities were insufficient to redeem the entire circulation, and therefore a pro-rata dividend was paid to the bill-holder, and certificates issued for the balance, payable out of the additional means which the banks may have possessed. Note holders lost under this system, owing to the depreciation of securities. New York stocks averaged as low as 88½ per cent normal value, stocks of other states from 49 per cent to 73 per cent of their normal value, while bonds and mortgages averaged 70 per cent. After a few years' experiences the defects of this law were remedied, and state stocks of other states and bonds and mortgages were abandoned as security. In place of these, other suitable securities were found in the stocks issued by cities. The loss of the note holders in the case of these free banks was about 39 per cent. There had occurred 29 failures in the seven years since the inauguration of the system, as against 11 failures in the sixteen years' existence of the safety-fund system. Nevertheless, under the provisions of this act, new banks were continually incorporated, so that in 1850 there existed 73 banks under the safety-fund system, and 136 under the general banking act. As charters of the safety-fund banks expired, they reorganized under the general banking act.

The banks were required to make quarterly returns to the comptroller, but the duties connected with this department grew so rapidly that in 1851 a banking department was established, and reports were henceforth made to the superintendent of this department.

Under the bond-deposit system, which required a dollar-for-dollar deposit of securities, a large portion of the capital was beyond the control of the banks. When there was a demand for currency, it often became necessary to withdraw securities, and to increase the cash reserve for the

purpose of redeeming notes. Thus at the very time when money was needed there resulted a contraction of the currency. In a word, the system was very inelastic, whereas, on the other hand, the safety-fund system was highly elastic, because currency could be issued upon general assets, and the amount of currency issued corresponded closely with the demands of business.

The difference is well illustrated during the period 1838 to 1866, when the two systems existed side by side. The extreme range of seasonal variation of the demand for currency for the safety-fund banks was \$536,000, whereas for the bond-deposit banks it was \$290,000.¹

The bond-deposit system principle was later adopted by the Federal Government when it established a national banking system after the Civil War. The principle of the safety-fund system is being tried again to-day in some of the western states, as, for example, Oklahoma. These states would do well to study New York's experiences and profit by its mistakes.

¹ *Hist. of the Safety Banking System*, p. 345.

CHAPTER V

INTERNAL IMPROVEMENTS.¹ PART I

THE undertaking of the Erie Canal in 1817 was not a new and untried venture contrary to the traditions of the state, but was quite in harmony with its previous policy. The state's limited experience with the Western Inland Lock Navigation Company, which it aided by taking shares and loaning funds, had shown the possibilities of reducing the cost of transportation by means of canals. During the five years from 1791 to 1796, the cost of transporting a ton from Schenectady to Seneca Falls had fallen from \$75.00 to \$32.00. There were two main reasons why the state should construct the canals: (1) to cheapen the cost of transportation, and (2) to secure to the state the advantages of increased commerce. The settlers along the proposed route were eager for it because it meant a reduction in the cost of marketing their crops from \$32, which was then the cost of conveyance by land, to \$1.00 per ton. They could market their crops and receive a return several times greater than under the old conditions. In this connection it is interesting to note that their hopes were not doomed to disappointment, for, in 1823, the canal commissioners reported that the price of wheat in the region west of the Seneca river had increased 50 per cent. In the second place, the gain from increased commerce was a most important consideration, and it is precisely this point that advocates of canal enlargement urge so strongly at the

¹This chapter is based upon the *History of New York Canals* found in *Assem. Doc. 1906*, vol. 5.

present time. To-day, as in the year 1816, there is the fear that trade will be diverted northward to Montreal and the St. Lawrence. In 1816, a barrel of flour could be transported from Cayuga to Montreal for \$1.50, whereas it cost \$2.50 to convey it to Albany; to-day the cost of transporting wheat from Chicago to New York is eleven cents a bushel, whereas the cost from Chicago to Montreal is about five cents per bushel. The construction of the Erie Canal gave to New York the great mass of the trade, and there is every reason to suppose that by increasing her facilities and reducing the cost she may again secure a large amount of this traffic.

The idea of a canal had been suggested by Washington and William Cooper as early as 1785, and other travelers and statesmen declared it to be practicable. A survey of the route was made in 1808, but nothing further was done until after the War of 1812, and even then the matter was not undertaken until the election of DeWitt Clinton as governor in 1816. Five commissioners were appointed to take up the matter of completing the canals and to report to the next legislature. On April 17, 1817, an act was passed providing for a canal to connect the waters of the Hudson River with those of Lake Erie, and the five commissioners previously appointed were denominated the canal commissioners, and were authorized to borrow money on the credit of the state and were given other powers necessary for carrying on the work. Even at this early day men of large vision and keen business insight were not lacking in this state, and J. R. Rensselaer proposed to the legislature that he construct the whole canal on the plan contemplated by the commissioners for \$10,000,000, or that he construct it for \$7,500,000 and receive the tolls for 20 years after one-quarter of the canal was completed.

The project was by many considered a ruinous experi-

ment, and fearful lamentations issued from the Capitol over the miseries of an over-taxed posterity. Nowhere, however, does one find a trace of opposition on the ground that the state would be thus interfering with the rights of private industry. At this early date it was both to public and private advantage for the state to construct the canals, because it alone could finance such a large undertaking, and furthermore there were sufficient openings elsewhere for all the available capital that private individuals possessed. At the present time private capital has accumulated to such an amount that it needs every opportunity to invest this surplus, and hence the changed economic conditions have brought about a changed attitude on the part of the people towards state-conducted industries.

The financial plan for the management of the canal was worked out by George Tibbits, a member of the joint committee and a senator from Rensselaer County, and it was practically his plan that was embodied in the law of 1817. The law provided for a canal fund of which all the officers of the state except the governor were to be commissioners. The fund consisted of the proceeds from a tax of twelve and one-half cents a bushel on salt manufactured in the state, duties on goods sold at auction, a tax on steamboat passengers, tolls from the canal, grants and donations, and a tax on real estate located within a distance of twenty-five miles from the canal. This last provision was adopted in lieu of local taxation levied upon the real estate and personal property in villages, towns, cities and counties immediately to be benefited by the canal, which had been voted down. In 1820, the question of collecting this tax was discussed, but no action was taken, and no collection was ever made. Thus the first attempt of the state to raise funds by what was virtually a special assessment failed. In 1820, the state took over the stock of the

Western Inland Lock Navigation Company, which accepted the sum of \$91,616 for its shares of the stock which was not owned by the state. Grants of land were also made to the fund by corporations and individuals as follows: The Holland Land Company, 100,623 acres in Cattaraugus County, on condition that the canal be completed for boats of at least five tons burden; Governor Hornby, 3,500 acres; Bayard and McEves, 2,500 acres; Gideon Granger, 1,000 acres, and 56 persons contributed smaller amounts. Application for aid was made to the United States and to neighboring states on the ground that they would be benefited by the canal, but no sums were obtained in this way. In spite of these provisions, chief reliance was placed upon loans, and during the years 1817 to 1825, the state borrowed \$7,896,150 for this purpose.

The work once started proceeded rapidly, and as soon as each section was completed it was opened to traffic; the first tolls collected in 1821 amounted to \$2,200, but by 1830 they exceeded a million dollars. On October 26, 1825, the entire Erie Canal, 363 miles in length, was completed and the first boat from Buffalo, bearing the governor, DeWitt Clinton and other officials, arrived at Albany in November. Clinton was the hero of the hour, and the people gave themselves up to unrestrained enthusiasm on this great occasion; festivities, celebrations, banquets, and grand balls were held in all the villages along the route and in the larger cities throughout the state. The *Albany Daily Advertiser*, of November 4th, in speaking of Clinton's arrival at Albany, says: "The thunder of cannon proclaimed that the work was done, and the assembled multitude made the welkin ring with shouts of gladness. It was not a monarch which they hailed, but it was the majesty of genius supported by a free people that rode in triumph and commanded the admiration of men stout of heart and firm of purpose."¹

¹ Sweet, *Hist. of Canals*, Assem. Doc., vol. i, 1863.

No sooner was the Erie Canal completed, than the state entered upon the policy of borrowing money for the purpose of constructing other canals. A perfect mania for increasing the debt of the state for canal purposes seemed to sweep over the legislature. In 1825, the Seneca and Cayuga Canal and Oswego Canal were authorized. Counties remote from the line of canals were strong in their opposition to these projects, and to meet this opposition a state highway was proposed in 1826, to traverse these southern counties, but the bill was lost by a vote of 50 to 48. Of these 50 who opposed the bill all but 10 were from counties bordering upon the Erie Canal.¹ In 1829, two more canals were authorized, namely, the Crooked Lake and Chemung Canals. These canals were made a charge upon the canal fund, with no provision for discharging obligations other than that of the tolls and the premiums derived from the sale of state stock. The two divisions in the legislature, those representing the counties along the Erie Canal, and those representing the counties remote from the canal, were fairly evenly divided; both desired to share in the benefits derived from the appropriation of state funds, and little heed was given to the recommendations of state officers. In 1830, the canal commissioners, reporting on the advisability of constructing the Chenango Canal, stated: "That it would not produce an amount of toll . . . equal to the interest on the cost and the expense of its repairs and superintendence or of either of them."² The comptroller and governor pointed out that the state should not incur additional expenses without at the same time providing the means of defraying such expenses, but in the face of all these objections, the applicants for this canal procured the passage of

¹ Hammond, *History of Political Parties*, vol. ii, p. 225.

² *Ibid.*, p. 328.

a bill by a vote of 61 to 51, which ordered the canal commissioners to proceed with the construction of the canal.¹

The supporters of internal improvement were desirous of making the financial condition of the state appear as prosperous as possible, and both parties in the legislature opposed taxation and supported every subterfuge devised to meet the annual expenses without resorting to taxation. In spite of continued warnings from the comptroller, the capital of the general fund was used in paying the annual expenses of the state. A bill introduced in 1832, by Mr. Bronson, for a tax of one cent upon the real estate and personal property of the state for the purpose of preserving the general fund received only five votes in its favor.² Laws were also passed authorizing the comptroller to borrow money from the Common School Fund³ and Bank Fund,⁴ in order to defray the ordinary annual expenses, and in these ways an attempt was made to give the appearance of a prosperous financial condition.

By 1835, some improvement of the canal was conceded to be a necessity, as the original canal no longer sufficed to carry the increasing volume of traffic. A project for a ship canal from Lake Ontario to the Hudson River was proposed at a public meeting in Utica. Some advocated converting the Erie Canal into a railroad, and a report from the canal commissioners was presented to the legislature in which the comparative advantages of canals and railroads were discussed.⁵ In 1835, bills for constructing the Black River and Genesee Valley Canals were defeated, but the representation from the valley of the Erie Canal secured the passage of a seemingly inoffensive bill entitled, "An Act

¹ Hammond, *op. cit.*, p. 418.

² Hammond, *op. cit.*, p. 413.

³ *Laws of 1832.*

⁴ *Laws of 1833*, ch. 274.

⁵ *Governor's Message*, p. 149.

relating to the Erie Canal," which provided for the enlargement and the improvement of the Erie Canal, and the construction of a double set of lift locks. This passed with scarcely any debate. The cost of this was estimated at \$12,416,150, and the time required was estimated at 12 years. The enlargement was not completed until 1862, 27 years later, and the actual cost was over \$30,000,000. Governor Marcy, in his message of 1836, was fully aware of the danger of conducting public works without an adequate financial plan. He says, "The improvident plan of borrowing money, without providing available funds for paying the interest, has already been carried to a point beyond which it cannot be pushed without serious mischief. On a part of the debt the interest can only be paid by new loans, unless you resort to taxes of some kind."¹ The same year, however, the Black River and Genessee Valley and Oneida Lake improvements were authorized, while \$3,000,000 was given to aid the New York and Erie Railroad.

The year 1837 witnessed a change in politics. The Democratic Party was defeated and the Whigs came into power. This newly-elected Whig party accomplished in the main the purpose for which it was elected, namely, the General Banking Law of 1838; but it had no sooner come into power than it began a policy of extravagance, which proved as detrimental to the interests of the state as anything the Democratic Party had done. Owners of property, contractors, brokers, builders and expectants of all classes created a coalition strong enough to control the activities of the legislature, and plunged the state deeper and deeper into debt. With extended improvements the official power and patronage of the commissioners and the canal board had been enlarged to an immense and unlooked-for

¹ *Governor's Message*, p. 149.

extent, but little publicity or accountability was required. One-fourteenth of the tolls was expended in salaries and including repairs almost one-half the entire tolls were absorbed.¹

During the panic of 1837, affairs looked very black indeed: money could not be readily borrowed, and the state stocks brought very little premium. The state's credit was in jeopardy, and although the enlargement was regarded as a necessity, and much had already been done, it became necessary to curtail expenses, in order to protect the credit of the state. The situation was critical. On the one hand was the urgent need for better canal facilities to handle the increased volume of commerce, and on the other hand, was the increasing debt, the low state of credit and the belief that taxation should not be resorted to for the purpose of carrying on public improvement. The legislature chose the plan of increasing the debt.

The famous report of the Committee of Ways and Means of the Assembly in 1838, reported in favor of borrowing \$30,000,000 or \$40,000,000 for the more speedy enlargement of canals. The canal commissioners had estimated that the annual tolls would be \$3,000,000 within a few years after the completion of the enlarged canals, and this committee, basing their conclusions upon this estimate, concluded that a sum of \$30,000,000 might be borrowed, expended and finally reimbursed within twenty years, or \$40,000,000 within twenty-eight years. "It is evident," says the committee, "that every \$500,000 of revenue will serve as a basis of finance to sustain \$10,000,000 of debt."²

The able report of Comptroller Flagg, in his annual report of 1838, was one of the great financial documents of

¹ *Assem. Doc. 1906*, vol. v, p. 157.

² *Ibid.*, 242 of 1838, p. 18.

this period. He pointed out that if it was sound policy to borrow to the fullest extent of the means possessed for paying the annual interest, there was nothing that would warrant the contraction of a debt of over \$12,000,000, since the net revenues of the state would be sufficient for paying interest on only that amount. Furthermore, he said, "It is going to the utmost verge of prudence to create a debt sufficient to absorb the whole annual surplus in paying interest, and at least the prospective increase from tolls ought to be left untouched, as a sinking fund, to redeem the principal of the debt."¹ Another fallacy equally grave consisted "in the total omission to take into account the prospective, but certain and inevitable expenses of keeping the canals in repair and collecting the tolls. These expenditures for a period of 20 years would amount to \$20,000,000."²

The estimate of the committee was also based upon the supposition that the canal tolls would not be reduced. The comptroller argued that "the most effective means of securing western trade, now and hereafter, would be found in keeping the finances in a sound condition, and thereby being enabled, without embarrassment, to reduce the tolls when the interest of trade required it, even at the sacrifice of revenue." Such a reduction was possible in 1833, in the interest of trade, because there was a surplus of \$3,000,000, while, on the other hand, both Ohio and Pennsylvania had been deterred from reducing tolls on account of their large canal debts, and this gave the New York canals the advantage in securing trade.

Finally, Comptroller Flagg argued that the policy of appropriating canal tolls for the payment of interest on the

¹ *A. R. Comptroller, 1838, p. 21.*

² *Ibid.*

loans of other canals was unconstitutional, since it declared that rates of toll shall not "be reduced or diverted at any time before the full and complete payment of the principal and interest of the money borrowed or to be borrowed."

In spite of all warnings on the part of the governor and comptroller, the legislature, in 1838, authorized the loan of \$4,000,000 for enlargements.¹ The financial rule adopted in 1839 was as stated, "to avoid the necessity of resorting to taxation however small, the obvious and sound rule of our financial policy will be to adjust the loans of each year so that the annual interest on the whole debt may always fall within the clear income of the state."² The plan was to borrow as long as the surplus tolls afforded means of paying the interest, and to make no provision whatever for paying the principal. The result was to destroy the confidence of money-lenders to such a degree "that in the fall of 1841 and the winter of 1842 the 6 per cent stock of the state, which in 1833 bore a 20 per cent premium, were not saleable at 20 per cent discount, and large lots were sold at a depreciation of 22 cents on each dollar of stock."³ "When the legislature assembled in January, 1842, the credit of the state was at its lowest point of depression; the contractors on the public works had been without pay, in some cases, many months, and the total amount due them and other arrearages exceeded \$1,000,000." Besides the principal of temporary loans from banks, due in March, amounting to \$1,500,000 and the interest on this amounting to \$246,000, repairs of 700 miles of canal demanded \$235,711; the general fund had pressing claims against it for several hundred thousand dollars, and in addition to all this, \$167,-

¹ *Laws of 1838*, ch. 269.

² *Senate Document*, no. 96, p. 12, 1839.

³ *A. R. Comptroller 1843*, p. 21.

500 interest was now due upon the \$3,000,000 borrowed to aid the Erie Railroad.¹

The state debt, with interest, amounted to \$25,999,074, of which approximately \$14,000,000 were held in New York State, \$11,000,000 were held by foreigners, and \$1,000,000 in other states. There was a great falling-off in amounts taken by foreigners. In 1837, more than two-thirds of the five per cent stock issued was taken by foreigners, but of the six per cent stock issued 1840 and 1841, only \$162,000 out of three million was taken by foreigners, and of the four million issued in the winter of 1842, at 7 per cent, and secured by the pledge of a tax and the surplus tolls, only \$63,500 were taken by foreigners.² The comptroller states the case very tersely in his report for 1842, where he says: "It is not now a question whether the completion of the canal will be beneficial to a particular section, but it is a question of solvency or insolvency; it has become purely a question of finance. The impulse for internal improvement and local interests regardless of the condition of the finances has pressed the state to the very brink of dishonor and bankruptcy."³

The result was the "stop and tax law of 1842," which provided for raising a tax of one mill on each dollar of real and personal estate. The whole amount raised the first year and one-half of the proceeds in ensuing years were to go to the general fund and the other half to the canal fund. All expenditures for construction were suspended, and only necessary expenditures for maintenance and repairs were allowed. A loan of \$1,000,000 was advertised for, but only \$35,000 was offered, and it was not until June that

¹ *A. R. Comptroller 1843*, p. 21.

² *Ibid.*, p. 11.

³ *Ibid.*, p. 13.

the loan was taken. Under the "stop and tax" policy, state stocks to the amount of \$5,089,337, bearing 7 per cent interest for seven years, were authorized to pay the state debts, and a tax was levied to redeem these. Within one year after this was adopted, credit so revived that the 5 per cent stock reached par, and the 6 per cent stock was above par. The state stocks issued for preserving the credit of the state were as follows: ¹

1842 to 1848.....	Seven per cent.....	\$1,584,736
1842 to 1849.....	Seven per cent.....	2,062,400
1843 to 1860.....	Six per cent.....	620,000
1844 to 1862.....	Five per cent.....	655,000
1845 to 1862.....	Six per cent.....	500,000
		\$5,422,136

The law of March 29, 1842, which suspended the public works, provided for the payments of the debts of the state in the following manner: ²

For General Fund	\$884,595
Interest on Canal debts.....	241,474
Repairs of Canals and for Chemung Locks....	450,000
Temporary Loans	1,613,267
Arrears to Contractors	1,000,000
Land Damages and Arrearages.....	500,000
Losses Sustained Through Failure of Banks...	400,000
\$5,089,337	

The experiences of 1841 and 1842 aroused the people to take some action tending to prevent their recurrence. Experience had shown that it was unwise to leave the matter of state finance to the unrestricted power of the legislature. Up to this time there was no constitutional debt limit, no opportunity for the people to reject or to sanction the crea-

¹ *A. R. Comptroller 1843, p. 22.*

² *Ibid.*

tion of a debt and no provision for sinking funds. The canal fund was merely a trust fund, created to furnish revenue for carrying on the work of constructing the canal, and the capital or income of this fund bore no relation to the amortization of the principal and the interest on the annual loans. Accordingly a convention was called to revise the constitution.

THE CONSTITUTION OF 1846

The constitution provided for a complete reorganization of the judiciary, several changes in the administrative organization in the state, and the establishment of a financial system.

We are not concerned here with the changes in the judiciary except to state that the method of compensating the members of the judiciary was changed from that of allowing them fees to that of paying them a fixed salary.

The method of electing the more important state officers was changed. Previous to this time, the secretary of state, comptroller, treasurer and attorney-general had been nominated and elected by the legislature. The new constitution provided that hereafter they should be elected at a general election and should hold office for two years.¹ It also provided for the election by popular vote of a state engineer and surveyor, three canal commissioners, and three inspectors of state prisons.²

The legislature consisted of 32 senators and 128 assemblymen. Their salary was still \$3.00 per day, with an allowance of \$1.00 for every 10 miles travel, but with the proviso that the salary should not exceed \$300.00 per year in the aggregate.

¹ Art. 5, sec. 1.

² Art. 15, secs. 2, 3 and 4.

Two important provisions governing legislative procedure were the following: No private or local bill should embrace more than one subject, and that should be expressed in the title.¹ No money should be paid out of the treasury except in pursuance of an appropriation, which should state the sum appropriated, and the object to which it was to be applied.²

The financial provisions were the following: The credit of the state should not be loaned to any corporation.³ State loans should not exceed \$1,000,000.⁴ The state might exceed this limit to repel invasion or suppress insurrection.⁵ Whenever a debt was contracted, a tax should be imposed sufficient to pay the interest and principal of the debt within 18 years, but this law should not take effect till it was submitted to a vote of the people at a general election, and had received a majority affirmative vote.⁶ Article 7 provided for the following sinking funds. Out of the net revenues of the state canals, there should be set aside as a sinking fund to pay the canal debt as it existed on January 1, 1846, \$1,300,000 from January 1, 1846, to June 1, 1855, and after June 1, 1855, \$1,700,000, but in this amount \$300,000 to be borrowed was included.⁷

After complying with section 1, and beginning in 1846, there was to be set aside \$350,000, and after the entire canal debt was provided for under section 1, then \$1,500,000 was annually to be diverted to the sinking fund for the general-fund debt, including debts for loans of the state credit to railroads and the contingent debts of the state.⁸ After paying all expenses of the canal, and providing for the

¹ Art. 3, sec. 16.

² *Ibid.*, sec. 9.

³ *Ibid.*, sec. 11.

⁴ Sec. 1.

⁵ Art. 7, sec. 8.

⁶ *Ibid.*, sec. 10.

⁷ *Ibid.*, sec. 12.

⁸ Sec. 2.

sinking funds in sections 1 and 2, there were to be paid annually such sums, not exceeding \$200,000, to the general fund for current expenses. If, after eight years, this amount was insufficient, it might be raised to \$350,000, and after the canal debt and general-fund debts were provided for, it might be increased to \$672,500.¹ If the sinking funds proved insufficient to enable the state to pay all claims as they became due, the deficiency might be supplied by taxation; but every advance made to the canals by taxation was to be repaid into the treasury at quarterly interest.²

The year 1846 witnessed not only the adoption of the new constitution but the first canal investigation. This showed that there was plentiful evidence of extravagance and that more or less corrupt practices existed, yet no specific charges were formulated against individuals, and the committee contented itself with pointing out ways in which the administration might be improved. It stated that laxity on the part of canal commissioners had resulted in "the abstraction of large sums from the treasury for work entirely unauthorized by law." "Under the system responsibility has entirely frittered away." Fraud existed in paying the men employed on the state scows through false duplication of names. Laxity of inspectors tended to encourage smuggling, and the superintendent of repairs invariably purchased all materials at private sales instead of at public auction.³

In order to understand the discussion of the financial policy, it is well to have in mind the administrative organi-

¹ Sec. 3.

² Art. 7, sec. 5.

³ *Assembly Document*, 1847, no. 100.

zation of the canal system. The canal board consisted of the commissioners of the canal fund, who were the elective state officials, and the canal commissioners, who were elected by the people to this office. Each canal commissioner had charge of one-third of the canal mileage or about 240 miles, and had general superintendence over the administration of his section. Under the commissioners were the engineers appointed by the canal board, who had direct supervision over the construction work and were assigned to certain divisions. There were 22 superintendents of repairs, also appointed by the canal board, whose duty it was to purchase materials to keep the canal in repair. They were appointed by the board and not by the state engineer, and their appointment largely depended not upon their fitness, but upon their political connection with the canal board. The foremen of the state scows commanded gangs of men employed in repairing canals. There were 200 lock tenders; there were 32 collectors of tolls, with 18 inspectors under their direction, who inspected boats, to see if the correct amount of toll was paid to the state; and five weigh-masters, stationed at Albany, West Troy, Utica, Syracuse and Rochester, who weighed boats for those that paid toll by weight.

The work on the canal, which had stopped in 1842, was resumed again in 1847.

THE ERIE CANAL ENLARGEMENT

The canal as originally constructed was 40 feet wide at the top, 28 feet wide at the bottom, and 4 feet deep, a capacity which provided water sufficient for boats of 30 tons, and enabled them to carry 1,000 bushels of grain. During the years 1834 to 1862, it was enlarged to the dimensions of 70 feet wide at the top, 56 feet wide at the

bottom, and 7 feet deep, which would enable boats of 240 tons and 8,000 bushels capacity to navigate them.

The funds were obtained from the surplus revenues after making appropriations to the various sinking funds as provided for in the constitution. The legislature, in their desire to hasten the work, adopted the plan of appropriating more than was realized from tolls by way of anticipating the next year's revenues, until the sum amounted to several hundred thousand dollars. In 1848, the net revenue applicable to this purpose was \$979,718, all of which had been appropriated by the legislature of 1847.

In 1849, the constitutional surplus amounted to \$907,103, but the legislature appropriated \$1,200,000. Loans were also contracted under section 10, of article 7, one of \$30,000 for completing the state arsenal at New York, and another of \$50,000 to provide for extra repairs and improvements. The fact seems to have been as stated by Governor Fish, that canal improvements "were progressing as rapidly as the limited constitutional appropriations would permit."¹ The construction was greatly retarded through lack of funds, and in the governor's annual message of 1851, three plans were outlined for securing the necessary funds. The first plan was to sell in advance to capitalists the revenues of the canal, which were devoted by the constitution to the enlargement of the Erie Canal, by issuing stock certificates which would be held at the risk of the purchaser without recourse to the state. The second plan was to pass a law under section 12 of article 7, and the third plan was to amend the constitution. The revenue-certificate plan passed the Assembly, but was vigorously opposed in the Senate, and as a last resort twelve of the opposing senators resigned, leaving the body without a constitutional quorum.

¹ *History of New York Canals*, 1905, p. 191.

In this emergency the governor called a special session, at which this measure became a law. This law empowered the comptroller to sell canal-revenue certificates to the amount of \$3,000,000 a year for three years. No guarantee of the state was behind these loans. During the year the comptroller sold \$1,500,000 of certificates at 6 per cent, realizing a small premium.

In the meantime the opponents of the revenue-certificate plan continued to urge that the plan was unconstitutional. A test case came up the next year in which the court of appeals decided that the act was unconstitutional. The act having been declared unconstitutional, the issue of \$1,500,000 under its terms required repayment at once. The question of raising the money for this purpose now occupied the serious attention of the legislature, and the result was the adoption of an amendment to the constitution, which was approved by the people at a special election called for the purpose. This amendment provided that after operation and maintenance expenses and sections 1 and 2 of the constitution were provided for, from the remainder a sinking fund should be established, sufficient to meet the interest and principal within eighteen years. After this, \$200,000 was to go to the expenses of the government, and the remainder was to be applied to canal enlargement and completion. This remainder was not to be anticipated for more than a year in advance. Loans could be made not exceeding two and a quarter million dollars in each year during the next four years. One and a half-million was to be borrowed to redeem the certificates of 1851. Hereafter contracts were to be awarded to the lowest bidder.¹

The state engineer estimated the cost of completing the work at \$11,558,955, and notice was given of the time

¹ *Ibid.*, p. 211.

when the contracts would be let. The amount of bids was said to aggregate about \$400,000,000, and the number of bidders about 3,000. "From all parts of the state and from other states, from all walks of life . . . there swarmed upon the Capitol a legion of applicants all anxious and importunate for participation in the anticipated profits. Some had claims real or imaginary for political service; others relied upon personal friendship for success; associations, combinations and partnerships were formed . . . for the purpose of securing, in the name of some of them, a share of the contracts."¹ Contracts were let nominally amounting to \$8,029,727.

The scandal connected with this letting of contracts furnished the occasion for the second legislative investigation. The majority report of this committee "admitted that the contracts were in fact proportioned fairly between the two political parties," and vigorously defended such a course as being the only practical method under the circumstances. They advanced the interesting argument that "the law sanctioned by all experience has repudiated the idea of letting the work to the lowest bidder."²

The auditor's report of 1852 showed that in the six years, 1847 to 1852, expenditures had exceeded the appropriations by an aggregate of \$822,487. Furthermore, while there had been an apparent reduction of the canal debt, new debts had been created, payable from the sinking funds, to more than balance the reduction, and that after six years the obligations of the state for canals were now larger than when the sinking funds were established.

The canal law of 1853 authorized the comptroller to invest any moneys then in the sinking fund, not exceeding the

¹ *History of Canals*, 1905, p. 199.

² *Ibid.*, p. 201.

sum of \$800,000, in a tax to be levied beginning October 1st, 1853, and the proceeds of this tax when collected were to be applied first to reimburse the amount so invested. The purpose was to bridge the canal department over a difficulty by anticipating the tax, and the result was to make the general fund pay 6 per cent on this sum for the benefit of the canal fund. A curious spectacle was thus presented of investing a fund sacredly set apart for one purpose in a tax which had not been levied and thereby enabling that fund to be used for present necessities.

In 1853, the second direct tax was levied for canal purposes. The sum of \$621,467 was to be collected for paying canal debts. Of this \$590,000 was spent for protested canal commissioners' drafts, drawn after the commissioners were informed that there were no funds to pay them. These drafts were hawked about among money-lenders and sold at a sacrifice by necessitous holders.

Another investigation brought to light the fact that extravagant expenditures had been incurred on the eastern division, which were entirely unauthorized by the canal board and unconstitutional. In 1853, the legislative committee reported that J. C. Mather, commissioner of the eastern division, was guilty of unauthorized and illegal expenditures and that he stood "impeached for high crime and misdemeanor." The trial resulted in an impeachment by a vote of 80 to 35.

The contract system of repairs was introduced on two sections of the canal in 1854, and in 1859 the system was extended to all the canals. This change met with opposition in the canal board, and the state engineer, in 1855, reported that "experience had shown that it was impossible to separate the management of the canals from the deleterious influence of politics . . . and that the sale of

the public works in whole or in part was the only effectual remedy and must eventually take place.”¹

The introduction of the contract-repair system resulted in a great saving to the state for the time being, yet it is questionable whether in the long run such a plan was economical. The average cost of superintendence and repairs for the five years, 1855 to 1859, was \$821,380. Under the contract system all repairs were let at the sum of \$252,292, and \$20,000 for superintendence. The governor stated that there was reason to believe that several sections had been awarded for a less sum than they should have been, in order to enable the contractors to do justice to the state without loss to themselves.²

By 1857, the nine million dollars provided for by the amendment had been expended and five millions were still needed to complete the work. In order to meet all the constitutional appropriations the surplus annual revenues of the canals should have amounted to \$3,277,389. They had not reached this figure since 1851, and had steadily declined until, in 1859, the tolls amounted to only \$1,812,281. The only recourse was to resort to taxation, and beginning with the year 1856, a tax was imposed each year down to the year 1882, with the single exception of the year 1877. By 1859, the receipts from canal tolls had reached their lowest point, being not sufficient to pay the sums required for the sinking fund under section 1 of the constitution. The funded canal debt amounted to twenty-four millions, and the new canal debt amounted to twelve millions; in addition there were outstanding commissioners' drafts of one million; interest charges of \$955,000, and other land damages of one million. The state had exceeded the debt limi-

¹ *History of New York Canals*, p. 224.

² *Governor's Message*, 1860, p. 155.

tation fixed by the constitution at \$1,000,000. The treasury was in a deplorable condition. Many advanced the proposition of selling the canals and paying off the state debt in view of the diminishing revenues and the necessity for further taxation. But it was feared that if this were done the canals would inevitably fall into the hands of the railroads, rates would be raised to the highest limits of their power of enforcement, and the regulative benefit of the canals would be lost forever.¹

An interesting petition was presented to the legislature in 1858, asking for a convention to revise the constitution so as to abolish the executive and legislative departments of the government and vest their powers in the president, vice-president and directors of the New York Central Railroad. A bill calling for a convention was passed, and the question was submitted to the people in the following November and was defeated by a narrow margin of only 6,360 votes.²

An act was submitted to the people in 1859 authorizing a loan of \$2,500,000 to provide for the payment of the floating debt. This was passed by a vote of 202,836 to 77,466 against it. This loan was applied to the payment of the canal commissioners' drafts, canal commissioners' certificates, and for awards of canal appraisers. The act prohibited the creation of any similar obligation in the future.

In 1860 the canal tolls showed a marked improvement, and in addition to this the expenses for repairs had been decreased by several hundred thousand dollars. The cost of completion was now only \$700,000, and thus the long-deferred enlargement was indeed approaching its completion. The tolls increased enormously, during the next few

¹ *History of New York Canals*, p. 238.

² *Ibid.*, p. 243.

years, till in 1863 they reached the high-water mark of \$5,028,431. Finally, in 1862, the state officially declared the enlargement completed, and although much was left to be finished, this seemed to be the only way in which the continued expenditures could be terminated.

The chief difficulties aside from extravagance and laxity of administration were in the financial plans adopted. To construct canals out of the surplus revenues was not a wise policy on account of the inevitable loss and derangement which resulted whenever these funds were insufficient. The competition of the railroads, which resulted in forcing down the rates of toll, could perhaps not have been foreseen, but a different financial plan might have obviated this calamity.

INTERNAL IMPROVEMENTS.—PART II

State Aid to Railroads and Canal Companies

The attitude of the government toward railroads during the early period of their development was that of encouragement and assistance. State stocks were issued to railroad companies with the expectation that the railroads would pay the annual interest and the principal as it fell due. As security to the state a mortgage was taken on the property of the railroad company. This plan proved to be a costly one to the state. Many of the railroads failed and the stock was thrown back on the state for redemption, and the mortgages proved to be "mere shadows of security." State aid was solicited under the plausible pretext of developing the resources of the state, but in many cases it resulted in swelling the state debt and increasing the burden of taxation. Of \$5,235,700 of stock issued prior to 1842, \$3,665,700 was redeemed when due by the state.

The first loan of state stocks was made to the Delaware & Hudson Canal Co. in 1827. This company had already

spent about a million dollars on construction, and all this work was mortgaged to the state to indemnify it against loss. The next year \$10,000 was loaned to the Neversink Navigation Co., the state taking a mortgage on the interest of the company in the Neversink River. Of this sum \$2,500 was spent in purchasing land and erecting buildings, \$2,000 in purchasing a store of goods, and five or six thousand dollars in the payment of old debts. In 1833, the attorney-general declared, "that the mortgage upon all the privileges of the corporation was worth nothing and the foreclosure of it would be a useless expenditure of money." The total loss to the state was about \$15,000.

In 1836, three millions of dollars were authorized to be loaned to the New York and Erie Railroad, upon certain conditions, and the last million was not to be paid until the road was completed. Two years later the legislature provided that one dollar of state stock should be issued for each dollar expended by the company. This was increased to two dollars of state stock in 1840, and this provision was made applicable to every dollar expended by the company since the commencement of the work. Under this law \$400,000 were issued in 1840, over a million in 1841, and from November, 1841, to January, 1842, the company received eight hundred thousand dollars. In January, 1842, the state stocks were sold as follows: Six per cent of 1861 at 81; five and a half per cent of 1860 at 75; and five and a half per cent of 1858 at 77. On March 12, 1842, the Erie Railroad announced its inability to pay the interest of the 1st of April on the three million of stock loaned to it. The only recourse open to the state was to advertise the road six months and sell it. In the meantime, the company could assign all its personal property and rolling stock, leaving only the mere track and the land connected with it. All the laws in relation to these loans left the treasury in the

lurch and screened the managers of the corporation from all liability, so that the "mortgages on the railroad were mere shadows of security."¹

The unsuccessful attempts to sell the railroads at public auction were illustrated in the cases of the Catskill & Canajoharie and the Ithaca and Owego R. R. The former had received \$200,000, and the latter \$315,000 of state stocks. In 1841, both companies failed, and after being duly advertised, they were offered for sale to the highest bidder; no bids were received. Messrs. Yates and McIntyre, who were present, agreed to make a bid if the sale was postponed long enough to afford them time to examine the road. At the joint sale on May 20th, the Ithaca & Owego R. R. was bid off by Archibald McIntyre for the sum of \$4,500, and the Catskill & Canajoharie to Amos Cornwell for \$11,600.

The total amount issued between 1827 and 1842 to canals and railroad companies was as follows:²

Delaware & Hudson Canal Co.	\$800,000
* New York & Erie R. R.	3,000,000
* Canajoharie & Catskill R. R.	200,000
* Ithaca & Owego R. R.	315,700
Auburn & Syracuse	200,000
Auburn & Rochester	200,000
* Hudson & Berkshire R. R.	150,000
Tioga Coal Iron Mining & Mfg. Co.	70,000
Tonawanda	100,000
Long Island R. R.	100,000
Schenectady & Troy R. R.	100,000
	\$5,235,700

Of this amount the sums loaned to the companies marked with an asterisk above became a part of the state debt, in

¹ *A. R. Comptroller*, 1843, p. 33.

² *Ibid.*, 1867, p. 100.

consequence of the failure of these companies, and the stock, amounting to \$3,665,700, was redeemed when due from the general fund debt sinking fund. The other companies continued to pay the interest on the stock and finally redeemed the stock as it fell due.

Canals and Railroads

While liberal assistance was offered in the manner of granting state funds, the state made a few feeble attempts to regulate the developing railroads in the interest of the canals. Gradually, however, the railroads became powerful enough to throw off all such restrictions and finally came to control both the legislature and the courts. The canal and railroad legislation was intimately related. At first the railroads were regulated in the interest of the canals, but after the railroads became all powerful, an attempt was made to regulate them by means of canal competition. This attempt, however, was unsuccessful.

The original charters gave the railroads a right to carry passengers only. In 1836, the New York Central Railroad was allowed to carry freight only on the condition that it paid the regular canal tolls, and in 1844 this privilege was extended to all railroads. Later this demand was enforced only during the season of canal navigation, but even then it was not strictly enforced. The canal tolls paid by six railroads in 1844 and 1845 amounted to \$10,458, or only about as much as one day's canal traffic would amount to. This condition of affairs led to an investigation which resulted in the imposition of a fine for non-compliance with the law. In 1849, it became apparent that the railroads were securing most of the passenger traffic, but in spite of this the canal commissioners reported favorably a bill to remove tolls on property carried on railroads and recommended the repeal of the law requiring tolls on freight carried during

January, February and March, and a further modification of tolls on live stock, fresh meat, fish, poultry and dairy products. Year after year the list of articles that might be transported free of tolls was increased, and in 1851 all canal tolls on railroads were abolished. The legislature which passed the law abolishing tolls also passed a law providing for the early completion of the canal improvements, in order that the canals in their improved form might successfully compete with railroads which were taking the business away from them. Governor Hunt, in 1851, entertained serious apprehensions that the trade of the Erie Canal would be impaired by the competition of the railroads.¹ But two years later, Governor Seymour expressed what was apparently the theory back of the railroad legislation of the period. He said: "The people will always wish to reduce rates, whereas the railroads will wish to maintain high rates, and hence the canals will be of great value in controlling the rates of transportation."² The effect of too low railroad rates on the canals was not foreseen.

The decreasing tolls began to cause alarm in 1854, and the committee of ways and means reported a bill to reimpose tolls on railroads. It was seen now, apparently for the first time, that the canals could not compete with the railroads, even when enlarged and improved. This bill divided the railroads into three groups: the first group was to pay regular canal tolls on freight; the second group was to pay two-thirds canal rates; and the third group was to pay one-half canal rates. The power of the railroads was exhibited in a striking manner on this occasion. Thousands of printed forms were distributed. From the cities and towns along the railroad came remonstrances of offi-

¹ *Governor's Message*, 1851, p. 541.

² *Ibid.*, 1853, p. 674.

cials, business men, shippers and bankers. The business men of New York City added their signatures upon the ground that trade would be withdrawn from that city. The result was that the bill was not reported out of committee.

The commissioners admitted that since 1850 the tolls had been frequently reduced to meet the competition of the railroads. This was shown in the decreased tolls which fell from \$3,702,000 in 1851, to \$1,812,280 in 1859. If the tolls of 1846 had been retained upon the tonnage of 1856, the revenues would have been nearly five millions.

Year after year the governors continued to urge the reimposition of railroad tolls and the attorney-general gave an opinion upon the constitutionality of the act of 1851, which abolished tolls on railroads, in which he declared the act to be a "diversion of canal revenues and as such was unconstitutional and void." No legislative action resulted however. The result of this act was to give the railroads redoubled power, as competitors for the traffic of the canal, and some have contended that no single act has been fraught with greater and more far-reaching consequences to the canals than this one. The state engineer even went so far as to say that every dollar of the subsequent canal debt and of the millions which have since been raised by taxation for its payment were the result of this act.¹

The competition did assume a more serious character than was imagined, and this was the real cause in forcing the people to abandon tolls on the canals themselves. During the later seventies the railroad rates were ruinously low during the open canal season, and during the closed season the roads recouped themselves; but aside from this advantage the tremendous development that had taken place in railroad construction had lessened the cost of transporta-

¹ *History of New York Canals*, 1905, p. 196.

tion from three and one-half cents per ton mile to one-half cent per ton mile. Between 1835 and 1882 the railroad mileage had increased from 100 to 6,600 miles; alignments and grades had been straightened and reduced; the Erie had double-tracked, and the Central had quadruple-tracked their lines; steel rails and bridges had replaced wood; and the locomotives had quadrupled their power. With such prodigious development as this taking place, the canals were forced into the background and competition became impossible.¹

Railroads and the Legislature

The increased number of accidents on the railroads caused a state commission to be appointed in 1855, but this existed for only two years. Officials acknowledged that the tariffs of the great lines were regulated by conventions, pools, or consolidations as early as 1853, and that since then they had controlled legislation whenever they pleased to do so. The rising power of the railroad was seen not only in their ability to stifle undesired legislation, but in their activity in securing the passage of measures which advanced their interests more directly. For a number of years bills were introduced to grant money from the treasury to aid the Albany & Susquehanna Railroad, and for a time these bills were vetoed by the governor, and were not passed over his veto. In 1863 and 1864, however, this bill became a law, and provided for the imposition of a tax of three-sixteenths of a mill for the purpose of raising \$500,000 to aid this railroad. The aggregate appropriations proposed to be made from the state treasury to railroad corporations introduced in the legislature in the year 1869 amounted to \$4,316,000. In the main, however, the governor's veto counteracted this disastrous policy, and the bills were not passed over his

¹ *History of New York Canals*, p. 318.

veto. It was the villages, towns and cities which suffered most during these years of railroad speculation. The inhabitants of towns were induced to subscribe to the capital stock of the railroad companies, and to issue corporate bonds to pay for them. In many cases the subscriptions were a total loss, and the debts were paid by taxation. The constitutional amendment of 1874 contained important provisions against the plan of passing private or local bills, and regulating the grant of franchises to railroad corporations.

One of the saddest chapters in the history of the New York legislature was that exhibited at the time of the memorable Erie Railroad contest between the Vanderbilts and Daniel Drew, Jay Gould and James Fisk. Vanderbilt, in attempting to corner the stock of the Erie, found himself buying worthless certificates which his opponents were issuing in unlimited quantities. Perceiving his mistake, he turned his attention to litigation, in which he called upon Drew to refund 58,000 shares of stock illegally issued, and charged Jay Gould with pocketing several millions of dollars. Drew and his party fled to New Jersey and commenced an action against Vanderbilt and Judge Barnard, charging them with having entered into a combination to speculate in the stock of the Erie. The affair could not be settled in the courts, owing to the fact that one judge on an *ex-parte* statement of one side would issue an order which another judge on an *ex-parte* statement of the other side would immediately set aside. A bill calling for a legislative investigation was introduced in 1868, but this was followed by a bill authorizing the Erie Railroad to issue \$10,000,000 of stock. Fabulous sums were promised, or said to be in store for the friends of the Erie bill. It was stated that the Erie people were willing to spend \$2,000,000, if necessary, to insure the success of the pending

measure. The Erie people promised at the outset \$1,000 a vote—\$500 down and \$500 when the bill should become a law. The members of the legislature who were receiving \$300 per session, saw in this a chance to double or quadruple their year's salary. "Some suggested one thousand dollars a head, but they were smiled at for their lack of boldness, and for their unsophisticated innocence."¹

In the midst of all this uproar at Albany, Vanderbilt and Drew came to a sort of compromise, and the lobbyists suddenly withdrew from the capitol. "The magnificent prospect of wealth vanished into air, and the next morning the assembly railroad committee reported unanimously against the bill, and the vote was agreed to by a vote of 83 to 13—thirty-two disgruntled members being absent at roll call."²

The legislative committee of investigation, which followed, after examining the books of the Erie and New York Central, found that "no money had been appropriated, drawn or used for influencing the legislature."

Some of the methods employed by the railroads were well brought out in a legislative investigation in 1878. First, the railroads had a few representatives, usually paid attorneys, whom they openly sent to the legislature in their interests. Secondly, Jay Gould testified in 1872 that the Erie Railroad "had four states to look after, and it suited its politics to circumstances." In 1868, more than one million dollars was spent by the Erie Railroad for "extra and legal services," to control elections and to influence legislation. He also testified that large payments were made during the three years prior to 1872 to Barber, Tweed and others to influence legislation. Thirdly, another class of representatives were influenced by means of free passes and other

¹ M. P. Breen, *Thirty Years of New York Politics*, p. 139.

² *Ibid.*, p. 141.

courtesies; and fourthly, the other representatives were forced to vote for railroad measures in order to get their own measures through, and merchants and manufacturers were subjected to the domination through the granting of special freight rates.¹

The marvelous development of the railroad system presented a new problem before which the older theories of government remained ineffectively helpless. No machinery existed to meet the exigencies of the new conditions. The government looked to dealings with individuals, and with these as isolated competing units, and not as organized units. So rapidly did the corporate industrial system develop and so engrossed were the people in acquiring wealth that these huge combinations of wealth and power developed unnoticed, or at least unmolested. The legislature became a species of irregular board of railroad direction. Questions of the purest detail affecting the operation of railroads were brought before the legislature to be decided upon by statute, and the railroads were forced into the lobby in self-defence.

Later Improvements of the Erie Canal

During the Civil War, the canal traffic was augmented in consequence of the closing of southern ports and the stopping of trade on the Mississippi. This prosperous era for the canal demanded increased facilities for transportation. Several plans were proposed for either widening the old canal or constructing new works. Among these were the plans to enlarge the Champlain Canal, so as to allow gunboats to pass through Lake Champlain from the Hudson to the St. Lawrence, and to construct a canal around Niagara Falls. This latter plan was especially advocated by the western states and by Massachusetts, and received

¹ N. Y. Board of Trade and Transportation, June 12, 1878.

some attention in Congress. It was however vigorously denounced by the canal board on the ground that it would be more or less destructive to the prosperity of the canal and the commerce of New York City.

The question of acceleration of speed and consequently cheaper transportation occupied a large share of the attention of the legislature. Various methods of steam propulsion were authorized, beginning with the year 1870, when the Belgian system of towing boats by means of a cable laid upon the bottom of the canal was introduced. Grants of money were made to several canal steamboat companies on certain conditions. New appliances were installed to accelerate the raising and lowering of locks and new feeders and reservoirs had to be constructed to furnish the needed supply of water for the increasing traffic. In 1874, the Baxter Steam Canal Boat Company operated seven boats. The Baxter boat was 90 feet long, with a capacity of 207 tons, and the cost of transporting a bushel of wheat from Buffalo to New York by this method was five and seven six-hundredths cents. The cost by horse-drawn boats was five and sixty-nine one-hundredths cents. The maximum tonnage of the canals was reached in 1872, when the total tonnage amounted to 6,673,370 tons, and the value of the tonnage amounted to \$220,913,321.

The increased volume of business stimulated legislative appropriations and corruption continued. Money was plentiful and liberally expended and "contractors and public officials embraced the opportunity to overstep the bounds of integrity." In 1867, a committee was appointed to investigate the management of canals. This committee found that the loss of money to the state by frauds practiced within the preceding ten years amounted to several million dollars. Various contractors had held an organized meeting at Stanwix Hall, Albany, at which the right to

make exclusive bids was put up and auctioned off among themselves. The amount thus realized was divided among themselves, and the successful bidder recouped himself by adding the amount to his bid. The other proposals, being "dummy bids," were rejected for technical reasons. The contracting board was found to be guilty of corrupt collusion with the contractors. "Numerous relief bills were (had been) skillfully engineered through the legislature, through which the canal board was authorized to render excessive awards."¹

The constitutional convention of 1867 proposed to abolish the canal board, the contracting board, the offices of canal commissioners, canal appraisers, and to invest all canal administration, except financial, in a superintendent of public works. It also proposed to create a court of claims. Although this constitution was not ratified, most of these suggestions later found their way into the constitution.

Another investigation was made in 1872, and a constitutional committee, composed of 32 members, was appointed to propose constitutional amendments. The three amendments proposed and adopted by the people at the November election of 1874 were the following: first, to forbid extra compensation to contractors; second, to limit the expenditures for collections, superintendence, ordinary and extraordinary repairs, to the amount of the gross receipts of the previous year; and third, to remove the prohibition to sell the canals, with the exception of the Erie, Oswego, Champlain, Cayuga and Seneca Canals. Finally, in 1876, the office of Canal Commissioner was abolished and that of Superintendent of Public Works was created.

The objections to the contract system reached their height about 1870. This system was largely blamed for the ac-

¹ *History of New York Canals*, 1905, p. 270.

cumulated deposits of mud and silt in the bottom of the canals, and the frequent breaks and resulting interruptions in navigation. In this year the contracting board and the system of canal repairs by contract was abolished. The new system seems to have been a marked improvement in spite of the increased cost of maintenance and repairs which resulted for the first few years following the change.

Very little new or extraordinary construction was undertaken during the sixties. The plan seems to have been to operate the canals as economically as possible and apply the revenue to the payment of the debt. In 1868, the last payment was made to the sinking fund under Article 7, Section 1 of the Constitution. From 1846 to 1868, the tolls contributed to this fund \$32,597,379; the proceeds from taxes amounted to \$410,910; loans to supply deficiencies amounted to \$9,267,025; and there was received from miscellaneous sources \$7,415,071, making a total contribution of \$49,692,385.¹ The extinguishment of this debt liberated \$1,700,000 of the canal revenues for other purposes.

There was contributed to the sinking fund under article 7, section 3, from 1854 to 1882, in tolls, \$11,154,510; from taxes \$9,659,274; from loans to supply deficiencies, \$11,886,000, and from miscellaneous sources, \$1,361,371, making a total contribution of \$34,061,155.² The sinking fund, under article 7, section 12, was largely supplied from taxes, and from temporary loans. From 1860 to 1877, taxes yielded \$4,752,984; temporary loans, \$1,875,884, and miscellaneous sources, \$276,889, making a total contribution of \$6,905,758.³ The total amount of taxes collected on account of the canal fund from 1846 to 1882 was \$38,699,202.

¹ *Annual Report, Canal Auditor, 1882, p. 49.*

² *Ibid., p. 52.*

³ *Ibid., p. 54.*

The history of the canal during the seventies is mainly an account of successive legislative investigations. Hardly a year passed without a special report upon some phase of canal administration. We have already alluded to the commission of 1871 and 1872, appointed to investigate the possibilities of using steam power and to the constitutional commission of 1873. In 1875, a committee was appointed to cover the whole period from 1868 to 1875. This committee reported that "the interests of the public had been systematically disregarded. The responsibility of the state agents had been so divided and distributed as to leave the state comparatively remedyless, and at the mercy of predatory classes."¹

The methods of letting contracts discouraged bidders of small means, and confined the work almost exclusively to the large capitalists. Specifications for contract work were not enforced, greatly to the loss of the state. If the canal board failed to cancel a contract which proved disadvantageous to the contractor, the latter often appealed to the legislature, which usually made awards to cover his losses. Things were going from bad to worse, so that when Samuel Tilden, fresh from his victory over the Tweed Ring in New York City, was elected governor, affairs were in a condition to make reform possible. The public conscience was aroused, the power of the "Ring" had been broken, and reformation followed. The plan adopted may be described as that of retrenchment and of parsimony. Tilden's plan was to perfect the existing system. He started the movement which, a few years later, resulted in the abolition of all tolls on the canals. He pointed out that the price of grain was fixed in foreign markets, that cheaper tolls benefited the western producer, and that the state should not

¹ *History of New York Canals*, 1905, p. 298.

consider her canals solely as a revenue producer, but that she should rather manage them for the needs of commerce and of the whole people. Commercial interests had for some time been trying to secure a free canal system, and in 1877 the auditor favored the plan on the ground that although expenditures had exceeded the revenue, yet the state owed by far the largest share of her prosperity to the canal.

The controlling factor in the situation seems to have been that the competition of the railroads had forced tolls down to such a point that the canals were no longer paying expenses. The amount of tonnage carried by the canals in 1878 was exceeded only by the good years of 1861, 1862, and 1863, in spite of the fact that the railroads had placed rates down to their lowest point. The rate in 1874 was eight cents per bushel from Buffalo to New York, and at one time, in 1878, it fell as low as four and one-half cents. In 1880 the railroads carried about three-fourths of the aggregate tonnage. Under the constitutional limitation of the amount of canal receipts applicable to the payment of repairs and maintenance, no fund was left for extraordinary repairs, and in case of some unforeseen calamity there was constant danger of the canal traffic being closed. In 1879 the rates were the lowest in the history of the canal. Another factor in the situation was the fear of Canadian competition. In 1881 the aggregate revenues were lower than at any time since 1825; for the first time in fifty-six years no payment could be made to the sinking fund, and in fact the revenues were 20 per cent below the cost of maintenance. If this continued, the canals would have to cease operation from lack of funds. Two plans were possible: either relieve the revenues from contributing to the payment of the canal debt, or abolish all tolls and maintain the canals by taxation. The latter plan was adopted by constitutional amendment in 1882 by a vote of 486,105 to 163,151, and

from this time on the canals became a source of expenditure rather than a source of revenue.

We have seen that instead of the canals regulating the railroads' rates, the railroads regulated the canal tolls, and forced them down to such a point that the canals no longer paid operating expenses. The policy of managing the canals during the two decades (1860-1880) was unprogressive. Aside from enlarging the prisms and locks, the same antiquated methods and appliances were still in use. Steam transportation upon the canals had proven to be a failure. In a word, the canals could not compete with the progressive railroads.

After January 1st, 1883, no tolls were collected upon the canals. The offices of collector of tolls, weigh-masters, and assistants, were abolished. Also the offices of canal appraiser, and state board of audit were abolished, and a board of claims was established. The duties of canal auditor were transferred to the comptroller's office. The net result of the canal operation is given in the following tables:

The following summary is taken from the canal auditor's report for September 30, 1882. It gives the total statement of receipts and payments for the years 1817 to 1882, on account of all the state canals, railroads and of the Oneida River improvement:

<i>Receipts</i>					
<i>Loans</i>	<i>Avails of Loans</i>	<i>Canal Certifi- cates Issued</i>	<i>Temporary Loans</i>	<i>Tolls</i>	
\$64,735,552	\$65,615,146	\$1,512,391	\$3,406,467	\$134,566,108	
<i>Taxes</i>	<i>Vendue</i>	<i>Salt Duty</i>	<i>Steamboat Tax</i>	<i>Sales of Land</i>	
\$39,015,444	\$3,592,039	\$2,055,458	\$73,510	\$320,538	
<i>Int. on Dep. & Investments</i>	<i>Rent, Surplus Water</i>	<i>Gen. Fund Deficiency</i>	<i>Erie & Cham. Feeder</i>	<i>Erie & Cham. Deficiency</i>	
\$6,068,951	\$138,824	\$1,386,499	\$290,097	\$10,486,360	
<i>Miscellaneous</i>	<i>Total</i>				
\$2,939,442	\$271,467,274				

<i>Payments</i>				
<i>Principal Loans</i>	<i>Premium</i>	<i>Temporary Loans</i>	<i>Interest on Loans</i>	<i>Canal Commissioners</i>
\$55,752,192	\$743,611	\$3,406,467	\$47,246,868	\$84,043,752
<i>Seneca Nav. Company</i>	<i>E. & C. Feeder</i>	<i>General Fund</i>	<i>General Fund Debt</i>	<i>Deficiencies Lateral Canals</i>
\$53,572	\$290,097	\$5,015,774	\$13,834,637	\$10,486,360
<i>Purchase Oneida C'l</i>	<i>Repairs</i>	<i>Canal Superintendence</i>	<i>Exp. Coll. & Inspectors</i>	<i>Weigh-masters</i>
\$50,000	\$8,147,809	\$28,080,850	\$3,074,673	\$407,520
<i>Miscellaneous</i>		<i>Total</i>		
\$7,138,049		\$267,772,533		
		Sinking Funds \$3,694,741		
		<hr/>		
		\$271,467,274		

The following table shows the total operations of all canals from their beginning to September 30, 1882: ¹

<i>Canals</i>	<i>Canal Revenues</i>	<i>Cost of Operating</i>	<i>Loss in Operating</i>	<i>Profits in Operating</i>	<i>Cost of Construction & Improvements</i>
Baldwinsville ...	\$1,261	\$18,039	\$16,777		\$31,000
Black River	301,099	\$1,552,230	\$1,251,131		\$3,894,952
Cayuga Inlet	8,837	994		\$7,843	2,020
Cayuga & Sen....	1,054,356	1,027,539		26,817	1,834,184
Champlain	6,416,341	5,630,023		786,318	4,913,296
Chemung	525,565	2,022,259	1,496,694		1,463,586
Chenango	744,027	2,081,739	1,337,712		4,789,471
Crooked Lake...	45,490	424,658	379,168		359,092
Erie	121,461,871	29,270,301		92,191,570	49,591,853
Genesee	860,165	2,814,809	1,954,644		6,737,430
Oneida Lake....	65,894	144,061	78,167		511,649
Oswego	3,708,548	3,371,446		337,102	4,295,373
Oneida Lake....					
Improvement ...	217,100	41,170		175,930	224,072
Sen River Towing Path	7,770	20		7,751	1,603
Totals	\$135,418,324	\$48,399,288	\$6,514,293	\$93,533,331	\$78,685,581

¹ *Assembly Document, 1906, vol. v, p. 1068.*

CHAPTER VI

INTERNAL IMPROVEMENTS.—PART III

THE immense traffic between the western states and the Atlantic seaboard during the decades 1880 to 1900 caused the question of cheap transportation to become one of national importance. The Erie Canal was directly beneficial to at least 20,000,000 people in twelve western states, and these were interested in its improvement and maintenance. It was also felt that the only hope of the people to regulate freight charges lay in the Erie Canal. Albert Fink, an acknowledged authority on railroad management made the statement that the rates from all the interior cities, such as St. Louis, Indianapolis and Cincinnati were affected and held in check by the competition of waterways. It was also quite generally conceded that the Erie Canal as it existed in 1882 was inadequate to handle the increasing traffic and control the rates. It was universally felt that some radical change must be made, but opinions differed widely as to what changes were advisable.

The discussion was participated in by prominent engineers and papers were presented before learned societies discussing the various commercial and engineering aspects of the problem. At the annual meeting of the American Society of Civil Engineers, in 1884, State Engineer Sweet presented a project for an 18-foot ship canal following the general route of the Erie Canal. The cost was roughly estimated at from \$125,000,000 to \$150,000,000. In 1890, Dr. Corthell read a paper before the Western Society of Civil

Engineers in which he summarized the various routes and projects which had been proposed. Some condemned the ship canal as being antiquated and doomed to be superseded by the railroads; others suggested relief by improving boat engines so as to increase the speed; others advised deepening the canal and lengthening the locks; while some even preferred to make use of the Canadian system which was nearly 300 miles shorter from Chicago to Liverpool.

The matter received the serious attention of Congress. In 1885, a bill was pending for federal aid to the state to the extent of \$5,000,000, on the condition that the state should maintain a depth of nine feet in the canal, with locks of double length and a free waterway to the commerce of the United States. In 1889, Captain Palfrey, Corps of Engineers, U. S. A., published a report of estimates and surveys for a 21-foot canal on two routes from Lake Ontario to Niagara River, and a bill was introduced into Congress providing for a commission to select one of these routes; \$1,000,000 was to be appropriated for construction purposes. In 1892, the subject of ship canals was again considered, but no legislation resulted. In 1895, the president appointed a deep-waterways commission to consider canal projects, and the following year the secretary of war detailed Major T. W. Symons to prepare a report on the cost of the ship canal from the Great Lakes to the Hudson River. This report favored the enlargement of the Erie Canal. Again, in 1897, the president appointed a United States board of engineers on deep waterways to make exhaustive surveys of the routes from the Great Lakes to tidewater, and during this and the following years \$485,000 was spent for this purpose.

The state legislature was halting and uncertain in its appropriations. From time to time appropriations were made for lengthening locks, cleaning out the silt and for repairing

the walls of the prism, and various methods of increasing the efficiency of the existing system were tested and tried. Numerous projects were before the legislature to increase the water supply by means of additional feeders, dams and reservoirs, and small appropriations were made for such purposes. The work of lengthening locks began in 1884, and by 1891 thirty-eight locks had been lengthened, leaving 34 unimproved. In 1891, the legislature failed to grant the necessary appropriation for this purpose, but instituted an investigation into the management of the canals for the preceding eleven years. This committee reported that not a dollar had been unnecessarily appropriated or otherwise than carefully expended.¹

The first official presentation of what is practically the present 1,000-ton barge canal appeared in the annual report of State Engineer Schenck for 1892. He there pointed out that the canal "ought to be one capable of bearing barges 250 feet in length and 25 feet breadth of beam of a draft not exceeding 10 feet and of such a height that the great majority of bridges that should span the canal might be fixed structures instead of draw-bridges."²

The other officials also joined in urging improvements. The Constitutional Convention of 1894 contained an amendment providing that the canals might be improved in such a manner as the legislature should provide by law, and that a debt might be authorized for that purpose, or the cost of such improvement might be defrayed by the appropriation of funds from the state treasury, or by equitable annual tax.³ While this amendment conferred no additional power upon the legislature, its passage by a majority of 115,343 was taken as an expression of public approval, and the legislature immediately set to work to improve the canal.

¹ *History of Canals*, 1905, p. 340.

² *Ibid.*, p. 345.

³ Art. vii, sec. 10.

The national government had deepened the channel from Chicago to Buffalo to 20 feet, and the Hudson River to 12 feet, whereas the Erie Canal remained 7 feet deep. Furthermore, Canada was preparing to deepen the Chicago-Montreal Canal route from 12 feet to 20 feet.

In 1895, Mr. Clarkson introduced a bill providing for the issuance of \$9,000,000 of 4 per cent bonds, payable in 17 years, to be sold at not less than par, in lots of not more than \$4,000,000 at a time. The premiums received were to be applied to the sinking fund, and an annual tax of thirteen one-hundredths of a mill was authorized for a sinking fund. The bill was submitted to the people at the general election and was ratified by a majority vote of 276,886. The comptroller, in 1896, advertised for a bond sale of \$2,000,000 and \$1,770,000 of three per cent bonds payable in ten years were sold at a premium of \$10,378.

A careful survey of the 454 miles of canal was immediately instituted and contracts were let to the amount of \$3,500,000. The superintendent of public works construed the "Nine-Million Act" to mean that it could be used only on the Erie, Oswego and Champlain canals, and in his view the appropriation was available only for the necessary rebuilding of old structures, the restoring of strength to the canal, and for putting it into good condition. The aim in view was the reduction of the traction power necessary to propel boats along the canal. The Cleveland Steel Canal Boat Company had put in commission a fleet of steel canal boats consisting of one steamer and five consorts, which made the trip from New York to Cleveland in ten to twelve days, and it was believed that they would successfully compete with the railroads.

A change was made in the method of making canal appropriations. Instead of the customary special appropriation for special purposes, a general tax of one-tenth of a

mill was levied, which was expected to yield about \$425,000. Of this amount \$50,000 was devoted to the installation of a general system of electric communication on the canals and the remainder was available to each division for use in extraordinary repairs and improvements. Under this blanket appropriation for each division the canals were considered to be in a better condition than they had been for thirty years past.

During the latter part of 1897 it became evident that the "Nine-Million Act" would not be sufficient to complete the work, and rumors of fraud and extravagance were circulated. A commission was appointed to investigate. The report contained numerous criticisms of both the state engineer and the superintendent of public works. The former was charged with having made estimates based upon insufficient data, while the latter was criticized for making extravagant and unnecessary expenditures. It also stated, however, that the new work was well done, that prices were reasonable, and that contracts were let to the lowest bidder, and it recommended the continuation of the work regardless of cost. The real blame, however, in this case, seems to have rested upon the legislature. The original estimate made by the state engineer was merely a guess, based upon insufficient data, but the estimate was for \$11,573,000, with another million for repairing walls. The legislature reduced this to \$9,000,000, without consulting the engineer. The result of the complete survey was to raise the estimate to \$16,000,000. It seems clear, then, that there never was "any authority for supposing that this \$9,000,000 would be enough to complete the work." The superintendent of public works was suspended from office during the judicial inquiry into his official acts. In 1899, Governor Roosevelt appointed Austin G. Fox and Wallace Macfarland as additional counsel to assist the attorney-general in examining

the case, and the legislature appropriated \$200,000 to defray the expenses of the inquiry. The report submitted was to the effect that while there was evidence of conduct justifying severe criticism and public indignation, there was not enough to warrant criminal proceedings. A large number of contracts were suspended on account of the insufficiency of the \$9,000,000 appropriation, but no official had power to adjust these under existing laws. In 1899, the canal board was given this power. In some cases it was found that double prices had been charged for excavated material which was used in strengthening canal banks, and in other cases large claims for extras and damages had been formulated which it was the intention of the contractors to present for payment to the court of claims after the settlement had been made by the canal board. To obviate this, contractors were required to sign a release, which discharged the state from all future claims resulting from the termination of their contracts.

Governor Roosevelt now appointed a committee composed of prominent business men, engineers and city officials, of which General F. V. Greene was chairman, to consider the whole canal question and report upon the proper policy to be pursued by the state in the future. This committee reported in 1900, and recommended the enlargement of the Erie Canal to a depth of 12 feet, a bottom width of 75 feet, and locks 310 feet long and 28 feet wide. \$200,000 was appropriated for making the survey, and the state engineer reported the results of this survey, giving estimates for five routes, the costs of which varied from \$25,000,000 to \$110,000,000. In 1903, the legislature passed the Barge Canal Act, which was approved by the people at the general election by a majority vote of 245,312.

The dimensions of the new canal were to be 75 feet wide at the bottom, 12 feet deep and at least 1,128 square feet of

water cross-section. The locks were to be 328 feet long by 28 feet wide, with 11 feet of water on the miter sills. The width of the locks was later increased to 45 feet. The route was by way of the Hudson River from Troy to Waterford, thence by New Channel to the Mohawk, above Cohoes Falls, and up the canalized Mohawk to Rome, thence down the valley of Wood Creek, across Oneida Lake, down Oneida River to Three River Point, and up Seneca River to the mouth of Crusoe Creek, thence by new route to the existing canal at Clyde, from which place the line of the existing canal was to be followed generally to the Niagara River at Tonawanda, and by this river and Black Rock Harbor to Lake Erie.¹

The act provided for the issuance of 18-year bonds to an amount not exceeding \$101,000,000, and of which not more than \$10,000,000 could be issued at any one time. An annual tax of twelve one-thousandths of a mill was imposed for each million of dollars outstanding in any fiscal year. The bonds bore three per cent interest and could not be sold below par. The first issue of \$2,000,000 was made in 1905, and these become due in 1923. The premium received amounted to \$46,260. An amendment to the constitution in 1905, extended the term for which state bonds might be issued from 18 years to one not exceeding fifty years. The cost of the two plans computed for \$101,000,000 is as follows:

	<i>18-year term</i>	<i>50-year term</i>
Amount to be raised for principal	\$77,644,407	\$44,770,765
Amount to be raised for interest	54,540,000	151,500,000
	<hr/>	<hr/>
	\$132,184,407	\$196,270,765
Annual instalment to sinking fund	\$7,343,578	\$3,925,415
Tax rate on each \$1,000 of real estate	91.79	49.06

¹ *History of Canals*, 1905, p. 396.

It is thus seen that the cost of the bond issue maturing in eighteen years will be less by \$64,000,000 than a fifty-year bond issue, yet the annual charge will be greater by \$3,418,163. The people have approved the policy of lessening their yearly burden by extending the time of payment, and thereby obligating another generation to contribute toward the construction of the barge canal. All bonds issued after 1905 under this act are fifty-year bonds.

In order to comply with the constitution, which provides that payment must be made within two years after the passage of an appropriation, the balance unexpended has to be reappropriated at the end of every two years.

At a general election in 1909 the issue of \$7,000,000 of bonds was authorized for the construction of the Cayuga and Seneca Barge Canal. Bonds to the amount of \$1,000,000 had been issued and expenditures aggregating \$30,129 had been encouraged for preliminary engineering expenses by 1910.

In 1906, on account of the prosperous condition of the treasury, it was considered expedient to abandon the direct tax authorized to provide for the sinking funds, and from that time down to 1911 contributions to the canal debt sinking fund were paid out of the general fund. These contributions amounted to \$19,356,917 for the years 1906 to 1910, and they constituted such a burden on the general fund that a return to the direct tax became necessary in 1911.

The constitution provides that a tax shall be levied every year, for sinking fund purposes, until the sinking fund is provided for or the debt canceled.¹ It does not fix the amount of this annual tax nor does it contain any provision preventing the accumulation of a sinking fund in a shorter

¹ Art. vii, sec. 4.

period of time than fifty years, although it is evidently the intention of the constitution to relate the sinking fund contributions to the full term of the bonds issued. Under the operation of the law no allowance has been made for the increase in assessed valuation of real and personal property which would proportionately decrease the rate to be levied for sinking fund purposes, and this has resulted in an excess accumulation in the canal sinking fund of \$15,347,840 and similar excesses in the other sinking funds. This condition of affairs was pointed out by Comptroller Williams in his annual report in 1910, but no attention seems to have been paid to the matter. On December 31, 1912, the total amount in the canal sinking fund was \$17,907,324, whereas the amount should have been only \$2,559,484, which makes a total excess accumulation of \$15,347,840. The total excess in all the sinking funds amounted to \$18,773,046.²

The canal debt on December 31, 1912, was \$69,407,660. There were \$58,393,000 worth of bonds authorized for canal purposes not yet issued. The total expenditure by the state for all canal purposes for the year ending September 30, 1912, was \$25,824,527, distributed as follows: construction purposes, \$16,001,592; maintenance and repairs, \$1,311,212; canal debt sinking fund, \$8,511,722.³ The canal debt sinking fund contributions for 1912, payable from the proceeds of the state tax, were \$4,442,263. The total contributions to all sinking funds amounted to \$6,657,883.³

¹ *Committee of Inquiry's Report on Sinking Funds*, 1913, p. 5.

² *A. R., Comptroller*, 1913, p. 10.

³ *Ibid.*, p. 11.

Conclusion

The question as to whether the state is exercising its proper function in engaging in business activities is to-day largely an academic question. It is generally admitted that there is absolutely nothing which the whole community wants which it has not the right to obtain by state means. The real question involved is that of expediency. Is it advisable or expedient for the state to conduct these enterprises? This question resolves itself largely into the question of cost of service and value of service. Will the state be able to conduct an enterprise so as to decrease the cost and to furnish equivalent or better service than under private management?

If we were to pass judgment upon the success of the Erie Canal, wholly with reference to its influence in stimulating trade and industry and increasing the wealth of the state, and to its effect upon the nation, our judgment would be one of unbounded approval and approbation. This great waterway has well earned the praise and support of every citizen. It stimulated the development of a wild frontier country, built up a great industrial zone across the state, and made New York City the commercial metropolis of the new world. Western New York grew from a backward frontier country to be the equal of the eastern portion of the state in value of real estate per capita and in percentage of population engaged in navigation, and to surpass it in the abundance of saw mills and grist mills, the percentage of aliens, the percentage of population engaged in commerce, and in industry. In the two decades, 1820 and 1840, the percentage of persons engaged in manufactures and in commerce and navigation in New York City virtually doubled. Its iron works and cotton and woolen mills multiplied faster than in any other section of the state. Thus was laid the foundation of its commercial, financial and

manufacturing importance. Every statistical measurement applied to test the influence of the canal, whether it be increase of population, wealth per capita, number of manufactures, amount of goods transported on the canal, growth of exports and imports, growth of cities, number of persons engaged in agriculture, manufacturing or commerce, all testify to the stimulus of the canal.

The influence extended beyond the confines of the state and was exerted upon the nation as a whole. It became the great artery of inland travel, linking the sympathies of the great Northwest with the northern section of the country. Its value to Ohio and Michigan was second only to that of New York State itself.

But after acknowledging all this, the question yet remains, whether or not all these beneficent results might not have been obtained through private operation of the canals and at a lower cost to the whole people.

In the first place, the management of the canals became a political matter, and each faction refused to resort to taxation when conditions demanded it, and proceeded in a headlong course of reckless expenditure. In spite of all warnings from the governors and comptrollers, the legislature adopted the reckless plan of borrowing sums as long as the revenues of the state were sufficient to pay the interest on the loan and no provision was made for paying the principal. New canals were authorized which it was almost certain would not pay interest or running expenses. During the later years the appointments of canal officials were made more with reference to their political affiliations than with reference to their fitness to carry on the work entrusted to them. Contracts were awarded on similar principles and awards to cover losses of inefficient contractors were of frequent occurrence.

In the second place, there was almost a total absence of

an adequate financial plan. The canal fund was in no sense a sinking fund, because the amount of the fund bore no definite relation to the amortization of the principal and payment of the interest. No provision was made for the payment of the principal of loans prior to 1846. After the establishment of permanent sinking funds, the money in them was invested in taxes which had not been levied and the funds were used for present needs. Too great reliance was placed on the revenue from tolls, and furthermore the plan of defraying the expenses of construction out of current revenues was unwise. It forced the canals to a sort of hand-to-mouth existence, and rendered impossible any extensive scheme which would fit the canals for the work for which they were needed. The legislature resorted to various methods to evade the difficulty, which should have been remedied by an amendment to the constitution. Moneys were diverted from the sinking fund, appropriations were made in excess of the constitutional surplus allowed, and a floating debt was contracted in excess of the debt limitation. The legislature revealed a total lack of appreciation of financial affairs in failing to take account of the necessary expenses of repairs and running expenses of the canal in spite of the fact that these were clearly pointed out at the time by governors and comptrollers. This lack of any well-organized financial scheme made any comprehensive engineering project impossible. The result was that preliminary estimates were invariably too low, due to changes and additions and the more expensive character of the work as it developed.

In nearly every case the estimated cost of canals was far below the actual cost. For example, the estimated cost of the original Erie Canal was \$4,881,738, while the actual cost was \$7,143,790. The estimate of the cost of the original Oswego Canal was \$227,568, while the actual cost was

\$565,437. The estimated cost for the enlargement of the Erie Canal was \$23,402,863, in 1836, and the actual cost in 1862 was \$31,834,041. Plans were drawn up on insufficient data and every change or alteration was made at greatly increased cost. This was repeated over and over again in the history of the canal construction of the state.

The two branches of the legislature disagreed over minor details, with the result that adjournment would come before suitable provisions were made. Appropriations were so made as to leave the work unfinished at the expiration of the appropriation, and thus in order to secure the benefit of sums already expended other sums had to be raised to complete the work. The delays, extensions and additions resulting in extra charges, the disputes over changes, political intrigue and interference and the cost of legislative investigations all tended to increase the cost of construction.

The third great mistake in management was the utter lack of any responsibility on the part of those who managed affairs. The canal board would lay the blame on the canal commissioners, the canal commissioners would shift the blame to the engineers and superintendents, and these would shift it back upon the canal commissioners. It was only after years of wasted effort that the work was placed under a superintendent of public works, who was directly answerable to the people for his acts. The idea that power and discretion should be adequate to secure the end in view is now but slowly coming to be adopted in public affairs.

The third evil was the cause of the fourth, namely, fraud and corruption. Investigation after investigation showed that the public interests were systematically disregarded. Time after time the canal commissioners issued drafts after they had been notified that no funds were available for the work, and these led to deficiencies which had to be provided for by direct taxation. Superintendents pur-

chased supplies from private firms instead of public letting. Originally contract were not let to the lowest bidder; but even after this was made compulsory, it was found that the lowest bid was often not the most economical bid. Contractors formed pools among themselves and auctioned off the right to bid to the highest bidder, who recouped himself by adding the cost to the price of his bid. Charges of favoritism in letting contracts were preferred; much of the work done by contractors was of a poor grade, and soon fell into a useless condition; while claims against contractors were not enforced. Contractors' profits, losses from imperfect work, extra cost and cost of inspections and supervision were the results of the contract system. Both systems were tried and each proved to be unsatisfactory.

Perhaps the greatest losses resulted from the absence of an efficient inspection department, which should have properly inspected all purchases of material as to quality, amount and prices paid and all completed work before the state paid for the material and work. We have now a sound financial plan, but a rigid inspection department is absolutely necessary to insure that the government is receiving what it is paying for. Claims against contractors should be rigidly enforced and imperfect work should be rejected. Such a department should be independent of the construction department. The state comptroller, writing in 1865, says: "The canal cost perhaps twice as much as it would have cost under private management."

Many of these evils seem to be inseparable from any scheme of governmental activity; and we shall do well to consider New York's experience in this matter before we enter upon further extensions of governmental ownership and management of public industries. The movement has been from high tolls which yielded a surplus revenue to free tolls and to the scheme of defraying expenses of main-

tenance and operation by means of taxation. A similar evolution has taken place in the case of public highways, and we may well ask the question whether this would not be the inevitable result if the government should acquire possession of railroads. The benefits derived from the maintenance of public highways, canals and railroads are to-day seen to be of a more far-reaching character than was supposed to be the case in earlier times, and to-day these benefits are so diffused as to make taxation levied for these purposes seem equitable and just. The real question to-day is not whether an equitable system of taxation can be devised for raising the funds to defray the expenses of these public works, but whether the money so raised will be economically and justly expended by public officials. In all industries which call for the introduction of new technical improvements, for the extensions of plant or system, changes of plans and wise discretion in management, it would seem unwise to allow such industries to be managed by governments, whose policies are subject to the fitful changes of party politics. To manage successfully such utilities as canals and railroads it is necessary to devise some comprehensive plan requiring a long term of years for its fulfilment, and this is not easily possible under governmental control. Furthermore, the legislature has shown itself unfit to cope with the intricate financial problems which are involved in the successful operation of such industries. Utilities such as these which affect so intimately the life of everyone in the community are sure to become the storm centers of political discussion, as has been the case in New York State, and the farther they can be kept removed from the field of politics the better it will be for the people and the state.

CHAPTER VII

REVENUES

TAXATION played a very unimportant rôle during the first fifty years of the state's existence. The expenses of the state were small and the revenues were obtained in other ways than from direct taxation. The chief sources of revenue were the receipts from the sale of public lands, the revenue derived from the investment of state funds and several indirect methods of taxation which had been employed in the state from an early period, such as auction duties, lotteries, pedlar's licenses, and fees of public officers.

(a) *General Property Tax*

Oliver Wolcott, Secretary of the Treasury, reporting in 1796 on state direct taxes, said, "that in New York State no objects of taxation are defined in the laws nor are any principles of valuation described."¹ Nevertheless, a system of taxation had grown up during the preceding century which was still used whenever occasion demanded it, and which remained in force practically unchanged down to 1880. In only two periods during the first forty years of the history of the state was a general property tax resorted to, and it was levied in all some fourteen years. The first use made of this tax was in 1799, when one mill was levied upon the real estate and personal property. This was continued for three years. The levy was occasioned by the fact that the state had been borrowing money from banks to meet its current expenses, and large appropriations had

¹ Schwab, *History of General Property Tax*, p. 65.

been made for the encouragement of schools, which, owing to lack of funds, had not been paid. The second occasion for the levying of a direct tax was in 1815, when the large deficit of \$155,159 appeared at the close of the fiscal year, and the rapid increase of the state's debt, which now amounted to \$1,000,000, made such a tax imperative. This tax was continued until the final payment of the debt in 1826.

The principle underlying this system of taxation seems to have been that of finding the measure of the individual's ability to pay taxes in the aggregate amount of property in his possession. It was thought sufficient that property owners should allow the assessors to see all their lands, cattle, and chattels, but no person was obliged to give in any account of any sums of money due to him or of his personal property.¹ A self-valuation, under oath, by the taxpayers was never attempted in New York, as in some of the other states.

All the defects of the system early manifested themselves, but as the tax rate was small the burden upon the people was not heavy. Either the ignorance or the good-will of the assessor always stood in the way of assessing property at its full value. In 1703 laws were passed requiring "The assessor to equally, duly and impartially make the assessments". Later, in 1764, an assessor's oath was required. "Concealment of property was always subject to heavy penalty, but was probably never enforced."² The utter impossibility of reaching the great mass of personal property became evident as soon as movable property began to increase, and as early as 1741 laws were passed to compel merchants to pay their due proportion of the tax.

The general property tax was, however, largely confined

¹ *Ibid.*, p. 63.

² *Ibid.*, p. 63.

to the towns and counties. Whenever a state tax was imposed the sum was apportioned to the various counties, and the county supervisors added this to the sums required to be raised for town and county purposes. The question of taxation was therefore largely a local matter.

The theory of the tax system was that all property ought to be taxed according to its value. This included, then, all lands and all personal property within the state, whether owned by an individual or by a corporation, with the usual exemptions of federal and state property, church and school property, prisons, almshouses and charitable institutions, the property of clergymen up to \$1,500, public libraries, deposits in savings banks and accumulations of life insurance companies, and a long list of necessary household furniture.

The statutes defined land or real estate to include not only lands but buildings, superstructures of all kinds, either above or below the surface, trees, quarries and mines. Personal property included all household furniture, moneys, goods, chattels, debts from solvent creditors, public stocks and stocks in mining corporations, and such portion of the capital of incorporated companies liable to taxation on their capital as was not invested in real estate.

(b) *The Tax System*

Officers.—At the town meetings, held on the first Tuesday in April, a supervisor, town clerk, three to five assessors, one or more collectors, two overseers of the poor and three commissioners of highways were elected. The county treasurers had charge of the collection of the sums from the local collectors and the county sheriff had power to issue warrants against delinquent collectors. The state tax officers were the state comptroller, treasurer and attorney-general.

Assessment.—Personal property was assessed in the town

or ward where the person resided. Lands were assessed in the town or ward where they were situated. The tax rolls were those of the towns and wards which were made up by the local assessors, who made a house-to-house canvass for this purpose. Since there was but one assessment roll, the amount of the tax which must be raised from the property on any roll included taxes for the support of the state government, county taxes and town taxes. The list contained four columns: in the first was listed the names of taxpayers; in the second, the amount of real estate; in the third, the full value of the real estate, and in the fourth, the full value of all personal property after deducting all debts owed by the taxpayer.

The assessment lists were open to inspection for twenty days, and any aggrieved taxpayer could, during this time, have mistakes corrected without going to court. After the lists had been forwarded to the county officials, a correction could be made only through application to the courts, either by obtaining an injunction to restrain collection or a writ of *certiorari*, in which petition the taxpayer had to set forth that the assessment was illegal on account of either overvaluation or unequal assessment, and that he would be injured in consequence. The latter provision was introduced in 1880. Up to that time no remedy existed against overvaluation of property. In the absence of fraud or the adoption of some wrong principles in making an assessment, the judgment of the assessor was conclusive. This statute has been very important in the interests of justice to the taxpayer.

The penalty for neglect to give the desired information to the assessors was a fine of twenty dollars, and for false information one was liable to a fourfold assessment. Persons not satisfied with the assessment made on their personal property could make an affidavit as to the amount they

owned and the assessors were obliged to accept this statement. It is still the annual practice in New York City for millionaires to appear before the proper authorities and have their personal property assessment reduced to a figure named by themselves, under threat to become non-residents of the state.

Valuation.—Real estate was to be assessed by the assessors at its true value as they would appraise it in payment of a just debt due a solvent creditor. A mortgage might be deducted from the debtor's personal property, but not from the valuation of the real estate. Railroads were assessed in each town on the portion lying within the town, assessed at its fair value as a portion of the continuous road. The actual working of this law was very unsatisfactory.

In assessing personal property, an attempt was made to ascertain the value of the property over and above all debts. Taxpayers were not required to furnish lists of their personal property and the practical method adopted was one of inference from their surroundings. Wills and surrogates' offices were examined, inferences were drawn from the situation of businesses and residences as given in the city directory, and partnerships were taken from the newspapers. A corporation's personal property was obtained by deducting from its paid-up capital the amount invested in real estate, in stocks of other corporations, in stocks exempted from taxation, and the amount of its capital owned by the state or other association not liable to taxation.

The listing¹ of personal property was employed for a

¹ Grand lists of personal property, April, 1799:

Oxen over 4 years, \$15.	Horses, 8 to 12, \$20.	Coaches, \$800.
Cows over 4 years, \$10.	Horses, 12 to 16, \$8.	Shays, \$700.
Neat Cattle, 3 years, \$6.	Mules, 1 year old, \$8.	Carriages, \$100.
Horses, 1 year old, \$8.	Mules, 2 year old, \$16.	Clocks, \$40.
Horses, 2 and 3 years, \$15.	Mules, 3 years, \$25.	Gold Watches, \$50.
Horses, 4 to 8 years, \$30.	Swine, 1 year old, \$3.	Other Watches, \$12.
Slaves, 12 to 50, \$100.	River vessels, 30 to 60 tons, \$500.	

few years during the early history of the state, but it never found favor in this state, and this early attempt was only an unsuccessful experiment.

Equalization.—The first provision for the equalization of taxes was the appointment by the governor of three commissioners of taxes in each county to hear appeals for wrong assessment and to equalize assessments. In 1801 this office was abolished, and the duties were transferred to the supervisors of the counties. The county supervisors constituted the county board of equalization which had power to equalize the real-estate assessments between the various towns, but it could not reduce the aggregate valuation of the county and could not revise the personal property assessment. Each county sent to the comptroller yearly the aggregate valuation of real and personal property of the county. The State Board of Equalization, consisting of the lieutenant-governor, the speaker of the assembly, secretary of state, attorney-general, surveyor-general, comptroller, treasurer, and the three state assessors, was created in 1859 to remedy the evils arising from under-assessment. It had power to increase or to diminish the aggregate valuation of real estate in any county by adding or deducting such sums as it thought necessary to produce a just relation between all the valuations of the real estate; but the aggregate valuation of all counties could not be reduced. Its revisions were also confined to real-estate valuations.

Rate.—Each year the legislature fixed the rate of tax for state purposes at so many mills on each dollar of valuation. The aggregate equalized county valuations were multiplied by this tax rate by the state comptroller, and the result was the quota of the state tax to be raised in each county. This amount was added to the amount to be raised in the county for county purposes and the total was apportioned

among towns and cities. Each town or city then added its share of the county and state taxes to its own town or city tax, which was then raised by the collector.

Collection.—The town collectors paid over the sums collected by them to the county treasurers and the city chamberlain respectively, and these in turn paid over the share belonging to the state to the state treasurer. The town collectors and county treasurers received a certain percentage, varying from one to five per cent upon each dollar collected. The assessors and supervisors received a *per diem* allowance.

The county sheriff could, on complaint of the county treasurer, prosecute the collectors for failure to pay over the money collected, and the comptroller could bring action against the county treasurer for failure to pay over the state's portion of the tax. Collectors might attach goods and chattels and sell them, and the amount over the tax was returned to the person. Taxes on real estate were a lien on the property until paid, and unpaid taxes were added to the next year's taxes. The taxes that were not paid within one year could be collected by the attorney-general, and if not collected within a certain time, the land was sold for arrears of taxes. Tax sales for arrears of taxes were made about every five years.

Practically no changes were made in the tax law until the year 1823, when an attempt was made to reach incorporated companies. The comptroller was ordered to investigate the systems of taxation of banks and corporations in other states and to report to the legislature. This report showed a variety of systems in operation, *i. e.*, Massachusetts, New Jersey and Alabama taxed banks by levying a tax of from one-half to one per cent on the capital paid in; Vermont, Pennsylvania and Ohio levied taxes of 6 per cent, 8 per cent and 4 per cent respectively upon dividends, while

Maryland, South Carolina and Georgia levied 20, 12 and 31 cents respectively on every \$100 of bank stock. The result of this investigation was the law of 1823, which included bank stock, notes, bonds and mortgages as taxable property which were to be assessed at their cash value. The cashiers or secretaries of incorporated companies were required to furnish the assessor lists giving the amount of real estate owned and the paid-up capital; the tax was to be paid by the banks, which were to deduct it from the dividends of the stockholders, but 10 per cent upon all dividends might be paid in lieu of the tax. The act provided that the tax should be divided among the counties in proportion to the amount of stock held by stockholders residing in the several counties; this provision introduced so much needless complication into the system as to render it almost impossible of successful operation. As a means of obtaining revenue for the state purposes, the provision proved a failure. In 1823 the amount collected from incorporated companies amounted to \$91,462, of which amount \$51,565 went to the counties, leaving the returns to the state only \$39,898. In 1827 and 1828 the state's share amounted to \$25,867 and \$28,980 respectively.

It is needless to say that this law was strongly opposed by the banking interests who claimed (1) that it was a violation of vested rights since they had been chartered by special acts of the legislature; (2) that it was unjust because it was a tax on credit and that nominal capital did not represent actual capital.

For years this law continued on the statute books but it was not enforced strictly, and the annual receipts from the tax on incorporated companies were only a few thousand dollars.

Local Taxation of Corporations.—Real estate belonging to corporations was taxed where it was located. Their per-

sonal property was assessed in the town or ward where the principal office was located. Corporations were taxed upon their capital, and were required to make statements to assessors and comptrollers which furnished the basis for the computation of their capital stock. Since the corporations were taxed on their capital stock, the stockholders were not taxed on their stock. From the actual value of the capital stock together with surplus profits or reserve funds there was deducted the assessed value of all real estate owned, the amount of stock held by the state and other corporations, and United States securities.

Foreign corporations were taxed upon all sums invested in business in the state. Telegraph companies were required to furnish the comptroller a statement showing the total length of their lines within each county, together with the cost of construction (meaning reconstruction cost) of their lines. Foreign fire-insurance companies were taxed on their capital, which was found by deducting losses, debts and liabilities and premiums from the aggregate of their securities, mortgages and assets. Banks were not taxed upon their capital, but their shares of stock were included in the valuation of the personal property of the stockholder in the city or ward where the bank was located. Deposits in savings banks which were due depositors, and the accumulations of life-insurance companies were not liable to taxation, other than the real estate and stocks which might be owned by the bank or company. Railroads were taxed locally with very unsatisfactory results. In 1873 the state assessor expressed the opinion that there was "no uniform rule for any road in any county and that each assessor was governed entirely by his own view." A committee, reporting on taxation of railroads in 1879, said, "In certain towns, the railroads appear to pay about one-third of the entire taxes, while the assessed valuation of 1878 varied from

\$400 per mile to \$100 per rod. In short, it is scarcely an exaggeration to say that the assessments are as unlike as the complexion, temperament and disposition of the assessors."¹

The conclusion of this committee was that the best way to tax railroads was to tax them on their real property and on their gross receipts.

The Breakdown of the General Property Tax

The question of taxation began to assume importance about 1850, and continued to be a vexing problem throughout the next three decades. Previous to the year 1842 no tax had been levied for state purposes since 1826, and the question of taxation was primarily a local issue. Beginning in 1842, taxes had to be levied to carry on the enlargement of the canal, to pay interest on the public debt, and to pay the current expenses of government.

During the half century ending with the Civil War the average state tax was about one mill on the dollar, but from this time on until 1880 the rate averaged about five mills. In 1860 the tax rate was three and five-sixths mills, yielding \$5,440,640, and by 1872 it reached the high-water mark of nine and three-eighths mills, yielding \$19,580,882. The same increase was shown in the figures for the aggregate taxation including in this the county, city and town taxes. During the decade 1850 to 1860, the aggregate taxation increased threefold, or from \$6,000,000 to \$18,000,000, and by the end of the following decade the total amount raised annually amounted to \$50,000,000. The highest average tax rate for all taxes was reached in 1872, when it amounted to 3.41 per cent, and over \$63,000,000 was raised. The per capita tax in 1850 was \$2.03; in 1860, \$4.88; in 1870, \$11.55, and in 1880, \$9.66.²

¹ C. F. Adams, *Taxation of Railroad Securities*, p. 8.

² *History of General Property Tax*, p. 82.

This marvelous growth in taxation was not peculiar to New York State, but was a general phenomenon, witnessed in most of the older states, in the national government and in foreign countries.

Governor Morgan, in 1859, called attention to the inequalities existing in the valuations of both real and personal estate, and suggested that measures be adopted to equalize these valuations. In response to this suggestion the Board of Equalization was created, composed of the commissioners of the land office and of three state assessors who were to be appointed by the governor and the Senate. This was the first attempt to correct the evils in the tax system and it failed to accomplish the result. It was found that about three-fourths of the tax was levied upon real estate, whereas personal property largely escaped. The fault seemed to lie in the methods of assessment, and in 1862 a joint legislative committee was appointed to consider the question of reforming the existing system of taxation. This committee presented a report together with a digest of the tax laws in the various states. The report was in no sense a remarkable one, and no action on the part of the legislature resulted from it. The committee contented themselves with recommending a few amendments to the present laws, but were opposed to any radical change in the tax system. We quote their conclusion which was as follows: "We are satisfied that our people are not yet prepared for a radical change in this system and it may be that we are not old enough to change it to the true principle of all taxation, namely, that all property, irrespective of ownership, asking the care of the government should pay its share of the cost of that care; we have, therefore, in the report which we present, contented ourselves with the introduction of amendments which would tend, in our judgment, to

remedy known and acknowledged evils.”¹ We note here that the true principle of taxation enunciated was the principle of benefit. Taxation was in their opinion a payment for the care and protection of the government. The evils which the committee sought to obviate were three in number and the remedies were as follows: first, they sought to allow real estate owners who paid taxes upon all their land to subtract the tax paid on mortgages from the interest or principal due upon the mortgage, and thus give the real-estate owners the same rebate as the owners of personal property; secondly, they sought to equalize the assessment of property, and thirdly, they endeavored to prevent the escape and omission of immense amounts of personal property from the assessment roll.

During the next few years the states of Pennsylvania, New Jersey and Connecticut made certain alterations in their tax laws which affected New York State by tending to lure industries and capital from New York into these other states. New Jersey exempted all mortgages from taxation in certain counties and cities contiguous to New York. Pennsylvania practically exempted personal property from taxation and all business taxes were very low. Maine and Vermont exempted manufacturing establishments from taxation for a period of years. To understand the effect of these liberal laws of the adjoining states we must remember that the general property tax fell upon everything assessable, namely, buildings, land, capital and machinery, and the tax was not infrequently duplicated; the land, machinery and buildings were taxed to the company at the place where they were situated and the stock of the company was taxed to the stockholder at the place of his residence. Thus, in 1868, in one of the New England

¹ *Report of 1862*, p. 17.

states, the aggregate of local taxes upon a corporation amounted to over four per cent upon the whole capital invested.¹

With a view to remedying these evils another tax commission was appointed by the governor in 1870 to revise the laws for the assessment and collection of taxes. It consisted of David A. Wells, Edwin Dodge and George W. Cuyler, and made its report in 1871. The two chief evils which this committee found were the inequalities in the assessment of real estate resulting from undervaluations and the escape of personal property from taxation. "In some instances in New York the valuation of real estate for taxation is reported as low as 20 per cent of its real value. In a majority of cases in the country the rate varies from 25 per cent to 35 per cent, and rises in the cities to 50 per cent and possibly 60 per cent of the maximum.

"In short, there cannot probably be found a single instance in the whole state . . . where the law as respects valuation of real estate is fully complied with and where the oaths of the assessors are not wholly inconsistent with the exact truth."² Since the state tax was apportioned among the counties on the basis of their respective valuations the competition between the assessors of the counties for the lowest possible valuation, necessarily resulted in this low and unequal valuation.

Great as were the inequalities due to under-assessment of real estate the situation was far worse in regard to personal property. In Oneida county during the twenty-seven years from 1842 to 1869 the assessed value of personal property showed a decrease of \$51,564, while the capital and surplus of the national banks in two cities of the county exceeded the whole assessed personal property of the county by over

¹ *Reports of 1871*, p. 26.

² *Ibid.*, p. 31.

\$6,000.¹ After citing other similar instances the committee concluded, "that the valuation of personal property for purposes of taxation generally, and in New York especially, is a mere semblance and a libel upon the intelligence and honesty of both those who enact and those who administer the laws."²

The actual assessed value of personal property in 1870 was \$434,000,000, whereas the commission found from a computation of capital stock and securities held by banks, railroads and insurance companies that the sum was not far from \$1,665,000,000. In a debate in the legislature it was stated that there were thirty men in the state whose aggregate wealth would exceed the total assessed valuation of property.

Two remedies for the evils were suggested by the commission, either to amend and strengthen the existing system, or to construct a new system. Under the first plan the commission made the following recommendations: "(1) That a central authority be created, consisting either of a single commissioner or a board of commissioners of taxes. (2) That the listing system should not be used. (3) That intangible property should be exempted from taxation. (4) That debts should be exempted in full. (5) That mortgages should be free from taxation. (6) That savings banks should be exempted. (7) That corporations should not be taxed as long as it was possible to do without their aid, since such a tax would raise the cost of production."

For the adoption of a new system of taxation the following recommendations were made: "(1) That all corporations, monopolistic in nature, should be taxed. (2) That a central body should be constituted in order to supervise administration. (3) That railroads should be separated

¹ *Ibid.*, p. 37.

² *Ibid.*, p. 38.

from the minor divisions and be assessed only by the state. (4) In order to reach personal property two plans were submitted: (a) tax the houses and buildings as real estate separately, assuming that they were worth one-half of the total value of the land plus building, and then tax the houses and buildings on a valuation of 50 per cent of this additional, as a representative of its valuation of personal property; (b) tax buildings conjointly with land as real estate and then tax the occupier on a valuation of three times the rental value of the premises. (5) A limit should be placed upon the rate at which taxes might be levied in one year. (6) Persons were granted the privilege of complaining against unjust assessment to the tax commissioner.”¹

The commission submitted the report with the desire that no action be taken immediately so that the people might consider the effect of such a change in the tax system. The following year a second report was submitted, covering much the same ground and to it was attached a code of laws for the valuation and assessment of real and personal property. The important recommendations of this report were the following: (1) That the occupier of buildings should be taxed on a valuation of three times the rental value. (2) That county boards of supervisors should be prohibited from levying a tax, without special authority from the legislature, on any town in excess of one per cent, or in any ward or city in excess of two per cent of the total valuation on the assessment roll. (3) That as few things as possible should be taxed. We quote from the report as follows, without, however, vouching for the validity of the principle:

“The one principle in taxation which the civilized world after years of experimenting has gradually come to accept as fundamental, is to tax but a few things, and then to leave

¹ Chapman, *State Tax Commissions*, pp. 39-40.

those taxes to diffuse, adjust and apportion themselves by the inflexible laws of trade and political economy.”¹

The able report of this commission resulted in no legislative action. The only practical result was an increase in assessed valuation for a few years. In 1875 the state assessors pointed to the net increase of \$198,000,000, in that year over the previous year, as an evidence of progress in the right direction. One objection to the full assessment was that it would lead to extravagance. In 1876, however, the assessors report an increased assessment of real estate of \$625,000,000, but the personal property assessment decreased \$39,000,000. It is interesting to note in the light of future events that in 1876 the assessors in the city of Buffalo set the example of assessing each lot in the city separately from the house or building upon it.²

A commission of three members was appointed in 1880 to devise revenues for the state government by a special tax on corporations and particular classes of business, and thereby to limit the general taxes to be imposed in the local communities exclusively for the support of local government. The following bills were presented: (1) To exempt vessels registered in New York owned by American citizens or corporations from taxations; (2) To tax moneyed capital (foreign) engaged in the business of banking, receiving deposits or otherwise; (3) To provide for the assessment and collection of taxes on trust companies and other companies of a like nature doing a similar business; (4) To provide revenues for the state by a tax on collateral inheritance, and on corporate trust mortgaged securities; (5) To provide revenue for the state by a special tax on certain sales called the “Broker’s Bill”; (6) To tax savings banks and

¹ *Report of 1872*, p. 47.

² *Annual Report of Assessors, 1877*, p. 28.

savings institutions; (7) To tax life-insurance companies. They recommended that the laws be codified and be made more explicit, so as to reach the escaping property and that the exemption of indebtedness should be abolished or made equal and uniform as to every other kind of property.

Many of these recommendations were embodied in laws passed during the next few decades.

Conclusion

The general property tax worked fairly well as long as the taxes were small in amount and as long as the greater portion of wealth consisted in land and buildings. When the burdens became heavy, however, and intangible property had accumulated in large proportions it could no longer be maintained with any degree of justice. Many difficulties were inherent in the system, such as under-valuation, which resulted in unequal assessment, the impossibility of assessing invisible or intangible personal property, and the impracticability of applying the system to large industrial corporations whose business extended throughout the state and neighboring states. Aside from these defects inherent in the system, the chief cause for the breakdown of the general property tax was found in the rapidly-increasing expenditures for local purposes.

An investigation in 1845 showed that of the 738 towns in the state, 695 were entirely free from debt and 43 towns had contracted debts to the amount of \$37,263, which debts were usually for bridges and of a temporary character. Commenting upon these facts, the comptroller said, "It is most gratifying to perceive that nearly all the towns of the state adopt the salutary and saving policy 'to pay as they go'. In this particular the golden rule established by the towns is not only worthy of the approval of every friend of economy, and a sound system of finance, but of imitation

by the common councils of cities and by the state government." ¹ The aggregate debt of the 65 cities and villages reporting amounted to \$15,137,204.

This condition did not continue long, and during the latter sixties the towns and counties increased their debts and tax burdens to pay bounties, to construct bridges and roads and to subscribe to railroads. The total amount of local indebtedness in 1867 amounted to \$89,081,036, which was nearly twice the amount of the state debt.

In 1880, the total indebtedness less sinking-fund assets of the cities, towns, villages and boroughs of the state amounted to \$179,449,592. ² The total debt of the state for the same year was only a little over eight million dollars, so that in the thirteen years, 1867 to 1880, the local indebtedness had doubled and had increased from twice to more than twenty times the state debt.

Between the years 1827 and 1887 the local taxes increased fourteen times while the state revenues increased but seven times. In most of the older and more highly-developed parts of the country the same relative increase in local expenditures is noted. One of the chief reasons for the movement toward the separation of the sources of revenue for state and local purposes was the desire to limit the interference of the legislature in local affairs and to enlarge the province and increase the independence of the local subdivisions.

The inherent weakness of the system has already been described. It simply failed to work. All attempts to perfect it, by making the laws more strict and by insisting upon a more rigid enforcement of the law, failed to achieve the desired result. Each year showed a decrease in the assessed valuation of personal property, and yet it was appar-

¹ *Annual Report, Comptroller, 1845, p. 51.*

² *U. S. Census, Wealth, Debt and Taxation, 1902, p. 502.*

ent on all sides that personal property was being accumulated as never before in the history of the world. "In 1869 the real estate contributed 78 per cent of the public revenue, and personal property paid 22 per cent; while in 1879, real estate paid 88 per cent and personal property 12 per cent of the whole tax.¹ In 1880 the aggregate valuation of real and personal property was given at \$2,637,000,000, whereas the estimated aggregate of personal property alone owned in the state, and liable to taxation, was \$2,085,000,000.² The fact was that profits now constituted a larger source of income than rent, and yet they escaped taxation altogether. The economic situation demanded a change, and a new system adapted to these changed conditions developed after the year 1880.

¹ *Taxation of American Cities*, p. 176.

² *Ibid.*, p. 181.

CHAPTER VIII

REVENUES (CONCLUDED)

REVENUES OF EARLY PERIOD

Auction Duties

THE auction duties resulted from a tax imposed upon the sale by auction of wines and spirits, whether domestic or foreign, and all goods, merchandise and effects of foreign production imported into the state.

This system of collecting duties on goods sold at auction was in operation as early as 1784, when a duty of two and one-half per cent was levied. In 1801 an additional duty of \$1.00 per one hundred dollars was imposed upon goods sold in New York City, and this additional amount raised went to the support of the foreign poor in the city. Auctioneers were required to take out a license, to give a bond, and their charges were limited to two and one-half per cent of their sales.

In 1817, the system was changed and the auctioneers instead of being licensed were now appointed by the governor and the Senate. The rates were also reduced to one and one-half per cent on the majority of goods. This continued down to 1838, when the privilege was again extended to every person giving the requisite bond and depositing it with the comptroller.

From 1817 to 1835, the receipts from this source were diverted to the canal fund, and during this period \$3,592,-039 were collected and so diverted. During the early years this source furnished from one-fifth to one-sixth of the total

revenue of the state. In 1810 it amounted to over \$100,000, and by 1825 it amounted to over \$200,000.

In 1846, the rates were much reduced, and a few years later much complaint was made of a falling-off in the revenue owing to the fact that true returns were not made or that persons not authorized to sell goods exercised the privilege without paying the tax to the state.

The revenue from this source showed a marked decrease beginning with the year 1868, when it amounted to \$191,619, and by 1879 it amounted to only \$38,408. The decrease continued until in 1893 only \$394 was received from this source. The decrease was due to the evasion of the law on the part of licensed auctioneers, both by withholding the duties collected and by selling privately goods subject to auction duties.

Steamboat Tax

From 1817 to 1823, a tax was imposed upon steamboat passengers, traveling on steamers plying upon state waters. In 1821, the tax was assumed by the steamboat companies and was commuted in a fixed payment of \$5,000 a year. The tax was discontinued after 1823. The total amount raised was \$73,510, all of which went into the canal fund.

Peddler's License Tax

The peddler's license tax was imposed upon itinerate hucksters and peddlers, the tax varying in amount, depending upon whether the traveling was on foot, with a one-horse wagon, or a team and wagon. As a source of revenue it was insignificant and never exceeded \$3,500 in any year. It yielded \$60 in 1910.

Lotteries

If the statesmen of the early period of the state's history

were slow to raise revenue by imposing a direct tax upon the people, they found another means which was quite as effective and better suited to the temper of the times. The method of raising money by lotteries became immensely popular and was largely used during the first quarter of the century. The reason for this lottery craze, which was by no means confined to New York State, has been well summarized by McMaster, who says, "The funding act of 1790 was highly popular in the Northern and Eastern states, because here the greater part of the army had been maintained and here tens of thousands of farmers, tradesmen and merchants had come into possession of certificates in final settlements. In a moment they found themselves in possession of valuable Government script. A rage for speculation sprung up of which one phase of this mania for speculation was the lottery craze. Money grew easier and plentiful, even the poorest laborer in the ditches was enabled to gratify his taste for speculation by venturing a few shillings in a part ticket in one of the hundred lotteries for schools, bridges, roads, churches, etc." As early as 1783 private lotteries were declared a nuisance in New York and ordered to be suppressed; in 1790 and 1795 local bills were passed allowing New York City to raise sums by lottery for erecting a hall for the use of the U. S. Congress and for a building for the poor. Two years later the state definitely entered upon the policy of authorizing lotteries to be drawn for state purposes; numerous acts were passed under the high-sounding titles of "an act for opening and improving roads," "an act for the encouragement of schools," "an act for the promotion of literature," etc. These state lotteries were in the hands of managers appointed by the legislature who conducted the lotteries, collected the funds, paid the prizes and turned the receipts over either to the institution for which the lottery was

drawn or to the treasurer. These managers received 14 per cent of the returns as compensation and for defraying all necessary expenses. The treasurer's reports of the period fail to reveal the large sums collected in this way since a large percentage of the receipts from lotteries did not pass through the treasurer's hands at all. It would be exceedingly difficult to state all the acts of the legislature regarding lotteries and the sums raised, since one lottery was often suspended to make room for another and the money originally appropriated was raised by a subsequent lottery. In 1819 an assembly committee was appointed to report upon the sums raised by lotteries. The following table is taken from this report: ¹

<i>Sums actually raised by 1819</i>		<i>Sums to be raised</i>	
<i>Purpose</i>	<i>Amount</i>	<i>Purpose</i>	<i>Amount</i>
Roads	\$109,100	Union College	\$284,000
Hudson R. Improvement.	108,000	Historical Society	12,000
Literature	62,641	Reimburse S. Treas.	100,000
Union College	111,338	All others	165,791
Common schools	37,500		
Botanical Garden	74,268	Total	\$561,791
Board of Health	25,000		
Charity	20,000		
Sag Harbor	5,000		
Capitol building	32,000		
	<hr/>		
Grand total	\$584,847		

The losses sustained by the state through fraud or incompetent management of lotteries amounted to \$68,664, so that the net result to the state in 1819 was \$516,183, and there was yet to be raised \$561,791.

Since adjoining states also authorized lotteries it became necessary to forbid the sale of outside lottery tickets within the territory of the state. It was almost impossible to en-

¹ *Assembly Journal*, 1819, p. 906.

force such a law and furthermore it was doubtful whether the state had a right to enforce such a law. A test case arose on this point between the District of Columbia and the state of Virginia. Congress had in the act of incorporating the city of Washington authorized the raising of money by lotteries to effect important improvements. A lottery was accordingly created and the Cohens who were the managers were indicted for selling tickets in Virginia under a law of Virginia which prohibited all persons from buying or selling outside lottery tickets. The state courts decided against the Cohens and the case was taken up to the Supreme Court where the state court decision was affirmed. Since then lottery tickets of the District of Columbia authorized under Federal laws could not be sold in other states contrary to existing laws, it was clear that states could not authorize the sale of their tickets in other states. In addition to this lack of enforcement of lottery laws other evils connected with this system of legalized gambling soon became apparent. Among these evils were: (1) That lotteries were gaming of the worst sort, a theory based upon the consideration that ninety adventurers in a hundred must lose in order that ten might gain; (2) That tickets were manufactured in fictitious lotteries and sold, that halves and quarters of tickets, representing the same number, were multiplied indefinitely both in real and in fictitious lotteries, thus imposing upon ignorant and deluded purchasers; (3) That they were seductive and infatuating; and finally (4) that fraud and trickery often occurred in drawings which were presided over by the state officers. This agitation resulted in the insertion of an article in the Constitution of 1821 (Art. 7, Sec. 11), providing that no lottery should hereafter be authorized in the state, and in 1822 an act was passed limiting the continuance of lotteries and requiring that they be turned over to

the management of the institutions for which they were appropriated. The trustees of Union College, who were to be the largest beneficiaries, now bought up most of the lottery grants made to other institutions, but in 1823 they sold their interest in them to Messrs. Yates and McIntyre for \$276,901. These gentlemen now bought up all the remaining lottery grants and eventually became proprietors of all the lottery grants authorized to be drawn in the state. Public opinion now thoroughly aroused became impatient of delay, and in 1829 a legislative committee on the subject of lotteries recommended the repeal of all laws authorizing lotteries and the payment of all outstanding grants out of the treasury. This was not done, but a compromise was accepted whereby Yates and McIntyre agreed to relinquish all rights that they had purchased if they should be allowed to continue the drawing unmolested until 1835. Finally, in 1833, these gentlemen signed an agreement relinquishing all right to draw lotteries, and thus was terminated New York's experience with lotteries as a fiscal measure.

Proceeds from Salt Works

The Onondaga Salt Springs were ceded to the state in 1795 by the Indians for \$1,000 and annual royalties of \$100 and 150 bushels of salt. In 1797 a superintendent was appointed, and the tract was divided into ten-acre lots and leased to individuals, requiring each lessee to manufacture ten bushels per year and four cents per bushel was charged. In 1803 the duty was fixed at three cents, but was raised to twelve and one-half cents in 1817. At this time New York salt was selling for \$2.00 a bushel, whereas salt from the springs in other states sold for \$4.00 to \$7.00. It was confidently expected and predicted that the New York works would supply the valley of Ohio and Mississippi with salt and that an increasing revenue would be derived. From

1817 to 1836 the proceeds were diverted to the canal fund, during which time \$2,055,458 was collected.

The constitution of 1821 provided that the duty of twelve and one-half cents per bushel should not be reduced until the canal debt was paid. This attempt to control economic forces by laws could not but fail. In consequence, however, of a reduction of one-half of the duty on foreign salt by Congress, the state had to amend the constitution, this time fixing the minimum rate on salt at six cents per bushel. A law of the following year fixed the duty at this minimum rate.¹

In 1825, owing to a dispute among the manufacturers concerning the priority of their rights to the water supply, the state took over all the machinery, wells and pumps, and distributed the supply among the manufacturers. In 1840, the canal board authorized a drawback of three cents per bushel on salt shipped outside of the state. The board later rescinded their act as being in conflict with the constitution, but the legislature overcame the difficulty by passing a law² authorizing direct payments of bounties from the general fund as an equivalent for the drawbacks previously granted. The effect of this law was to cause a marked increase in the amount of salt manufactured, as shown by the following table:

<i>Year</i>	<i>Amount Delivered</i>	<i>Bounty Paid</i>
1843	844,285 bushels	\$46,479
1844	2,071,882 bushels	91,639
1845	2,671,434 bushels	99,380
1846	909,981 bushels	16,837

The operation of the bounty met with much opposition. It produced a situation whereby an inhabitant of Massa-

¹ *Law 1834, chap. 10.*

² *Law of 1843, 229.*

chusetts could get Onondaga salt cheaper than an inhabitant of the state, while the inhabitant of the state had to pay annually his proportion of the bounty which went to a few manufacturers.¹ It was agreed that it was "more just and equal to support the government by general assessment on property than by a tax on salt, which was an article of necessary consumption to every family in the state,"² and so the bounty law was repealed, and the duty on salt reduced to one cent per bushel. The receipts given in the comptrollers' reports represent gross receipts and not net receipts. One cent per bushel is charged on each bushel of salt inspected and in addition a small amount is received from rents, penalties and sales.

The fond hopes of the early promoters of this industry were doomed to disappointment. As a means of enriching the state, the salt works never contributed more than a few thousand dollars annual net revenue. The maximum net revenue paid was in 1862, when it amounted to \$49,696.³ The total net revenue from 1795 to 1886 amounted to \$4,375,664, so that it is safe to say that the total net revenue derived from the salt works from the beginning in 1797 to the present time is probably less than \$5,000,000.

Income from State Funds

During the first three decades of the state's history the income from state funds amounted to from one-third to one-half of the total receipts. The state's funds which consisted largely of the funded debt of the United States and the proceeds of the sale of the public lands, were invested in bank stock, in canal companies, and loaned to counties and individuals. In 1810 the amount thus invested

¹ *A. R. Comp.*, 1846, p. 40.

² *Ibid.*, 1845, p. 42.

³ Ely, *Taxation in American States and Cities*.

was \$4,191,803, and the annual revenue amounted to \$283,000, of which \$33,000 was received as dividends on bank stock owned by the state. By 1835 the state had disposed of most of its funds and consumed the proceeds in paying current expenses, and since that time the income has been simply the interest on balances on deposit at the state depositories. In 1912 the interest on deposits amounted to \$321,481.

Proceeds from Public Lands

During the years 1790-1795 the proceeds from the sale of public lands amounted to 50 per cent of the entire state revenue. The greatest amount received in any single year was in 1792, when \$325,000 was received out of a total revenue of \$595,500. It was thought that a fund would accumulate from this source which would relieve the people of the burdens of taxation for the support of the government. No such fund, however, was allowed to accumulate. With the changed policy of the state regarding her public lands, instead of being a source of revenue, they have become a source of expenditure. The taxes alone paid by the state on its lands amounted to \$158,663 in 1911. Thus it is clear that the amount included under this heading is a nominal receipt only and does not represent a net revenue to the state from her public lands.

Fees and Fines of Public Officers

The receipts from these sources were very small, rarely exceeding a few thousand dollars for a hundred years. In the last two decades, however, there was such a remarkable increase that by 1912 over one million dollars was derived from these sources. The office of the Secretary of State is the largest contributor. Next in order come the receipts of the Conservation Department, yielding \$282,212. The

license fees under the Department of Agriculture amounted to \$33,420, while in addition there were collected as fines under agricultural laws \$39,649. Fees from notaries throughout the various counties yielded \$76,106.

Proceeds from State Institutions

The receipts from this source were practically a negligible quantity, rarely exceeding \$1,000 a year down to the year 1854, when the prison receipts were incorporated in the annual receipts of the state. Up to this time the annual reports from the state prisons were submitted to the comptroller and attached to his report in the form of appendices. The receipts as given in the reports did not represent the net receipts over and above all expenses of maintenance, but were simply the gross receipts from the sale of manufactured goods and other sources of revenue. During the decade 1870 to 1879 the average yearly excess of payments from the treasury over receipts from the state prisons was about \$450,000. The prison law now provides for a prison capital fund which consists of the proceeds of the labor of the prisoners and the sale of manufactured articles, and a convict deposit and miscellaneous earnings' fund. Whenever, in the opinion of the comptroller, the fund exceeds the amount necessary for the proper operation of the prison industries, he may withdraw moneys and transfer them to the general fund.

The receipts from the various state charitable institutions and insane asylums vary in amounts from a few dollars to several thousand dollars a year for each institution and swell the total to several hundred thousand dollars. The receipts from the institutions for the insane, under the supervision of the Commission in Lunacy, amounted to \$575,603 in 1912. The New York State Hospital for Tuberculosis contributed \$65,000, and the New York State

Reformatory \$46,000. The total receipts from the various state institutions amounted to \$860,807 in 1912.

Fees

(a) *Bank Department.*—The general banking act of 1838 provided that, for paying the expenses incurred by the comptroller by virtue of that act, he should charge against the bank applying for circulating notes such rate percent thereon as might be sufficient for that purpose and as might be just and reasonable. When the bank department was organized, all expenses incurred in conducting the business of the department were to be paid by the incorporated banks on whose behalf the expenses were incurred. The special services performed for any particular bank, such as that of incorporation, examinations, issuance of new bills or destruction of old bills, were charged to the particular bank for which they were performed, and all other expenses were charged to all the incorporated banks “in such proportions as the superintendent should deem just and reasonable.” The superintendent was appointed by the governor for three years at a salary of \$5,000, and he was required to execute a bond to the amount of \$50,000. A salary of \$1,000 was paid by the bank department to the treasurer for his services in countersigning notes issued by the superintendent. The superintendent now receives a salary of \$7,000, and three deputy superintendents are now necessary to carry on the work. The total expenditures of this department for 1912 were \$195,317, of which the expenses of bank examiners contributed the largest item. The amount contributed by the banks during the year 1912 amounted to \$252,307.

(b) *Insurance Department.*—This department was established in 1859. The superintendent is appointed by the governor for three years at a salary of \$10,000, and he is

also required to furnish a bond. The expenses of examining insurance companies are first paid out of the treasury, and this sum is later reimbursed by the institutions examined on presentation of the bill, certified by the superintendent or comptroller. The following fees are payable by the insurance companies. For filing declarations or for certified copy of the charter, \$30; for filing annual statement, \$20; for each certificate of authority a sum not exceeding \$5; for every copy of paper filed in the superintendent's office, ten cents per folio, and for affixing the seal of said office, \$1.00. In case these fees do not cover the expense of the department, the superintendent is authorized to assess *pro rata* upon all the insurance companies of the state the excess of such expenses, and he is empowered to collect these assessments. No transfer of stocks, bonds or mortgages is valid unless countersigned by the treasurer, and for this service he is to be paid annually \$250 from the insurance department. Foreign fire-insurance companies are subject to taxation on their gross premiums at the rate of \$2.00 per \$100, and this is to be paid to the treasurer of the fire department in the cities where they are located. The total fees collected in 1912 amounted to \$689,269.

(c) *Railroad Tax*.—The salaries and expenses of the State Railroad Commissioners were to be paid by the several railroad companies of the state in proportion to their gross receipts. The comptroller was to notify each company of the amount due December 1st, and the sum must be paid before December 31st. The Board of Commissioners was abolished in 1857, but the same assessments continued to be made as before. The tax was used to cover the expenses of the R. R. Commission established in 1883. In 1907, the R. R. Commission was abolished and the work of the commission was transferred to the Public Service Commission.

Subventions from United States Government

Beginning in 1890 and continuing down to 1912, the United States made annual contributions to the Soldiers' and Sailors' Home and Women's Relief Corps Home. The amounts varied from \$72,000 in 1890 to \$208,000 in 1906. The amount contributed in 1912 was \$179,120.

United States War Claims

From time to time, as the accounts between the state and the United States were adjusted, the United States government paid over sums to the state. The United States direct tax levied in 1861 amounted to \$2,213,331, and this was refunded to the state in 1891. In 1910 the United States reimbursed the state of New York to the amount of \$49,542 for ordnance furnished troops for use in the war with Spain.

The New Tax System

The decade following the year 1880 witnessed a marked change in the methods of taxation in this state. The reforms brought about were almost revolutionary in character. Down to 1880, the general property tax remained almost the sole source of revenue. Of the total general fund receipts in 1881 of \$8,700,000, the general property tax contributed \$6,300,000. For years the difficulty of reaching personal property, by means of the general property tax, had been recognized, but this fact only served to stimulate efforts toward a more rigid enforcement of the old system. The need for revenue caused the state to cling tenaciously to the system long after the injustice and impossibility of enforcing such a tax was recognized. The numerous tax commissions and investigating committees had pointed out the unsatisfactory workings of the system, but no attempt had been made to face the problem squarely

and solve it. The introduction of the tax on corporations, in 1880, was the entering wedge in the breaking down of the old system. The large amount of revenue received for this source revealed the possibilities of a new system of taxation. This was soon followed by the tax on inheritances and a tax on the organization of corporations. These taxes relieved the strain on the general property tax, and now for the first time it became possible to pay more attention to justice and equality in taxation.

The rapidly-increasing expenditures of the state caused it to resort continually to newer forms of taxation. In 1882, the total expenditures from the general fund, not including contributions to sinking fund, were \$7,890,000, and in 1912 the total expenditures for similar purposes were \$50,036,000, making an increase in the *per capita* expenditure from \$1.55 to \$5.49.

In 1893, the joint committee of the Senate and Assembly reported as follows regarding taxation: (1) That state and local revenues should be separated. (2) That powers of assessors be increased. (3) That listing should not be used. (4) That personal debts be kept from assessed valuation of property. (5) That a tax of one-half of one per cent be placed on mortgages. (6) That an income tax should not be introduced. (7) That local option should be opposed. (8) That a graduated inheritance tax be levied. (9) That every foreign corporation should pay a tax of one-eighth of one per cent on its capital stock. (10) That corporations be subject to a franchise tax of one-fourth of a mill upon each one per cent of dividends, if dividends exceed six per cent.¹

Many of these recommendations were enacted into law during the course of the next few years. In 1896, a liquor

¹ Chapman, *State Tax. Com.*, pp. 43-45.

license tax was inaugurated. In 1905, a mortgage-recording tax of five mills was imposed, and as a concomitant of this new tax law mortgages were exempted from all local taxes. A tax of two cents on each share of stock of \$100 face value was introduced in 1905, and was known as the stock-transfer tax, since it was not a tax on property but upon its transfer. From 1888 to 1910, a tax on racing associations was imposed, but this was repealed by law of 1910. The most recent taxes have been the tax upon motor vehicles imposed in 1910, and the secured debt tax of 1911.

The result of these developments has been that out of a total revenue of fifty millions in 1912, these so-called indirect taxes contributed thirty-nine millions to the annual revenue.

These sources were so productive that no direct tax was imposed upon the real and personal property for general state purposes from 1902 to 1910, except a small tax for court expenses. Not only were the regular annual expenses defrayed in this way, but the annual contributions to both the sinking funds and the support of common schools were paid out general fund revenues instead of being raised by direct tax levies as formerly. The yearly increasing charges to sinking funds, however, which resulted from the continued issue of bonds for canal and highway improvement purposes, led to the reimposition, in 1911, of a direct tax of six-tenths of a mill. This has again brought into prominence the old question of equalization of taxes.

Some have suggested the entire abolition of all taxes upon personal property. Others favor the local-option plan of permitting each county to decide whether it should exempt personal property or not? The danger of this plan is that counties which do not exempt personal property will be deprived of an important source of taxation. The plan which now promises a satisfactory solution of the prob-

lem is the apportionment of the state tax among the various counties on the basis of revenues raised locally rather than on the basis of aggregate valuation of property. The best solution would seem to be a rigid adherence to the policy of separation of the sources of state and local revenues. Leave the tax on real estate to the local subdivisions and allow the state to secure its revenue from the so-called indirect taxes. If this plan were carried out, it would eliminate the necessity for equalization of county valuations which has hitherto been a feat impossible of accomplishment.

The new system has been in many respects an unqualified success. It reaches the great mass of intangible wealth which almost wholly escaped under the operation of the general property tax and it secures a fair amount of justice and equality in the taxation of corporations. One advantage which was not foreseen at the time of its adoption is the fact that the taxes on the different classes of corporations are payable at different periods of the year, and that as a consequence, by a proper adjustment of the dates, an even and continuous stream of revenue is afforded.

The theory of the new system is that different kinds of property should be taxed by different methods, but that all property of a similar kind should be similarly taxed. A single property tax would not succeed in making the propertyless man with a large income pay any taxes. A single income tax would not reach the large landholder who might derive no income from his possessions. The attempt to tax all property in the same way produced injustice and inequality. The new method attempts to adjust the tax system to the differentiation in property which has taken place, which is the only way that justice and equality can be secured.

Tax Administration.—The office of State Assessor was

abolished in 1896 and a State Board of Tax Commissioners created. This board has control and supervision over the local officials in their assessment and collection of taxes, and collects statistics showing the aggregate valuations of real and personal property, the amount of property exempted from taxation classified as to location and as to use. It has charge of the equalization of assessment, which was formerly done by the State Board of Equalization. The rule adopted in this work is as follows:

“First, the ratio or percentage which the assessed value of the real property in each district bears to its full value is established by the board upon proper inquiry and investigation conducted by it. Second, from such ratio or percentage value the board then determines the aggregate full value of all real property of each district by dividing the assessed value thereof, by the ratio or percentage value as ascertained and fixed for that district. Third, the average rate of assessment of the real property in the county is then determined by dividing the aggregate assessed value of the real property in all the tax districts by the aggregate full value thereof as ascertained in the manner aforesaid. Fourth, the true equalized value each tax district is then determined by multiplying the full value of each real property in that tax district by the average rate of assessment for the county. Fifth, deduct from or add to the assessed value of the several tax districts the difference between the assessed value and the equalized value as so ascertained so that the amount which the respective tax districts are increased or diminished from the assessed value will be shown and the total assessed value for the county will not be increased or decreased.”¹

In 1911, the law governing local assessments was radically changed. The assessment roll was made to consist of three parts: one for real estate, one for personal property,

¹ *Laws of 1911*, chap. 801.

and one for special franchises and rents reserved. The name of the owner was no longer essential to the validity of an assessment, provided the property was described with sufficient detail to identify it. Assessments were to be made against the land itself and not against the person, and the old distinction between resident and non-resident was abolished. Assessors were authorized to adopt tax maps for the district, and lot and block numbers were declared to be valid descriptions. Property of corporations was to be assessed in the same way as that of individuals.

Another important change was made in the assessment rolls in cities where buildings were to be assessed separately from the land. In one column there was set down the value of the real property and in another column the value of the land exclusive of buildings. The total assessment only can be reviewed. This law extends the plan of assessment by lot or block, which had been employed in New York City since 1904, to the local assessment throughout the state, and lays the foundation for great improvements in assessment. It will prevent errors and voidable assessment and simplify the collection of taxes.

In 1912, the exemption for personal effects and household furniture was raised from \$250 to \$1,000.

Special Franchise Assessments.—One of the most important and at the same time the most difficult duties of the State Board of Tax Commissioners is the assessment of franchises. The law of 1899 made taxable the value of the privilege of maintaining wires, tracks, pipes, etc., in public highways, and directed this board to assess such value. The state board at first made the assessment at full value, but the courts held that the corporations were entitled to have the amount reduced to the same percentage of full value at which ordinary real estate was assessed. Since neither the state board or local assessor had power to make such re-

duction, the matter had to be taken to the courts in each particular instance and the result was endless litigation. Recently the state board has been given power to equalize the special franchise assessment, which will do away with much of the former litigation. In January 1st, 1910, there were 1,443 cases of contested valuations in litigation amounting to \$1,106,150,621.

The valuation of the special franchise is one of the most perplexing questions that the state board has to solve. The general rule adopted is to ascertain the value of the franchise through a capitalization of the net earnings. This "is arrived at by deducting from gross operating revenues all operating expenses, including taxes and a fair return on the value of all tangible property used in connection with the franchise and an amount annually in excess of ordinary maintenance sufficient to meet the permanent depreciation of the property."¹ In deducting taxes it would seem that the board has fallen into an error, and that the state is a loser to that extent. There is no reason why a corporation should be allowed to deduct taxes in arriving at its net earnings. This would appear clear if the tax were an income tax for it would then be seen that taxes are to be paid out of the net income of corporations just as out of the net income of individuals; and while in both cases they are a necessary expense yet they should not be deducted in arriving at the net income. The Interstate Commerce Commission has applied the rule correctly and does not allow the deduction of taxes in arriving at the net taxable income. It is to be noted, however, that, in the new Federal income tax, taxes are deductible from gross income for both individuals and corporations.

Other problems which await solution are such questions

¹ *A. R. State Board of Commissioners, 1909, p. 5.*

as these: what constitutes legitimate operating expenses and what rate of capitalization should be employed in a given case; shall expenditures for legal services in fighting special franchise valuations or losses resulting from bad management be counted as necessary operating expenses; what is the proper sum to be allowed in a given case?

A terminable franchise becomes less valuable as years pass by. Again some municipalities granting franchises place burdens upon the corporations, such as the requirement to keep the streets sprinkled or to pave a certain portion of the street. One criterion which has been proposed is that the value of the privilege to occupy the streets for business purposes be at least equal to the fee value of the land occupied, that is, equal to the value of the privilege of occupying similar lands outside the street for similar purposes.

The Corporation Tax

The legislature of 1880 inaugurated a system of taxing the corporate franchises of the state which was to have far-reaching effects on the financial history of the state. The system was largely adapted from Pennsylvania, which had had a similar system in operation for eight years. Although the state profited by the experience of the sister state, yet its operation would have met with serious retardation had not the combined efforts of the legislature, the courts and the comptroller's office been continually exerted to make it a success. The law authorized the comptroller to levy and collect the tax from certain corporations "incorporated under the laws of this state or incorporated under the laws of any other state or country, and doing business in this state."

During the first year the amount collected was only \$141,127. Several ambiguous and contradictory expressions in the

law were corrected the following year, and thus amended, it formed the basis of one of the most important sources of revenue for the state. The estimated annual revenue was placed at \$2,000,000. By 1896, it had reached this figure, and in 1912 the annual revenue amounted to over five times this sum. The reception accorded to the law at first was not unduly hostile. Comptroller Davenport, in 1884, wrote, "It is but fair to state in this connection that the corporations have generally responded without cavil, and the points at issue before the courts are not suggestive of factitious opposition."¹ Nevertheless, it is not to be supposed that all the corporations submitted without opposition. The history of the operation of the law is the history of this long and vigorous opposition prosecuted through the courts. During the early period the decisions of the courts were as a whole favorable to the state. Where they were unfavorable, the law was immediately changed to overcome the difficulty, and the result of legislation and judicial decisions working hand in hand was to produce an effective law.

The law imposed an annual tax upon the franchise of every corporation, joint stock company or association, doing business within the state, to be computed upon the basis of the amount of its capital stock employed during the preceding year. Section 1 provided that the corporations should make reports to the comptroller on or before November fifteenth, and prescribed the character of these reports. Section 2 prescribed the penalty for failing to make proper reports, which was an additional tax of 10 per cent, and forfeiture of charter at the discretion of the governor. Section 3 provided for the following exemptions: banks and institutions for saving, life-insurance companies, foreign insurance companies, and manufacturing or mining cor-

¹ *A. R. Comptroller*, 1883, p. 28.

porations carrying on manufacturing or mining within the state. The exemptions did not apply to gas or trust companies. The tax was to be one-fourth of a mill for each one per cent of dividends upon the capital stock of every corporation declaring dividends of six per cent or more, and upon those not declaring any dividends, or declaring less than six per cent, the tax was to be one and a half mills upon each dollar of the capital stock. The tax was payable between January 1st and the 15th. Section 5 provided for the taxation of insurance companies, both domestic and foreign, with the exception of life-insurance companies and mutual-benefit associations. These were to report on August 1st, and the tax was to be eight-tenths of one per cent on the gross amount of premiums. Section 6 imposed a tax of five-tenths of one per cent upon the gross earnings of transportation, telephone, and telegraph companies. These companies were required to pay the tax on August 1st. All corporations were exempted from taxation for state purposes, except upon their real estate, but they were still liable to the local taxation on both real and personal property. The revenue was made applicable to the ordinary current expenses of the state.

The rates of the general corporation tax were further differentiated in 1901, being fixed at one-fourth, three-fourths or one and one-half per mill, respectively, according to the amount of business and the character of the enterprise.

The first difficulty encountered in the enforcement of the law was the task of getting a correct list of the corporations. The first year only 643 corporations were on the list. The department worked hard and faithfully to add new corporations to the list, and the number increased year by year.

In 1893, a law was passed which was of great assistance to the corporation bureau. It required all foreign corpora-

tions to secure from the secretary of state a certificate showing that they had complied with all the requirements of the law before they could do business in the state. Before this certificate was granted, certain papers had to be filed, including a copy of the charter. By examining these papers filed with the secretary of state, the comptroller was able to obtain the names and places of business of a large number of corporations which had heretofore escaped taxation. Two years later, Comptroller Roberts undertook the work of placing every corporation subject to the tax upon the books of the department. A careful and thorough survey of the state was undertaken. Competent men were sent to each county clerk's office in the state to obtain a complete list and to ascertain if these corporations were still in existence, and to secure all possible information regarding the existing company. The work exceeded the expectations of the department. The number of taxable corporations increased from 2,297 in 1894 to 4,401 in 1896. A modern system of bookkeeping was installed in the corporation tax department and the work was thoroughly systematized.

The number of corporations taxed has increased from year to year both through discovering new corporations under the old provisions of the law, and by adding new classes of corporations. License fees on foreign corporations were imposed in 1895, and still later saving banks were brought under the provisions of the statute. In 1912, report blanks were sent out to over 40,000 separate corporations. The work connected with the taxation of so many corporations grew from that which could be performed by one clerk to a volume that required a large office force. In 1912 the corporation tax bureau employed sixteen salaried officials, including examiners located in the offices at New York and Buffalo.

One reason the law worked so well was that large powers

were conferred upon the comptroller in the matter of securing satisfactory reports from the corporations. He was given power to examine books, records and papers, to issue subpoenas requiring the appearance of persons, and such books and documents as might be necessary to determine the tax. The books of corporations which failed to report, or which made unsatisfactory reports, were examined by special examiners. In 1892, 189 corporations located in New York and Brooklyn were examined, and this work has now grown so as to demand a continuous staff of men for this purpose.

The reports of corporations and the time of payment are as follows: Corporations paying the franchise tax on the amount of their capital stock are required to report by November 15th, and the tax is payable January 15th following; transportation, elevated and surface railway companies must report and pay the tax on August 1st; waterworks, gas and electric companies must report by December 1st; insurance corporations report March 1st, and pay their tax by June 1st; foreign banks report and pay by February 1st; trust companies and savings banks must report by August 1st, and pay the tax September 1st. If reports are not made or the taxes not paid within thirty days after they become due, the corporations are liable to an additional fine of five per cent of the tax and one per cent additional for each month the tax remains unpaid. If the annual report or special report is not made within a reasonable time specified by the comptroller, the corporation forfeits \$100 for every such failure and \$10 for each day that such failure continues. The officials of each corporation not paying dividends, or paying less than six per cent, must estimate and appraise the value of the stock between November 1st and the 15th, and report the amount to the comptroller. Every report must have annexed to it a signed statement that the

statement contained in it is true. After fixing the amount of the tax, the notice is mailed to the post-office address of the corporation, and the accounts bear interest beginning with thirty days after the sending of this notice.

The comptroller is allowed to revise and readjust accounts upon complaints of the corporations, accompanied by sufficient evidence, and the determination of the comptroller is subject to review upon both the law and the facts by *certiorari* to the Supreme Court. The application must be made within thirty days after the determination of the comptroller, and eight days' notice must be given of the application for such writ.

The comptroller may issue a warrant to the sheriff of any county commanding him to levy upon and sell the property of any corporation to satisfy the tax. This provision has proven to be unsatisfactory and impossible of operation in many cases where the property consists of good-will, services, or agency rights, which cannot be levied upon or sold. Another cumbersome provision is that requiring the action of the attorney-general to bring about the annulment of the charter in cases where taxes are not paid. It might be wise to give the comptroller power to annul charters after two years' delinquency. The average annual delinquency is about five per cent of the aggregate number of corporations, or between five hundred and seven hundred every year.

Any person who gives information of delinquency which leads to the recovery of taxes due the state may receive a sum not exceeding 10 per cent of the sums collected.

The secretary of state is required to make monthly reports to the comptroller of the corporations whose certificates of incorporation are filed and of the foreign corporations to which a certificate of authority has been issued to do business within the state during the preceding month.

In 1895, a license fee of one-eighth of one per cent was imposed upon the capital of foreign corporations doing business in the state, and upon an increase in their capital. This did not apply to banking corporations, fire, marine, casualty or life insurance companies, or building and loan associations. The measure of the amount of capital stock employed is such a portion of the issued capital stock as the gross assets employed in any business within the state bear to the gross assets wherever employed in business. Such corporations are denied the protection of the courts, if within thirteen months from the beginning of the business in the state they have not obtained a receipt from the comptroller for payment of this tax.¹

In 1901, trust companies, which were formerly taxed under Section 182 of the tax law, were required to pay an annual franchise tax of one per cent on the amount of their capital stock, surplus and undivided profits. Savings banks were taxed one per cent annually on the par value of their surplus and undivided earnings. Corporations holding state bonds were to be credited annually with an amount equal to one per cent of the par value of all such bonds, bearing interest at a rate not exceeding three per cent, provided that they should never be credited with an amount in excess of the amount due the state. The tax on surplus and undivided earnings of savings banks met with serious opposition. It was contended that assessments were excessive; that surplus invested in federal securities could not be considered in computing the tax; that securities above par should be taken at their par value and those below par at their market value; and finally that the law was unconstitutional.

The question of computing the surplus presented a diffi-

¹ *Laws of 1895*, chap. 240.

cult problem. If computed on the market value, the amount would equal \$115,000,000, but if computed on the par value the amount would equal \$69,000,000. The ratio of par to market value varied from 20 to 60 per cent, and thus the law requiring it to be computed on par value created inequality.¹

Life-insurance companies and foreign-insurance companies were taxed under section 5, which imposed a tax of eight-tenths of one per cent upon the gross amount of the premiums. Mutual-benefit associations were exempted from the provisions of the law. In 1886, the tax on the premiums of fire and marine insurance companies was reduced to one and one-half per cent on their gross premiums, and the personal property of all insurance companies was exempted from assessment. They were thus released from taxation on their capital. In 1887, all life insurance and industrial insurance companies were exempted from taxation on their premiums and released from paying the arrears due under the act of 1880.

The present law imposes a tax of one per cent upon the gross premium of domestic insurance corporations, foreign corporations of other states, except those doing a marine and fire-insurance business and upon all foreign corporations of foreign countries, except life or casualty insurance companies. Foreign fire and marine insurance companies of foreign countries paid five-tenths of one per cent on their gross premium. This section does not apply to fraternal societies, town or county co-operative insurance associations, nor to any corporation subject to the supervision of the Superintendent of Banks. In assessing taxes under the reciprocal provision of section 34 of the insurance law, credit was allowed for any taxes paid under that section.² Other taxes are levied on insurance companies under the provisions of the insurance law.

¹ Art. ix, secs. 188-189.

² *Ibid.*, sec. 187.

Every foreign banker doing business in the state must pay annually a tax of five per cent on the amount of interest earned and collected by him on money loaned, used or employed in the state. This includes every foreign corporation except national banks, and every unincorporated company organized under the laws of another state and every unincorporated company of two or more individuals owning more than a majority interest, and every non-resident of this state doing a banking business in the state.

In 1882, banks were required to pay to the comptroller, on February 1st, one-half of one per cent upon the average deposits and sums employed in their business during the preceding year, but these sums were not due under the corporation law. It taxes only the income or interest of foreign banks.

Judicial Decisions.—The chief difficulty in the enforcement of the corporation law arose in connection with section 3, which provided for the taxation of corporations upon their capital stock. Nearly every clause in the section was made the subject of a judicial interpretation. The question immediately arose as to what was meant by capital stock, and how it should be computed. The corporations opposed the payment of taxes wherever a loophole presented itself. The opposition was long and vigorously prosecuted, and after nearly a quarter of a century of litigation this is still the most unsatisfactory section of the corporation law.

The exemptions granted to mining and manufacturing companies presented by far the most difficult problem in the administration of the law, and especially those companies organized outside of the state furnished the chief causes for litigation. The attorney-general interpreted the term "capital stock" to mean the total capital of organizations without regard to the amount actually employed in the state. In 1885, the law was amended so as to include only that part

of the stock which was actually employed in the state. Those companies which had previously paid the tax upon their total capital stock now applied for rebates, and, in 1887, rebates were allowed to the amount of \$279,068. The comptroller had no authority to make such settlements until 1889, when he was given power to readjust accounts for taxes which had been illegally assessed.¹

The term "capital stock" was defined to mean not share stock but the property of the corporation contributed by its stockholders, or otherwise obtained.² In another case it was held that the comptroller, in estimating and appraising capital stock of railroad companies, complied with the statute when he fixed the valuation at the average price at which the stock sold during the year, and it was not necessary to ascertain the actual value of the stock in each case, unless it exceeded the market value.³ The question arose as to whether the surplus was to be included in determining the value of the capital stock. It was included in the taxation of domestic corporations, but the surplus of foreign corporations escaped. A few examples may be cited.

The Singer Manufacturing Co., a foreign corporation, invested its surplus in New York real estate, and the court held that this did not constitute employment of capital in the state, and hence the capital was not subject to taxation.⁴ A similar case was presented in the case of Niagara River Hydraulic Co., a domestic corporation, incorporated for the purpose of purchasing real estate. This company had \$125,000 of capital invested in real estate, and the court held that such investment did not constitute doing business in the state. The court said, "If capital can be invested

¹ Chap. 463.

² 82 Hun., 313.

³ 90 Hun., p. 537.

⁴ 78 Hun., 53.

without being employed, the case before us seems to be a fair instance of it."¹ A corporation's investment in tenement houses and in municipal bonds was held to be exempt from taxation. The theory of these cases appears to have been that capital employed means capital actively employed in order to subject it to taxation. Again foreign corporations escaped taxation upon the ground that the money invested in New York was not capital, but represented surplus, and the court held that surplus was not taxable.

The question of what constituted doing business in the state, what constituted a manufacturing company, and what kind of companies were subject to the provisions of the law, all came before the courts to be decided. The American Bell Telephone Co., a Massachusetts corporation, with its general offices in Boston, executed leases to local telephone companies in New York State to use its instruments, and this was held not to constitute transactions of business in the state. The express companies paid the tax on gross earnings, but contested the obligation to pay any tax upon their capital upon the ground that they were not incorporated under the laws of this state or any other state. The court held that an express company, organized as a stock company and doing express business, was liable to taxation on its capital.²

The question of what was a manufacturing company continued to be a stumbling-block to the courts and tax assessors. In one case the court held that the operation of grinding, roasting and packing coffee was not manufacturing, and in another case it held that the cutting, splitting and bundling of slabs of wood from saw logs was a manufacturing process. Corporations employing a part of their

¹ *A. R. Comptroller*, 1900, p. xix.

² 117 N. Y., 136.

capital in purchasing goods of foreign manufacture were held to be not wholly engaged in manufacturing, and hence not exempt from the tax. Electric-light companies sought to secure exemption under the provision exempting manufacturing companies, but the courts held them liable to the tax, and in 1890 the law was amended so as expressly to include electric, steam, heating, lighting and power companies, and made them subject to a tax on capital.¹

The problem of exempting manufacturing corporations introduced a needless complication of the law, which might better have been omitted altogether. All corporations might have been taxed alike and, if desirable, some could have been taxed at a lower rate. Only so much capital as was represented by the assessed valuation of the real estate and machinery of the plant might have been exempted. As the law worked, a manufacturing corporation could subject itself to taxation on the amount of its capital employed in manufacturing and thereby secure exemption from taxation locally on all its personal property for state purposes.

Another method of evading the tax began to appear about 1896, when the public service corporations began to issue bonds, the interest upon which equaled or exceeded the earning capacity of the company. "Such companies very frequently meet their entire outlay by the sale of bonds, and the stock is given as a bonus to the bondholder, or retained by the promoters."² One example may be cited. A water-works company organized with a capital of \$80,000. Its gross earnings were \$36,365, and its operating expenses \$23,358, leaving a net income of \$13,007; but the interest charged upon the great amount of bonds outstanding was \$50,894, which made a deficit of

¹ 58 Hun., 594, and Laws of 1890, chap. 522.

² *A. R. Comptroller*, 1896, p. ix.

\$37,886. The law met this evasion by exempting these companies from any taxation on their capital, and by taxing them on their gross earnings only.¹

Turning now from the difficulties involved in the taxation of capital stock, we take up next the question of the taxation of transportation and transmission companies.

The railroads, telegraph and telephone companies, which paid over two-thirds of the tax collected, as a rule paid fairly promptly, and comparatively little litigation was necessary.

The Western Union Telegraph Co. was an important exception to this rule. It was organized with a capital of \$80,000,000, but it returned only \$800,000 as the capital taxable in the state. After several attempts to secure a fair report a suit was commenced by the attorney-general for the tax based upon the entire capital, with a 10 per cent penalty added. A judgment was rendered for the full amount claimed, with costs, amounting to \$179,371.²

United States Supreme Court decisions of the early eighties held that it was illegal for a state to tax transportation corporations on gross earnings derived from interstate commerce. Considerable sums which had been collected from these companies had to be refunded from the treasury, and for a number of years afterwards these corporations were taxed only on the gross earnings from business wholly transacted within the boundaries of the state.³ A decision of this court in 1891, however, held in substance that a tax upon the franchise might be lawfully imposed based upon the entire amount of gross earnings. The theory was that the tax was not levied upon the

¹ *Laws of 1896*, chap. 908.

² *A. R. Comptroller*, 1886, p. 12.

³ *Ibid.*, 1888, p. 15.

earnings but upon the franchise, and the earnings merely constituted the base for ascertaining the amount. The present law imposes an annual license fee of five-tenths of one per cent upon the gross earnings of transportation and transmission companies arising from business "originating and terminating within this state, but shall not include earnings derived from business of an interstate character." The method of computing the tax was not changed in accordance with the later decision.

Elevated and surface railroads not operated by steam pay an annual tax of one per cent upon the gross earnings from all sources within the state, and three per cent upon the amount of dividends declared in excess of four per cent upon the actual amount of paid-up capital employed. Water, gas, electricity and power companies pay five-tenths of one per cent upon their gross earnings, and three per cent upon the dividend declared in excess of four per cent. The term "gross earnings" means all receipts from the employment of capital without any deductions.

When the law was first passed, the criticism was made that foreign corporations would be driven out of the state. This result did not follow, however, since the taxes were imposed upon domestic and foreign corporations alike; if there was any preference it was in favor of the foreign corporations. They were entitled to the same protection and enjoyed the same opportunities, and hence it was only just that they should be made to contribute to the support of the state government by which they were guaranteed protection. No tendency to leave the state was noticeable until about 1895, when some companies began to leave New York and incorporate under New Jersey laws, since the latter charged only one-fiftieth of one per cent while New York charged one-eighth of one per cent. In 1897, New Jersey in-

corporated \$3,000,000,000 of capital, while New York incorporated only \$380,000,000. To meet this competition on the part of New Jersey, the incorporation fee was reduced from one-eighth to one-twentieth of one per cent, which is the present rate.

The theory of the taxation of corporations was well summed up in the case of *Parke, Davis and Co. v. Roberts*, where it was held that the rights of citizens to associate themselves together, to do business as a corporation, was not a natural or inherent right, but was a special privilege, granted by a sovereign power. Corporations are not citizens, and the state has a right to exclude foreign corporations. A state may impose upon a foreign corporation such reasonable conditions as it deems proper.

The success of a tax has been due to the co-operation of the three departments, namely, the comptroller's department, the legislature and the courts. The suggestions of the comptroller have generally been promptly incorporated into law. The decisions of the courts have been usually followed by amendments to overcome the effect of unfavorable decisions, and the comptroller has been untiring in his efforts to tax every corporation that was subject to the tax. The evolution of the law from its crude form of a quarter of a century ago to its present shape is a good example of what may be accomplished by co-ordinating the three departments of a government in a harmonious working system, and such achievement augurs well for the future of our form of government. Another important factor in the success of the law has been the large administrative powers given to the comptroller. These powers have been commensurate with the duties to be performed and the result has been noteworthy.

The law as it stands to-day needs amendment in several important particulars, and during the last five

years bills have been repeatedly presented to the legislature incorporating the changes which the corporation bureau has found to be needed. For one reason or another, however, these bills have not been enacted into law. The attitude of the legislature towards amending the corporation tax law during the last few years is in marked contrast to the position which the legislature has assumed during the quarter of a century following the enactment of the law, which we have just described. Several changes are necessary to bring the language of the statute into harmony with recent court decisions. The court has held that a company engaged in purely speculative purchase and sale might be "employing capital" in the state, although it was not "doing business" in the state, and for this reason the words "doing business" should be stricken out and the words "employing capital" inserted in place thereof. In section 198 the word "legally" should be stricken out and "illegally" inserted in order to correct an error which has existed for many years in this section. Section 182 of the law needs to be revised in order to lessen the opportunities for evasion, especially by foreign corporations. As the law now stands and as it has been interpreted by the courts, the evasions result in a loss of about \$500,000 a year in revenue to the state.

The proposed changes in this section provide that the capital stock of any taxable company shall not be taxed at less than three-fourths of one mill on the dollar. This minimum tax of three-fourths of a mill on the dollar of issued capital stock is only three-fourths of the rate levied by the state of New Jersey under similar circumstances. Further changes suggested are that if a dividend of less than six per cent is declared, the tax should be one and one-half mills on each dollar of the valuation of the capital stock; but if a dividend of six per cent or more is declared,

the rate should be a quarter of a mill for each one per cent of dividends. Every corporation, subject to assessment under section 182, should, however, pay a privilege tax of at least five dollars.

Under the existing law only fifteen days are permitted in which to report. This time is quite inadequate, and failure to comply therewith might in some cases result in almost disastrous penalization. It is urged that the controller be given power to extend the time during which a report may be made to him.

“ To allow the statute to remain as it is today is to continue an almost intolerable confusion of the administration of this law, the throwing open of the doors of evasion to many corporations which should be taxed, the loss of at least a half a million dollars income annually to the state and the retention upon the statute books of a prolix, ambiguous and unnecessarily complicated statute.”¹

The Organization Tax

In 1886, a tax of one-eighth of one per cent was imposed upon the authorized capital stock of every corporation incorporated in the state, as well as upon the subsequent increased capital. The rate was later on reduced to one-twentieth of one per cent, and the minimum charge was fixed at \$5. This section did not apply to state and national banks, or to buildings, mutual loan, and co-operative associations. No corporation can receive a certificate of incorporation without showing a receipt for this tax. Railroad corporations must pay the tax before the Public Service Commission can grant a certificate. In case of con-

¹ Memorandum of J. J. Merrill, Chief Corporation Tax Bureau, prepared in support of proposed changes in law.

solidation, the tax is due only upon the excess of aggregate capital over the amount held by the old corporation.¹

The Inheritance Tax

In 1885, a tax of 5 per cent was imposed upon such property as might pass by will to persons other than the parents, descendants and certain other immediate relatives of the deceased.² The immediate relatives, such as, "father, mother, husband, wife, children, brother and sister and lineal descendants, born in lawful wedlock, and the wife or widow of a son, and the husband of a daughter," and bequests to institutions exempted by law from taxation, were exempted, and only those collateral relatives receiving over \$500 were taxed.

The constitutionality of the tax was immediately questioned, and during the following year the court of appeals upheld its constitutionality.³

In 1885, 1887 and 1891, the law was changed in certain important respects, and in 1892, the law was completely revised⁴ and as revised and amended in this year it formed the basis of one of the most important sources of revenue. A tax of \$1 upon every \$100 was imposed upon the transfer of personal property to immediate relatives in excess of \$10,000. Estates of less value were exempted. The tax of 5 per cent on collateral heirs was still retained. Property bequeathed to bishops or to religious corporations was exempted.

The law now had to be interpreted by the courts. Among the first questions to be raised was the question whether

¹ New York Phonograph Company *vs.* Rice, 57 Hun., 486.

² *Laws 1885*, chap. 483.

³ *Matter of McPherson*, 104 N. Y., 306.

⁴ *Laws 1892*, chap. 399.

single bequests below the taxable figure were taxable, although the aggregate estate might be taxable. The court decided that the estate and not the amount of the individual bequest fixed the liability for the tax.¹ Another court decision was to the effect that the proceeds of an insurance policy payable to the insured were taxable assets of a decedent estate. Bequests to the United States and to foreign religious corporations were held to be subject to the tax.

Two amendments were made in 1898, one taxing government bonds, and the other defining the mutually acknowledged relation of parent and child, and providing that the relationship should have begun at or before the legatee's fifteenth birthday, and have been continuous for ten years after. The effect of this amendment was to nullify the legal decision which had held that such relationship could exist indiscriminately between adults and others.

The question of taxing United States bonds was held to be justifiable by the Supreme Court, since the right to tax property by will was derived from and regulated by the state law, and the tax was imposed upon this right and privilege.² It was a debated point whether the tax should be assessed upon the transfer of property to a municipality to be held for public use. In the matter of Thrall³ the court reversed its former decision,⁴ and decided that a bequest of \$3,000 to Middletown for the erection of a public library was exempt from taxation. In 1900, the law was so amended as to make it apply to such cases.

The funds of a non-resident decedent deposited with a New York corporation were subjected to the transfer tax,

¹ *A. R. Comptroller*, 1895, p. xix.

² *Plummer vs. Coler*, 178 U. S., 115.

³ 157 N. Y., 46.

⁴ *Matter of Hamilton*, 148 N. Y., 310.

thus taxing property at the situs of the property itself. A seat in the New York Stock Exchange was held to be properly subject to the tax. The stock of the Boston & Albany and Fitchburg Railroads, when owned by a non-resident, could not be taxed at its full value by the state for the reason that the railroads were corporations of other states beside New York, and all their property could not be regarded as having its situs here.¹

These cases by no means exhaust those on the subject, but they have been given as illustrations to show what were some of the points raised, and the disposition made of them. They serve to make clear some of the difficulties involved in the administration of an inheritance tax for the states.

Collection of the Tax.—Every administrator of an estate was required to pay the tax to the county treasurer. The Surrogate Court was given jurisdiction to determine all questions in relation to the tax, and it was to appoint appraisers to determine the value of the estate. The money was to be paid to the county treasurers and transferred semi-annually to the state treasury.

At first the law was not enforced by the local officers. "Estates were settled in the Surrogate Courts and the funds distributed without any inquiry being made as to whether there was a tax due the state thereon. The tax was evaded and violated with apparent impunity."² In 1892, an examination of the records and proceedings of the Surrogate Courts was instituted for the purpose of discovering estates that were liable to taxation, but which had thus far escaped. The amount received as a direct result of these examinations was more than the expense attending the collection of

¹ 186 N. Y., 220.

² *A. R. Comptroller*, 1893, p. 23.

the entire inheritance tax for that year, and the amount received on delinquent estates and by way of penalty was greater than the sum expended in making the investigation.

A record book was furnished to each Surrogate, in which to record the name, date of death of each decedent, the names and addresses of the executors, the estimated value of the real and personal property, the names, places of residence and relationship of the next of kin, the amount of the tax assessed by the Surrogate, and other data. On the 1st of January, April, July, and October the Surrogate Courts are required to make reports to the comptroller and the county treasurers. Similar reports are required of the county clerks, of all deeds and other conveyances filed or recorded in their offices.

The expenses of the appraisal were to be paid by the county treasurers out of the proceeds of the tax. This led to great abuses. Appraisers were to be paid \$3 per day, but large discrepancies appeared between various counties. In some cases appraisers' fees amounted to 50 per cent of the tax collected, and in many of the counties the appraisers' fees were more than the entire amount collected. Furthermore, many appraisals were grossly in error. In some cases property appraised at a few thousand dollars was shortly afterwards sold for nearly a million. To remedy these evils salaried appraisers were appointed by the comptroller in fifteen counties. New York county had six, Kings three, and the other thirteen had one appraiser each. In the counties where salaried appraisers were not appointed, the county treasurers were required to do the work without receiving additional fees. This resulted in a decrease of cost to the state from \$35 to \$5 per estate, thus causing a saving of over \$120,000. In twelve counties assistants to the Surrogate Courts were appointed.

In sixteen counties payment of the tax was now made

directly to the state comptroller, thus saving the fees of comptrollers and county treasurers. In the forty-five counties where the collection was made by the county treasurer, he received as compensation five per cent on the first \$50,000, two and one-half per cent on the next \$50,000, and one per cent on all additional sums. These fees were in addition to the salaries already allowed by law. The funds were to be paid to the state treasurer on the first of January, April, July and October, and if not paid within thirty days of these dates interest was charged at the rate of ten per cent. A receipt is always given, but any person can, upon the payment of fifty cents, obtain a duplicate receipt either from the county treasurer or state comptroller, showing that the tax has been paid.

If the tax is paid within six months from the time it accrues, a discount of five per cent is allowed, but if not paid within eighteen months, except where litigation results, interest is charged at the rate of ten per cent from the time the tax accrues. Executors or administrators receiving the transferred property are personally liable for the tax, and every executor is given power to sell so much of the property as is necessary to raise the amount of the tax.

In 1895, the comptroller was given power, with the approval of the attorney-general and the justice of the supreme court, to settle and adjust amounts erroneously paid. If the tax remained unpaid for eighteen months, proceedings were started by the district attorney for collecting the same. The comptroller could demand a re-appraisal of an estate which he believed had been fraudulently made if application was made within two years after the entry of the order by the surrogate. The comptroller was authorized to retain counsel to represent him in cases where he was an interested party, but in non-resident cases the amount allowed could not exceed ten per cent of the amount col-

lected. The law was quite effective in reaching estates of residents, but those of non-residents were a source of difficulty. In 1901, there were 3,059 estates taxed, of which 368 were non-residents' estates. Each of these was brought to the attention of the department by attorneys who made a specialty of this work, since, while it was not worth while for an attorney to ferret out estates paying less than \$200, these have usually escaped. For a time the tax was evaded through the transfer of property by corporations; securities and deposits would be transferred to the beneficiaries without giving the comptroller's representative any opportunity to examine the assets. Every corporation was therefore required to give the comptroller ten days' notice of the time and place of any intended delivery of property, and the comptroller was authorized to examine the assets at the time of the transfer. Corporations were made responsible for the tax in case of failure to serve this notice, or to allow such examination, and in addition a penalty of not less than \$5,000 nor more than \$25,000 might be imposed.

Every device which cunning lawyers could invent was resorted to in order to evade the tax. A favorite method of evading the tax was to draw up a will, so as to create indeterminate remainders, and thus to render it impossible to fix the tax until the fulfilment of the conditions under which the trust was created. During the three years prior to 1900, the payment of the tax on \$40,000,000 was indefinitely postponed by the creation of remainder interests. To meet this situation the law was changed to provide for the immediate payment of the tax upon all estates whether contingent or otherwise. The value of the future estate was to be determined by the superintendent of insurance, by the method employed in computing life-insurance policies, except that the rate of interest in making these computations was fixed at five per cent. Another attempt

at evasion was the contention that property transferred in accordance with wills made before the passage of the transfer tax law was not taxable, since the title referred back to the original instrument. The decision of the court was, in effect, that all estates were taxable at the time they actually vested in possession of the beneficiary, without regard to whether they were taxable or not at the time the original will was made.¹

The best summary of the arguments for the inheritance tax to be found in official documents is that contained in the Comptroller's annual report for 1897. While the value of real estate increased 155 per cent from 1870 to 1895, the assessed value of personal property showed a gain of less than 50 per cent for the same period, although since 1886 the sum of over \$2,000,000,000 had been invested in the capital of corporations. This furnished striking proof that personal property was escaping, and at the same time was a justification for the attempt to reach this property in other ways. After describing the various special privileges which large capitalistic enterprises enjoy, such as a protective tariff, patent rights, and privilege of incorporation, he concluded "that in these special privileges conferred by government lie the foundation of most of the great fortunes of the country; that such fortunes call for greater police, fire and other protection than small ones . . . that it is impossible to make them pay anything like their fair share of tax during the life of their owner; that it is manifest that from two and a half to three billions of personal property is escaping taxation every year, and that it is respectfully submitted . . . if it would not be wise to make it pay an inheritance tax which would in a limited degree at least compensate for the great benefits it has received."² It will

¹ 163 N. Y., 597.

² *A. R. Comptroller, 1897, p. xxiii.*

be noticed that the main theories presented here are the back-tax argument and the argument that the payment is for a special privilege conferred by the government.

The comptroller recommended a progressive tax, which was adopted a few years later. The law, as amended in 1911, exempted the sum of \$5,000 transferred to direct heirs, but imposed a tax of one per cent on amounts above \$5,000. The tax on collateral heirs remained five per cent, and the amounts below \$1,000 are exempted.

The following table shows the rate of the tax for the various grades:

<i>Direct Heirs</i>			<i>Collateral Heirs</i>		
\$5,000 to	\$50,000	1 per cent	\$1,000 to	\$50,000	5 per cent
50,000 to	250,000	2 per cent	50,000 to	250,000	6 per cent
250,000 to	1,000,000	3 per cent	250,000 to	1,000,000	7 per cent
1,000,000 or over		4 per cent	1,000,000 or over		8 per cent

Another change was the abolition of double taxation of inheritances. Formerly shares in New York corporations and money and securities deposited in New York were taxable there, and also liable in some cases to taxation in the state of which the decedent was a resident. Under the present law estates of non-residents are taxable on real estate and on such tangible property as household goods or merchandise located in the state. Resident decedents are taxed on their stocks, money and securities wherever located, but non-residents are not taxed on such property. The law follows the rule that such property has its situs at the residence of the owner.

The amount produced by the tax in 1887, amounted to \$561,716, and the comptroller predicted that it would produce \$1,000,000 in some years. This prophecy was fulfilled two years later. In 1912, the net receipts of the tax were \$12,153,189, collected from 10,624 estates. The cost of col-

lection has been reduced from 12 per cent in 1889, to .0439 per cent in 1910, but the cost is still disproportionate to that of collecting other state taxes. The cost of collecting the corporation tax is .0036 per cent; that of the stock transfer tax .0092 per cent, and that of the mortgage tax .0154 per cent. About 55 per cent of the cost of collecting the inheritance tax consists of attorneys' fees. A great saving could be introduced here by providing for salaried appraisers in the forty-six counties where the county treasurers still act as appraisers, and by adding to the comptroller's office a salaried legal staff, competent to deal with appeals and questions arising daily in the appraisal of the estates. Upwards of three thousand unfinished estates were before the appraisers in New York County alone in 1912.¹

Liquor Tax

Prior to 1896, the control of the liquor traffic in the state rested almost entirely with the local license boards. In that year a law was passed providing for a state license system, with charges based upon the population of the various municipalities. A state commissioner of excise was appointed by the governor for five years. Deputies and special agents were also appointed at stated salaries. One-half of the proceeds of the tax is payable to the state and the remaining half to the town or city.

Seven grades of licenses were granted, and the amount of the license depended upon the character of the business and the population of the city for which it was issued. The first grade consisted of licenses issued to those places where the liquor was drunk on the premises where it was sold; the second grade included establishments where it was sold

¹ *A. R. Comptroller, 1913, p. xii.*

in quantities of less than five gallons and not drunk where it was sold; the third grade consisted of licenses to licensed pharmacists; the fourth grade regulated the selling of liquor on cars and steamboats; the fifth grade imposed a fee of \$1.50 for each vehicle employed by a brewery in delivering its liquor; and the sixth and seventh grades covered the traffic in alcohol and wine produced by fruit growers.

In counties and boroughs containing dense populations special deputy tax commissioners were appointed who had charge of the collection of the tax. In other counties it was collected by the county treasurers. The county treasurer's fees in counties containing a first and second-class city were one per cent of the amount collected; in counties containing a third-class city only, two per cent, and in all other counties three per cent. Before a license was issued a bond had to be given. Refunds were allowed to dealers who ceased business before the expiration of their licenses. Local option was allowed in the various counties which determined whether liquor should be sold under the provisions of the state law or not. The state license system proved to be a great financial success. Under the old law nearly 5,000 officials were employed, and the cost of collections amounted to eight per cent of the gross receipts. Under the new system only 160 men were employed, and the cost of collection was nine-tenths of one per cent. In many cases the amounts which the counties received from this one source exceeded the total amount of taxes which they paid to the state. The tax is the third largest single source of revenue in the state, and in 1912 yielded \$9,412,364.

Racing Tax

In 1887, an annual tax of five per cent upon the gross receipts for admission to race tracks on which racing was held was imposed. The provision of the penal code pro-

hibiting the selling of pools was suspended for thirty days only between May 15th and October 15th. This act did not apply to county or town agricultural societies or fairs, but only to those incorporated associations which had for their purpose the improvement of the breed of horses. The income of the tax was to be distributed in the form of prizes at the various county fairs by the State Agricultural Society. The purpose was to improve the breed of cattle, sheep and horses. Every association was required to report to the comptroller the amount of gross receipts on or before November 15th, and the tax was due between December 1st and 15th.

The law of 1899 provided for the appointment of three state racing commissioners, who were to receive no compensation except necessary expenses not exceeding \$5,000. These expenses were to be assessed by the comptroller upon the various racing associations. Three supervisors were appointed by the governor at stated salaries to ascertain the gross receipts and to report to the comptroller. This resulted in a marked increase in the revenue. In 1888, the revenue was only \$23,179, whereas in 1908 it amounted to \$247,443. In 1910 the tax was repealed.¹

Stock Transfer Tax

On June 2d, 1905, an act went into effect taxing all transfers of shares of stock at the rate of two cents on each \$100 of face value or fraction thereof. The original law, as amended in 1906, made the unit of taxation one share of stock, without regard to its face value, so that the tax on the transfer of a share of stock worth \$10 was the same as the tax on a share worth \$100. This was held to be

¹ *Laws of 1910, chap. 489.*

unconstitutional, and as a result the unit of taxation was made \$100 face value or fraction thereof.¹

The tax was to be paid by affixing stamps either upon the books of the company or upon the memoranda of sales. The penalty for failure to pay the tax or for illegal use of stamps was a fine of from \$500 to \$1,000 and imprisonment. The penalty for failure to cancel the stamp was a fine of \$200 or not more than \$500. No transfer of stock on which the tax was not paid at the time of transfer could be made the basis of any action in legal proceedings.

The first difficulty arose in connection with the stamps. They were washed and reused in a wholesale manner and it was estimated that the state lost from \$150,000 to \$200,000 by the sale and fraudulent use of void stamps. The protection of the completed and saleable stamps was wholly inadequate. Conditions made it necessary to establish an entirely new system, so as to protect the state in the printing and sale of stamps, and the character of the stamps was changed so as to render them less susceptible to washing and reusing. A considerable traffic grew up in selling canceled stamps for dishonest purposes, and the interest of these stamp dealers was powerful enough to prevent the passage of an amendment, in 1910, which would abolish the traffic. But in 1911 dealing in stamps without permit from the comptroller was prohibited. Stamps cannot be removed, but stamps erroneously affixed will be accepted in payment of the tax.

In November, 1907, the court decided that the original issue of stock was not a transfer and therefore not subject to the tax.² As a result of this decision claims for refunds of taxes were received, and as the comptroller had no authority to make such refunds, the law was amended to give

¹ *People, ex rel., Farrington v. Mensching*, 187 N. Y., 8.

² *A. R. Comptroller*, 1909, p. xxxvi.

him power to refund taxes erroneously paid. Claims rejected by the comptroller could be filed with the court of claims.

Brokerage firms are required to keep a book showing all transaction which is subject to the inspection of the comptroller between the hours of 10 a. m. and 3 p. m., except upon Saturdays, Sundays and legal holidays. He is also allowed to examine books for the purpose of ascertaining whether the tax has been paid or not.

In 1908, five additional examiners were added to the stock transfer bureau, and the number was subsequently increased to thirteen. This number is, however, still too small to accomplish the work of inspecting the 80,000 corporations within the state. The system of "balancing and paying on differences" in vogue among brokers deprived the state of a vast revenue. The tax was applicable not only to transactions occurring on the exchanges, but also to transfers of stocks of miscellaneous corporations not dealt in on the exchange. These can only be reached by inspection and examination, for which purpose additional examiners are necessary.

The tax in 1905 yielded \$1,226,758, and in 1912 it yielded \$3,653,037. The cost of collection was 1.34 per cent.

Mortgage Tax

The original law passed in 1905 imposed an annual tax on every recorded mortgage. This was in operation from July 1st, 1905, to June 30th, 1906. On July 1st, 1906, the present law went into effect. It imposed a recording tax of fifty cents for each \$100 of the principal of the mortgage debt, and each remaining major fraction. The amount of money collected, less the expenses of collection which were audited by the state board of tax commissioners, was divided equally between the state and the localities in which the mortgaged premises were located.

Recording officers of each county collected the money and paid it over monthly to the county treasurer, who, in turn, made quarterly payments to the state treasury. Annual reports were made by the recording officers to the clerks of the board of supervisors and to the state board of tax commissioners. The board of supervisors in each county apportioned the county's share: one-half to the payment of school taxes, and one-half to general county expenses. Where a mortgage covered property lying in two or more counties or partly within or partly outside the state, the state board of tax commissioners apportioned the amount of tax to be assessed to the various counties.

In the case of trust mortgages, corporations were required to make certain reports to the state board of tax commissioners on penalty of \$100 fine for each day's delay after the time specified by law. No mortgage of real estate can be recorded or no judgment obtained in court unless this tax has been paid. No mortgages of real estate situated within the state are exempt by reason of any provision in any private act which is subject to amendment by the legislature, or by reason of non-residence or for any other cause. All mortgages of real estate situated within the state are exempt from other taxation, either state or local.

The state's share of the revenue for the year 1906 was \$431,323, and for 1912 it was \$1,852,334, of which \$1,319,190 was received from the city of New York. The cost of collection amounted to 1.64 per cent.

Secured Debt Tax

This law, which was passed in 1911, extends the idea of the mortgage-recording tax and provides a low fixed tax as a substitute for the unequal personal property assessment of securities. Down to the passage of this act the debtor was allowed to offset his debts against the local personal

property assessment. It represents a compromise between those who believe that such property should be taxed at full local rates but realized that most of it now escapes, and those who advocate entire exemption. The law permits the owner of certain securities to present the security or a description of it to the state comptroller and upon payment of a tax of one-half of one per cent of the face value to secure exemption from the ordinary assessment as personal property at the local tax rate.

The secured debts that come under the law are: mortgages on real estate located outside the state, serial bonds, notes and debentures secured by such mortgages, or by any mortgages not subject to the recording tax law, bonds of other states and municipalities. The term includes all bonds and similar securities that are not exempt, and that do not come under the recording tax, but ordinary notes are not included.¹ The amount received from this source was \$1,411,568 in 1912.

¹ *Laws of 1911*, chap. 802.

CHAPTER IX

EXPENDITURES

Administrative.—The most important item of expenditure during the early years was that for the administrative and legislative departments, which together amounted to more than one-fifth of the total ordinary expenditures. From the very beginning, the state adopted the policy of paying stated salaries to its officials. The only officers provided for in the Constitution of 1777 were governor, lieutenant-governor, chancellor, justice of the supreme court and treasurer. The governor received \$3,000, and each of the other officers received \$1,250. The only exception to this general rule was found in the cases of some of the justices and clerks of inferior courts, whose salaries came out of the fees collected. Other officers were added from time to time, such as the auditor, adjutant-general, comptroller, surveyor-general, and attorney-general, and their salaries were fixed by law in the annual appropriation bill. The salaries varied slightly from year to year, depending upon the attitude of the legislators whether inclined toward extravagance or economy, but up to 1840 all salaries were exceedingly small, as, for example, in that year the governor received \$4,000, the comptroller \$2,500, the treasurer \$1,500, attorney-general \$1,000, adjutant-general \$800, and the office expenses of these various departments varied from \$100 to \$500.

The constitution of 1846 provided for a superintendent of public instruction and a state engineer and surveyor.

All salaries were exceedingly small down to the year 1875, in which year they were practically doubled; all officers received \$5,000 with the exception of the governor, comptroller and the state engineer, who received \$10,000, \$6,000 and \$3,500 respectively. The salaries at the present time vary between the limits of \$5,000 to \$10,000. The attorney-general and commissioner of education each receive \$10,000. The comptroller receives \$8,000, and the treasurer \$6,000.

The salaries of the governor and lieutenant-governor are fixed by the constitution. The salaries of the other officers are fixed by the legislature. In November, 1911, an amendment, submitted to the people to increase the salary of the governor from \$10,000 to \$20,000, was defeated.

Legislative.—In 1789, the members of the legislature received 12 shillings per day and traveling expenses at the rate of 30 miles per day. The constitution of 1821 provided that the compensation paid should not exceed \$3.00 per day (Section 9). The same provision was retained in the constitution of 1846, which provided that the aggregate compensation should not exceed \$300.00 and \$1.00 was allowed for every 10 miles traveled.¹

In 1874, an amendment fixed the salary at \$1,500 per year and \$1.00 was allowed for every 10 miles travel. This section has remained unchanged to the present time. In November, 1911, an amendment was submitted to the voters providing for an increase in salary from \$1,500 to \$3,500 for senators and to \$3,000 for assemblymen, but it was rejected.

For a number of years during the early years of the state's history it was the annual practice for the legislature to include a section in the annual appropriation bill, giving

¹ *Constitution*, 1846, art. iii, sec. 6.

to each member of the senate and assembly \$1.50 per day for each day's travel and attendance in addition to the compensation already allowed them by law. These payments were noted on the comptroller's books as an "additional allowance to the legislature" and amounted to from one-fourth to one-fifth of their regular expenses. In 1799, the regular allowance was \$37,559, and the additional allowance amounted to \$16,000. No doubt the limitation of the salaries to \$3.00 per day by the constitution of 1821 was designed to check this abuse.

The legislature costs the state annually over a million dollars, of which the largest item is for the compensation of the members and officers. In 1912, there was paid to the senate \$236,303 and to the assembly \$413,649. The contingent expenses of the legislature amounted to \$186,344, which included the expenses of joint investigation committees, committees attending funerals of deceased members, postage, stationery, expressage, etc. The publishing of official notices and concurrent resolutions cost \$282,695.

State Printing

The increasing number of state departments and the growth of commissions reporting to the legislature has increased the expenses of printing enormously in recent years. In 1880, the cost was only about \$45,000, by 1890 it had trebled, being \$140,159, and by 1912, it amounted to over one million dollars. The legislature became alarmed at the size of this item and attempted to conceal the real situation by not appropriating enough funds to pay the debts legally incurred. The amount of the appropriation for printing varied with the generosity of the financial committees and bore little relation to the actual demands, and as a result new appropriations were consumed in paying old debts, annual deficits occurred and contractors were forced

to bear the burden of large unpaid accounts. This was the situation down to 1902, when for the first time in many years there was not a single unpaid printing bill.

While the natural growth in the amount of printing was the main cause of this increasing expenditure, several minor factors contributed to augment this amount. In the first place, the bids for doing the state printing were practically non-competitive. The form of proposals for state printing was so obscure that it was unintelligible to the majority of printers, and the competition was thus confined to a few Albany printers who had had experience in doing the work. In the second place, it was practically impossible to audit the bills since only three items were specified in the bids, *viz.*, pamphlets and book-work blanks and circulars. Stationery was not specified. Blanks and blank books varied in size, shape and quality, so that it was impossible to make one price cover the various items of work. In the third place, the contract for legislative printing did not include the printing for various departments and many departments called for additional copies not specified in the law. Although the law specified the number of copies allowed, the practice grew up of ordering additional copies by means of concurrent resolutions, but no appropriations were made to pay for them.

The various efforts which were made to overcome these evils and to economize are worthy of notice.

The form of proposals has been so changed as to make it easily intelligible, and the proposals for bids are now advertised in accordance with the law. Separate bids are now asked for the three principal contracts: (1) the printing of the bills and documents presented to the legislature; (2) the annual edition of the session laws, and (3) the blanks, circulars and blank books for the various departments. Separate bids are now received for blanks of differ-

ent sizes and for various items of work and the stationery used in the various departments is of a standard grade.

The laws governing printing have been revised so as to include all the state printing in the contracts with the exception of such printing as is done in the state prisons and charitable institutions and the bulletins issued by Geneva and Ithaca experimental stations. The large amounts paid for engraving and lithographing, led to a law requiring that the cost of illustrations in documentary reports be borne by the departments ordering them.

An expert printer was employed to examine and to audit the bills for printing. A state printing board, consisting of the secretary of state, comptroller, and attorney-general, was established in 1906, which has control and supervision over all printing done for the state. An experienced printer is in charge of the department and the printing of all departments passes through his hands. The heads of departments and commissions now have an expert printer at their disposal whom they can consult regarding the form of their reports. The department keeps in touch with the work in its various stages until its final completion and delivery. A complete record is kept of every order from the time it is received by the printing board until the order is completed, and both the departments of the state and the state printers can refer to these files to see if the specifications are being complied with. Orders not filled in accordance with the contract are rejected. The result is that better work is being done at less cost than ever before. Thousands of dollars have been saved by the services of this expert printer. For example, in one case it was found that by cutting down the length of a book one-eighth of an inch there would result a saving of at least one-half of the cost on an order of 50,000 copies.

On the first of May the printing board gives notice in

two public newspapers of different political faith in each of the cities of New York, Albany, Troy, Syracuse, Rochester and Buffalo, that they will receive sealed proposals for bids for the whole of the legislative printing work for one year. Before the contract is let, an investigation is made as to the facilities of the bidders to do the work. The legislative contract is let for one year. The departmental and session law contract is for two years.

Judicial.—In 1798, the expenses for the judiciary amounted to \$7,596, or less than the salary of one supreme court justice at the present time. The amount grew, until by 1842, the expenditures for the judiciary exceeded that for either the legislature or the administrative officers. The constitution of 1846 abolished the use of fees or perquisites of office by judicial officers, except justices of the peace.¹

The salaries of judicial officers are at present fixed by the constitution. The justices of the supreme court are distributed among the nine judicial districts in the state as follows: 1st district 31, 2d district 20, 3rd district 5, 4th district 6, 5th district 7, 6th district 6, 7th district 7, 8th district 12, 9th district 5. The salary of each justice is \$10,000, with the exception of the five justices in the ninth district and four justices in the second district, who receive \$17,500. The legislature may alter the judicial districts after every state census, or it may increase the number of justices in a judicial district within the restriction prescribed by the constitution.² They are elected by the people for a term of fourteen years.³

The appellate division of the supreme court is divided into four judicial departments for the state. The first depart-

¹ Art. vi, sec. 21.

² *Ibid.*, sec. 1, *Constitution*, 1894.

³ *Ibid.*, sec. 4.

ment, which consists of the county of New York, has seven justices and the other three departments each have five justices. Appointments to the appellate division are made by the governor from the membership of the supreme court, for a term of five years. Justices assigned to the appellate divisions in the third and fourth departments receive the sum of \$2,000 in addition to their regular salaries, and the presiding justices receive \$2,500 additional salary. Those assigned to the first and second departments receive such additional sums as are now paid to the justices of these departments. If a justice elected in the third and fourth departments is assigned to hold a term in another judicial department, he is allowed \$10 per day for expenses.¹ The chief judge and associate judges of the court of appeals are elected for a term of fourteen years. Each judge receives a salary of \$13,700, except the chief judge, who receives \$14,200.

The clerk of the court of appeals and the clerks of the appellate division are paid out of the state treasury, as also are the law librarian, stenographers and the confidential clerks of the various justices and judges. The expenses of the county, surrogate and local courts are a charge on the various counties.

The expenses of the supreme court reporter, state reporter, miscellaneous reporters and the board of claims are included under the general term judicial. The policy of extending relief to widows and families of deceased public officials, which was so common in the early history of the state is still in vogue to-day in the case of widows of members of the judiciary. In 1912, the widows of Justice Spencer and Justice Connan received \$6,532 and \$9,722 respectively.

¹ Art. vi, sec. 12.

The total expenditure for the judiciary amounted to \$1,757,922 in 1912, of which amount \$1,200,000 was paid to the 120 justices in the supreme court and appellate divisions.

Regulative.—One of the most important causes of the growing expenditures of the state has been the increasing number of new offices and commissions which have been created since 1880. Practically the only commissions which might be classed as regulative in 1880 were the State Board of Health, the State Assessors, Commissioners of Quarantine, Superintendents of Weights and Measures and Inspector of Gas Meters. The Railroad Commission was created in 1883. The Department of Labor was created in 1901 by consolidating the Bureau of Labor Statistics, started in 1883, with the Board of Mediation and Arbitration and Factory Inspectors, started in 1886. The State Assessors were supplanted by a State Board of Tax Commissioners in 1896. A Board of Port Wardens was created in 1891, and an Inspector of Steam Vessels in 1897. A Department of Excise in 1896; a Metropolitan Election District Bureau in 1898. A Weather Bureau existed from 1889 to 1899. The Public Service Commission has existed since 1907. In nearly every case these commissions have been created to exercise supervision and control over private industry or business in the interest of society as a whole, and it is in this field that we see most clearly the changed attitude of the state toward the life of its citizens. Not only every class of society is being brought under the care and supervision of the state, but every activity of every citizen is being regulated in the interests of all. The annual expenditures for this purpose have increased from \$238,798 in 1881, to \$2,331,806 in 1912.

Public Health.—The early expenditures for public health were of two kinds: (1) an annual appropriation to the hospital of New York, and (2) appropriations connected with

the organization of the quarantine service at New York. The hospital received \$5,000 for a period of five years, beginning with the year 1792, and the amount was gradually increased until in 1830 it amounted to \$22,500.

Beginning in 1794, the governor was allowed to spend sums not exceeding \$2,500 for the purpose of preventing the spread of contagious diseases, and a few years later quarantine regulations were put into operation on all vessels entering the port; three health commissioners were appointed; a lazarette was built and a detention station was erected on Bedloe's Island at state expense; a tariff schedule was imposed upon all captains, mates, passengers and sailors entering the city, and the sums collected went to the support of sick seamen and foreigners in the quarantine station, while the balance went to the Hospital of New York. The deficiencies during the early years were made up by the state, but the station soon became self-supporting, and it was only in exceptionally bad years when foreign commerce was light that it was necessary for the state to assist. For a time these health commissioners had charge of the cleaning of the streets of the city, although even then the expense was borne by the city, but in 1799 New York City was given the power of draining lots, filling up marshes, installing a sewerage system. Thus occurred the transfer of the responsibility for the health of the city from state to municipal control.

Down to the establishment of the Board of Health, and later the creation of the Health Department, all health regulation was largely in the hands of the localities. The chief expenditures made by the state were for quarantine purposes connected with the regulation of the shipping in the port of New York. Even at the present time the expenditures for this important service bear no relation to the importance of the service. In 1912, only \$148,320 was spent

by the health department, whereas \$114,853 was spent by the agricultural department in connection with a study of the diseases of animals.¹

Educational.—The subject of education received comparatively little attention from the state down to the decade following the Civil War, and the expenditures for this purpose were exceedingly small. The matter was left largely to private initiative and the local subdivisions. During the years 1796-1825, \$13,301,000 was spent for common schools, of which amount the state contributed \$960,000, or about one-fifteenth; there was raised locally by taxation \$3,113,500, or one-fourth, while \$9,227,500, or over two-thirds, was given by individuals.

The office of Superintendent of Common Schools was created in 1812, and Gideon Hawley became the first superintendent. He served until 1821, when the office was abolished and the duties of the office were conferred upon the secretary of state. In 1854, the office of Superintendent of Public Instruction was created, to exercise supervision over the common schools. The administration of the higher educational institutions was, from the very first, entirely distinct from that of the common schools, being vested in a Board of Regents who exercised control over the colleges and academies. In 1904, all the educational interests of the state were consolidated under a Department of Education, which was placed under the control of the commissioner of education and the Board of Regents. At the regular meetings of the Board of Regents, the commissioner of education submits statements and suggestions concerning the business of the department, and action by the board is taken upon all matters involving appointments and promotions, chartering of academies, and the promulgation of rules and regulations governing the work of the department.

¹ *A. R. Comptroller, 1913, p. 36.*

The first expenditures for education were small grants made to colleges and academies, and annual appropriations made to the counties for the support of the common schools. In 1792, \$19,750 was appropriated to Columbia College, and for fourteen years \$500 was annually appropriated to the Professor of Anatomy in Columbia College. Other colleges, such as Hamilton, Union and numerous smaller academies received annual grants from the treasury and were aided by lottery grants. The first expenditure for common schools was made in 1795, when \$50,000 was appropriated.

In 1805, the Common School Fund was established, but the first payment from the fund was not made until 1816. From this time on the legislature made annual appropriations for the support of the common schools, from the revenue of this fund, and whenever the revenue from the fund was less than the amount appropriated, the deficiency was supplied from the treasury. After the establishment of the United States Deposit Fund, in 1837, a certain portion of the revenue of this fund was annually transferred to the income account of the Common School Fund and apportioned to the school districts. Finally an annual tax was levied for the support of schools, and this together with the income from the other funds, was apportioned by the superintendent to the school districts on the basis of school term and attendance and population of the district.

Another fund called the Literature Fund was created in 1790, and the income of this fund, together with an amount transferred from the revenue of the United States Deposit Fund, was apportioned by the Board of Regents to the academies based upon the number of pupils from the several academies who passed the Regents' examination.

Special funds were created for the benefit of Cornell University and Elmira Female College. The income of the

College Land Scrip Fund and The Cornell Endowment Fund went to Cornell University, and it also received liberal appropriations from the treasury. The income from the Elmira Female College Educational Fund went to Elmira College.

The expenditures for the maintenance of common schools have increased enormously in recent years, yet the proportion of educational expenditure made by the state to total expenditures of the state has decreased from about one-third of all expenditures in 1870 to about one-fourth in 1912. In 1850, the total expenditure for education was only \$1,607,688, in 1880 it was ten millions, and in 1912 nearly 84 millions. Of the vast sum spent in 1912, only \$7,571,631 was contributed by the state, the remainder being raised locally.

The educational expenditures made by the state were included under so many different appropriations, and the interrelation between funds was so complicated that it is difficult to give a clear idea of the confused method which was in operation down to the year 1904. The following table has been prepared to show the purposes, amounts paid and sources of the educational expenditures for 1879 which is a typical year:

<i>Purposes.</i>	<i>Amounts.</i>	<i>Sources.</i>
Academies	\$44,086.	Literature Fund & U. S. Dep. Fund.
Instruction of Teachers.....	28,953.	U. S. Deposit Fund.
Common School Dividends	245,600.	Com. School Fd. & U. S. Dep. Fund.
School Comm'rs Salaries.....	89,364.	Common School Fund.
Indian Schools,	5,027.	Common School Fund.
Cornell University	31,600.	Col. Land Scrip & Cor'l End't.
State Normal Schools	43,863.	Annual Appropriations.
Elmira Female College.....	3,500.	Elmira College Fund.
Common Schools,	2,927,327.	Taxation.
Dept. Public Instruction.....	21,695.	Annual Appropriations.
State Library	16,614.	Annual Appropriations.
Regents of the University.....	10,719.	Annual Appropriations.
State Museum Natural History..	20,852.	Annual Appropriations.
Total	\$3,489,200.	

This method of making educational appropriations was in force down to 1904, when the free school fund, which consisted of the state tax for common schools, was abolished and the income from the various school funds was transferred directly to the General Fund. Since that time the support of common schools has been a charge on the General Fund directly, and all the educational expenditures are now included under one heading in the budget.

The total expenditure for elementary, secondary and higher institutions in the state was \$83,896,255 for the year 1912.¹ Of this amount the state contributed only \$7,571,631 or a little over one-eleventh of the total. The state's contribution went toward the support of common schools, the normal schools, the department of education, the new education buildings and high schools and academies. Of this vast sum of 83 millions there was expended for elementary schools \$50,189,438, for public high schools \$9,569,177, for academies \$4,000,603, for higher institutions \$17,927,943, for vocational schools \$324,438, and the balance for Indian schools and evening schools.

The \$5,029,147 which was contributed by the state toward the support of the common schools was apportioned on the basis of school term, attendance and population among the 11,795 school districts. The amounts received varied from \$100 to \$200 for each school district, but all of this money was expended for teacher's wages with the exception of \$72,800 spent for supervision of schools and \$26,686 spent for vocational schools. The cost of maintaining the eleven normal schools was \$701,507 in 1912. In addition annual appropriations were made for defraying the expenses of teachers' institutes and training classes and for the erection of new buildings.

¹ *A. R. Commission of Education, 1912, p. 489.*

In July, 1908, the erection of the education building was begun at Albany. The contract price was \$3,022,280.¹ The building was badly needed to accommodate the Department of Education and its various activities. The expenses of construction were all defrayed by annual appropriations—a plan which the state still adheres to in the construction of hospitals, normal schools and prisons, but one which is not sanctioned by a sound policy of public finance.

In 1912, there were 718 high schools and 171 academies in the state with an attendance of 149,087 students. The total expenditures for these schools and academies amounted to \$12,160,225, of which \$669,489 was contributed by the state. The state money was spent for library books and apparatus, for tuition of non-resident students, for attendance of academic students and per quota of \$100 to each non-sectarian secondary school. The total educational expenditures amounted to one-fourth the total state budget.

The actual results obtained from this vast expenditure of money cannot be stated. The annual reports of the Commissioner of Education do not give the cost per pupil in the various kinds of schools in operation, the only *per capita* cost data being for supervising districts and cities, nor is there any evidence of any record being kept of the pupils after they leave school to determine whether the learning acquired has fitted them for the duties which they are called upon to perform.

While the number of children of school age has not increased rapidly during the last two decades, there has been a remarkable increase in the number of teachers employed, in the character of school buildings and in the library and laboratory facilities. During the two decades 1892 to 1912 the number of teachers employed increased from 32,161 to

¹ *A. R. Com. of Ed.*, 1909, p. 568.

46,906, and the average annual salary increased from \$467 to \$888. The amount spent for libraries increased from \$61,819 to \$306,419. Visual instruction was introduced in 1886, and 200,000 slides are used in the school system.

Every effort is being made to reach all children of the state. Compulsory education has been in force since 1874, and originally applied to all children between the ages of 8 and 14. Under the recent amendment the school age is now 8 to 16 for the rural districts and the term from October 1st to June. In cities having a population of over 5,000 the school age is from 7 to 16, and the term the whole time the public schools are in session. The total number of children of school age in the state in 1912 was 2,143,580, and the average daily attendance was 1,164,992. In twenty-eight cities of the state evening schools were maintained in 1912, and out of an attendance of 163,031, there were 6,535 pupils over eight and under sixteen years of age, showing the largest percent of the attendance was wholly voluntary.

Prison schools are also being conducted and state truant schools are needed to care for the truants. A study of the inmates of the reformatories reveals the fact that "in almost every instance the boy was first a truant and next a criminal."¹ About 500 school districts do not maintain home schools but provide funds for the education of their children under a contract system, whereby the district pays the expenses of transportation of pupils and their tuition in a neighboring school.

Agricultural

The expenditures for agricultural purposes did not assume importance until after the establishment of the De-

¹ *A. R. Com. Ed.*, 1909, p. 27.

partment of Agriculture in 1884, although a few attempts were made in the earlier years to improve the agriculture of the state by appropriating small sums which were to be used as prizes or to defray the expenses of the State Board of Agriculture. The first state agricultural board was created in 1819 and existed for seven years. Several thousand dollars were annually appropriated during the six years following 1819 for prizes offered to stimulate agriculture and \$1,000 went to defray the current expenses of the board. This board became extinct in 1826 and no state organization existed until the year 1841, when the New York State Society of Agriculture was incorporated and \$8,000 was annually appropriated for five years. Of this amount \$1,000 was to go to the state society and the remaining \$7,000 was to be appropriated to the county agricultural societies. From this time down to the Civil War period annual fairs were held to which the citizens were invited to compete for prizes. The first fair was held at Syracuse in 1841 and from 10,000 to 15,000 spectators were present on this occasion.¹

During the sixties and seventies appropriations continued to be made to the agricultural societies and occasionally additional appropriations were made for special purposes, as, for example, a commission existed from 1870 to 1873 to study the rinderpest. The first appropriation made for an agricultural experiment station was made in 1881. A Dairy Commission was started in 1884 and also a Department of Agriculture was created. State aid was given to Cornell University Experiment Station in 1895 and to the State Veterinary College in 1896. The State Fair Commission was created in 1900. Appropriations are also made to St. Lawrence and Alfred Universities, to the Morrisville

¹: *Trans. of State Agric. Society*, vol. 23.

School of Agriculture, and distributions are still made to the various county agricultural societies for the promotion of agriculture. The total expenditure in 1912 was \$2,055,338, which was one twenty-fifth of the total expenditures. Expenditures for agricultural purposes are increasing rapidly. During the decade ending 1912 they increased at the rate of 180 per cent.

Defensive

The expenditures for military affairs must necessarily be of a fluctuating character. The policy of the state has been to pay the expenses of carrying on a war out of the treasury. In 1898, the policy was slightly modified when \$900,000 of public defense bonds were issued to provide funds for carrying on the Spanish-American War.

The first period of large expenditures was occasioned by the organization and equipment of the state forces during the years 1794-5.

War of 1812.—The second period of large expenditures was occasioned by the War of 1812.

Strained relations existed for several years previous to the declaration of war, and the state began as early as 1809 to put her fortifications in defensive order. On the day that war was declared (June 12, 1812), the legislature passed a law stating the maximum amounts which might be spent by the various officials in defense of the state. The commissary of military stores was to be allowed to spend \$25,000 in camp equipment and \$50,000 upon muskets and ammunition, while the governor was given authority to spend \$50,000 as necessity might require, and \$45,000 was appropriated for fortifications. Even these liberal provisions were not sufficient, and we find that in 1814 the governor had spent more than the maximum sum allowed by law. The state generously came to the aid of the gov-

ernor by authorizing the comptroller to audit his accounts and pay to him the amounts spent in excess of the appropriation upon the presentation of satisfactory vouchers. The same year \$35,000 was spent upon frontier defenses and \$50,000 upon the fortifications of Staten Island.

Throughout the war the state resorted to her treasury for money for the general defense and when this was depleted she borrowed money. This method resulted in scattering the items all through the treasurer's reports in such a way that the exact sums spent could not be identified, and when the final settlement of accounts with the United States came to be made, resort was had to the files of the department at Washington. The investigation which was made by the comptroller showed that during the war the state spent for the use and benefit of the United States \$139,124.62. This amount was refunded to the state, together with \$40,264.86, which was allowed for interest. Under the act of Congress, authorizing payment for property lost, captured or destroyed during the war, the state secured \$29,934.01, on account of the destruction of property along the Niagara frontier, and since she had already compensated the real sufferers, this amount was turned into the treasury. The final payments were made by the United States in 1826.

Of the four direct taxes levied by the United States upon the state the last two, *viz.*, those of 1815 and 1816 were assumed by the state and paid out of her treasury. The first two levies were apportioned to the several counties of the state and these were not fully paid until many years later. In 1822, an assembly committee investigating the arrears of taxes found that of the first United States direct tax of 1798, \$2,024 of principal and \$4,129 of interest remained unpaid; of the second direct tax of 1814, \$6,112 of principal and \$5,165 of interest were unpaid.

New York's quota of these direct taxes is given in the following table:

<i>Year</i>	<i>Amount</i>
1798	\$181,680.70
1814	430,141.62
1815	860,283.24 Assumed by state
1816	430,141.62 Assumed by state

Civil War.—The first call for troops on April 15, 1861, was for 75,000 men, of which number New York's quota was 15,280. She responded with 13,906. The next call for 500,000 men came on May 3rd, and New York responded with 120,231, exceeding her quota by 11,000 men.

On April 16, 1861, \$3,000,000 was appropriated for the purpose of carrying on the war. During the years 1862 to 1864 the state offered bounties to secure enlisted men and appropriated \$9,076,373 for this purpose. During the course of the war the state is credited with having furnished 448,850 men, about half the male population between the ages of 18 and 45, and with having spent over \$14,000,000 from her own funds. The principal payments on account of the war are given in the following table:

<i>Purpose</i>	<i>Amount</i>
Act of April 16, 1861	\$3,000,000
For bounties, 1862 to 1864	9,076,373
Arms and equipment for state troops	841,197
Militia, National Guard	553,924
Sick and wounded soldiers	182,285
Harbor and frontier defense	4,979
Bureau of Military Statistics	20,403
Claims of state troops	183,134
Adjutant general's muster roll	6,282
Volunteer militia	84,506
United States direct tax	400,000
Total	\$14,353,083

The first call from the national government for funds was made in 1861, when Congress levied a direct tax of \$20,000,000 upon the states. New York's quota was \$2,609,918. The state paid this tax out of its treasury, receiving a rebate of 15 per cent, and paid over to the United States \$2,213,333. In July, 1862, New York's claims against the United States for sums spent in organizing and equipping volunteers amounted to \$2,948,964. Very tardy progress was made in the settlement of the accounts between the state and the United States, and in 1868 the accounts were still unsettled. The account in that year was as follows: ¹

<i>New York State, Dr.</i>	
To direct tax of 1861 less 15 per cent	\$2,213,331
To cash, December, 1861	1,113,000
To cash, October, 1865	262,763
	<hr/>
Total	\$3,589,094
<i>New York State, Cr.</i>	
By claims as presented	\$2,948,964
By cash, June, 1862	400,000
	<hr/>
	\$3,348,964
Balance due United States, \$240,130.	

Other claims against the United States to the amount of \$281,846 were also awaiting settlement. The final settlement was tardily made. In 1873, the United States paid over \$300,148, and in 1877 and in 1878 it paid \$98,186 and \$82,737 respectively.

A far more important cost of the war was the amount spent by the villages, counties and towns of the state. An investigation made by the chief of the bureau of military records in 1868 showed the following result: 47 counties had spent \$58,000,000, 771 towns had spent \$32,000,000,

¹ *A. R. Comp.*, 1868, p. 27.

and 535 towns \$1,700,000. The incomplete reports from five cities, twelve counties and 132 towns showed a total of over \$21,000,000. If we add to these sums the \$14,000,000 appropriated by the state and the bounty debt contracted in 1865 to repay the towns and counties for bounties paid by them, we have a total cost of over \$150,000,000.¹

It was the offering of large local bounties which secured the volunteers. The different cities and counties competing with each other succeeded in raising the bounties to high figures. The object of the bounty debt was to repay the towns and counties and to prevent the necessity of their creating large local debts. Thirty millions were appropriated for this purpose, and the amount actually expended was \$25,729,243. The maximum bounty for three years' service was fixed at \$600, for two years' service \$400, and for one year's service \$300.

The comptroller, writing at the close of the war, says: "Never before have such lavish appropriations by legislatures and such extravagant expenditure in private life been known as during the continuance of this desolating and exhausting struggle for national life."²

War with Spain.—The war with Spain was financed by increasing the annual appropriations for defensive purposes and by issuing short-term bonds. In 1897, the expenditures for defensive purposes were \$860,000, but they rose to \$1,629,000 for the year 1898, and continued to exceed a million dollars during both 1899 and 1900. The \$900,000 of public-defense bonds issued to carry on the war were all paid off by 1906.

The United States has been tardy in reimbursing the state for equipment and supplies furnished during the war. In

¹ *N. Y. in the War of the Rebellion*, Phisterer, 1890.

² *A. R. Comptroller*, 1865, p. 1.

1910 the state received \$49,542 from the United States for ordnance furnished troops for use in the war with Spain.

Penal Institutions

The first state prison was erected in New York City in 1796 at a total cost of \$253,000. This was sold to the city in 1828 for \$101,000. Auburn prison was begun in 1816 by an appropriation of \$20,000 and large sums appropriated during the next five years brought the total cost up to \$281,843. Sing Sing prison was opened in 1825. The Mount Pleasant prison was begun in 1825, but this prison was subsequently disposed of by the state. In 1845 the Clinton prison was opened. The female department of Auburn prison was opened in 1859, but was used as an asylum for insane criminals prior to the opening of the Matteawan State Hospital in 1892. The Dannemora State Hospital for insane criminals was opened in 1900. The latest addition to the list of prisons is the Great Meadow prison which has just been opened at Comstock, N. Y. The newest development is the maintenance of a State Farm for Women at Valatie. A new prison commission has been in existence since 1906, charged with the selection of a suitable site for a new prison. Both the original site selected at Bear Mountain and at Wingdale have been given up and the proposition abandoned. In 1910, the state had expended \$7,303,709 for building, equipping and furnishing the state prisons, all of which had been appropriated out of the annual receipts.¹

Manufacturing plants were installed in the prisons at an early period, but for many years they failed to be self-supporting. The system of managing prisons under state inspectors, as provided for in the Constitution of 1846, was neither efficient nor economical.

¹ A. R. Comptroller, 1911, p. 240.

No rigid inspection of accounts was made. Bills were paid without taking receipts, and debts were contracted without keeping any accounts of the amounts. The agents reported annually to the comptroller the total amount of receipts and expenditures, but these were not included in his annual statement of receipts and expenditures, being attached to the report as appendices up to the year 1854. In 1851 Auburn prison was self-supporting, but Clinton and Sing Sing prison received \$13,500 and \$12,000 respectively from the treasurer. The inspectors made improper uses of the earnings of the convicts, either withholding the money altogether or expending it in buildings and fixtures to suit their fancy. An investigation into the prison management in 1853 revealed the fact that a large debt, amounting to \$221,386 had accumulated against the state.¹ This was paid in 1854, and the accounts were placed under the supervision of the comptroller, and hereafter the agents were required to render monthly accounts of receipts and expenditures to the comptroller.

In 1876 the office of inspector of prisons was abolished and a superintendent of prisons was appointed who had general supervision over all the state prisons. The superintendent was forbidden to make any contract to let out the labor of the prisoners to any person or corporation, and their labor was to be directed as far as possible toward the production of articles which could be used in the public institutions of the state.

The excess of advances from the treasury over receipts from earnings was for the decade 1870 to 1879 about \$450,000 a year.² Excluding payments made for improvements and for transportation of convicts, the three prisons, Clin-

¹ *A. R. Comptroller*, 1856, p. 59.

² *Ibid.*, 1879, p. 16.

ton, Auburn and Sing Sing, showed a deficit of only \$18,533 in 1879. Thus for the first time in their history they were practically self-supporting.

The contract system of supplying prison labor was abolished by constitutional provision in 1894.¹

Since 1885 large sums have been spent for manufacturing purposes, yet no statement showing the financial condition of the manufacturing departments of the prisons was made to the comptroller prior to 1889 (chap. 382). Since that time the annual report contains a statement of the value of the plants and machinery, value and amount of manufactured goods unsold, and amount of goods sold and not paid for. The total resources of all prisons amounted to \$1,250,340 in 1912.

A prison capital fund is maintained. The receipts arise from the sale of manufactured articles and the expenditures are for the maintenance and support of the industries. Another fund, called the Convicts' Deposit and Miscellaneous Earnings Fund, is maintained and amounted to \$46,518 in 1912.

The comptroller can withdraw money from the prison capital fund and pay it into the treasury whenever there is an excess of the amount needed to meet the expenses of the prisons. In 1912 there was withdrawn \$100,000. The net earnings of all prisons amounted to \$187,443 for the year ending September 30, 1912.

The principal articles manufactured are cloth, knitting and hosiery, school furniture, carts and wagons, cabinets, willow ware, brooms, chairs, saddlery and harnesses, brush fiber and clothing. The general plan is to confine the manufacturing industries to the production of those articles which can be used by other state institutions, such as the

¹ Art. 3, sec. 29.

charitable and curative institutions, and thus obviate the objection which has often been raised of throwing prison-made products on the market at a lower price than similar articles can be produced by private companies who have to pay wages to their employees.

The Superintendent of State Prisons appoints the agents, wardens, physicians and chaplains, and the agents and wardens appoint all other officers, subject to the approval of the superintendent. The clerks of the prisons are appointed by the comptroller; this is done to give the comptroller greater control over the financial operations of the prisons. The constitution of 1894 provides for a State Commission of Prisons, which visits and inspects all penal institutions and exercises a supervisory control over prison affairs.

A Commission on Probation has existed since 1907; it has supervision over the work of probation officers and works to extend the application of the probation system. In thirteen cities and fourteen counties appropriations had been made on December 31, 1910, for the employment of probation officers and 11,384 persons were under probationary oversight. The aim is to allow children, and in some cases, first offenders to escape confinement in prisons and allow them to be free, subject to the supervision of probation officers. In line with this work are the state farms for tramps and vagrants and for women, which have in view the prevention of crime and the formation of criminals by furnishing a separate place for the care of these shiftless and irresponsible classes.

The expenditures in 1912 for all penal purposes were \$1,572,125.

Charitable Institutions

During the early years the state undertook no systematic program of caring for the poor and unfortunate; no state

charitable institutions were established and it limited its activities to making small grants to existing private institutions. About 1794 large numbers of refugees from St. Domingo began to come to this country to escape the terrors of the struggle which was then being waged between Napoleon and the rebel negro leader, Toussaint L'Overture, and for a number of years the state contributed small sums to relieve the sufferings of these refugees. Small annual contributions were also made to an Economical School in New York City, to an orphan asylum, to an eye infirmary and to a deaf and dumb asylum. The largest sums went for the relief of the foreign poor in New York City; in 1798 one-third of the duties collected upon goods sold at auction was set apart for this purpose and additional appropriations were made annually. The poor were a charge upon the cities, towns and counties, and large sums were collected by taxes locally for this purpose, as, for example, in 1823, there were 356 paupers in the state, or one pauper for every 220 inhabitants, and the sum raised for their support amounted to \$223,974. Such was the small beginning of one of the largest items in the budget of the present day.

The question of state appropriations of money for the care of the defective and delinquent classes began to claim attention about 1840. Up to this time these duties had been left to local authorities, to private individuals or private institutions. The county poor house had long existed, but the increasing number of insane persons presented a problem with which the counties were unable to deal. In 1854 the governor wrote, "While any of our unfortunate insane remain unprovided for, it is obvious that the state has not performed her whole duty toward her suffering children."¹

¹ *Governor's Message, 1854, p. 10.*

The Western House of Refuge for Juvenile Delinquents was established at Rochester in 1846, and the State Institution for the Blind at Batavia in 1851.

The question of appropriating money for these purposes was seriously discussed during the fifties. It was argued that since each county supported its own poor the same method should be applied to these institutions. It was contended that after the respective counties had provided for their sick, lame and infirm, it would be unjust to compel them to contribute to similar expenses in other localities. The support of hospitals by general taxation was also considered unjustifiable.

The control over these state institutions is exercised by the State Board of Charities which was organized in 1867. It is composed of twelve members, appointed by the governor for eight years, one from each of the nine judicial districts and three from New York City. The members are not paid a salary, but receive \$10 per day for expenses when attending meetings, but such expense shall not exceed \$500 per year. The Constitution of 1894² provides that this board shall visit and inspect all institutions, whether state, county, municipal, incorporated or not incorporated, which are of a charitable, eleemosynary, correctional or reformatory character, excepting only such as are subject to the visitation and inspection of the State Commission in Lunacy and State Commissioner of Prisons.

The supervision of the State Board of Charities, prior to the year 1894, was largely of an advisory character, its visits were more or less perfunctory and its regulations were confined mainly to outlining general policies of administration. The managers of institutions exerted all their influence to induce the legislature to make as large appro-

¹ Art. viii, sec. 11.

priations as possible and the appropriations were expended without anybody knowing much about where or how the money was used. Each institution was conducted in such a manner as to afford the locality an avenue to the state treasury. Local dealers combined to furnish supplies at advanced prices and supplies of inferior qualities were sold. Beginning in 1894, each institution was required to make a detailed statement of the expenditures necessary for the following month, and the comptroller was given power to alter or to revise the estimates for supplies both as to quantity and cost. A uniform system of bookkeeping was also installed in each institution reporting to the comptroller.

In order that the comptroller might have some basis for his revision of estimated expenditure, a committee was sent to visit every institution in order to collect statistics of expenditures and amounts purchased. Some astonishing discoveries were made regarding the management of state institutions. As a consequence one entire board of managers resigned and several individual members of other boards resigned. It was found that vicious, criminal women and insane women were housed with the girls in the Hudson House of Refuge; adults of 50 years of age and unteachable idiots were found in the Institution for Feeble-Minded Children; murderers and old offenders were found at Elmira Reformatory. Uneconomical and extravagant methods prevailed in many institutions. A knowledge of the facts resulted in a marked improvement in the management of these institutions. A proper segregation of inmates was effected and many remedies introduced in the interest of economy.

The supervision over the purchasing of supplies resulted in a reduction of per capita cost from \$134 to \$96 for the eleven institutions under the supervision of the comptroller, but no general control was exercised over the amount of salaries and wages paid to employees. The per capita cost

of salaries, wages and labor had increased from \$66 in 1893 to \$78 in 1895 in the Hudson House of Refuge; from \$143 to \$165 in the School for Blind at Batavia, and similar increases occurred in the other institutions. In 1899, supervision was extended to this item also; the comptroller and president of the State Board of Charities were given power to classify the employees and officers into grades and fix salaries and wages. The per capita cost of this item in 1909 was \$81 for all institutions, and constituted nearly one-half of the total expenditures. The expenditures for maintenance are classified under eleven heads as follows, named in the order of their importance: salaries and wages, provisions, fuel and light, clothing, shop, farm and garden supplies, household stores, transportation of inmates, hospital and medical supplies, miscellaneous expenses of managers and ordinary repairs. The first four items amount to a per capita expenditure of \$159 out of a total of \$178, and it is in connection with these that the greatest economies can be made in the future. The state now has 3,000 acres under cultivation employed in raising food for the inmates.

A great saving to the state may be made through the introduction of improved methods of intensive agriculture. Another economy may result from the selection of proper foods by a dietary expert. Perhaps another economy will result from the establishment of a central purchasing department for all state institutions. The method of purchasing supplies by the month has been found to be uneconomical because of the variations in prices throughout the year, and by purchasing the total year's supply at that season of the year when prices of commodities are lowest, a saving of many thousands of dollars may be achieved. A central purchasing board consisting of the president of the board of charities, of the commission in lunacy and the com-

missioner of prisons might regulate the purchase of supplies by contract for all three classes of institutions.

The financial management of the state charitable institutions remained in the same chaotic condition that prevailed with regard to the prisons prior to 1854. No careful or accurate accounts of receipts and expenditures were kept, and money was expended without the knowledge or consent of the comptroller or any of the supervising departments of the state. This was not remedied until 1894, when a bureau in the comptroller's office exercised supervision over these institutions, and in 1902 a separate department, known as the fiscal supervisor of charities, was appointed to supervise the financial operations of the state charitable institutions.

The present value of these nineteen institutions is \$8,708,302, representing 8,214 acres of land worth \$2,854,299 and buildings worth \$5,854,002. The total expenditures of the institutions reporting to the fiscal supervisor of charities for the year 1909 were \$1,914,819, which made the per capita cost for the 10,144 inmates cared for \$178. The number of employees in state charitable institutions was 1,546. In addition to these state institutions the state contributes \$775,051 to ten private institutions.

It has been the policy of the state to secure, as far as possible, payments toward the support of the inmates either from friends of the defective persons where they are able to pay or from the county from which the inmates came, but such payments do not exceed the cost of maintenance. The cost of transporting inmates to and from state institutions is also a charge upon the county or is borne by friends of the defective persons. The number supported in state institutions is a very small part of the total number of inmates in charitable institutions. In 1909 there were 76,171 persons in institutions receiving public money and

under the supervision of the State Board of Charities. Of this number 6,233 were in county almshouses, 10,487 in city and town almshouse institutions, 33,686 in homes for children, and 8,893 in hospitals.

The charitable institutions are still in the constructive period. The State Board of Charities estimates that \$8,712,500 will be needed to complete the established state charitable and reformatory institutions. Four new institutions have been built during the last decade, and the demand for more accommodations is still urgent. The capacity of the nineteen charitable institutions was given as 8,651, whereas in 1909 the total number of inmates was 10,144. The annual expenditure for these institutions exceeded a million dollars in 1888; by 1904, it had passed the two million mark, and in 1910 it amounted to nearly three millions. For the decade 1900-1910, it amounted to about one-tenth of the total expenditures from the General Fund.¹

Curative.—The State Commission in Lunacy (changed to the State Hospital Commission in July, 1912) was established in 1889.² The constitution of 1894³ provided that it should visit and inspect all institutions, either public or private, used for the care and treatment of the insane (not including institutions for epileptics or idiots). The six asylums existing at that time contained 5,201 patients, and the annual charge upon the state for their support was \$688,031, or about one-tenth of the total general fund expenditures at that time. Many of the insane were still supported in town and city or county almshouses or in the state charitable institutions. In 1893, the "State Care Act" was passed by which all the insane patients ceased to be a charge upon the several counties and became a charge

¹ *A. R. Comptroller*, 1910, p. 7.

² Chap. 28.

³ Art. viii, sec. II.

upon the state. A tax of one-third of a mill was imposed to raise funds for carrying out the provisions of this law. The insane patients were transferred to the state hospitals as rapidly as buildings could be provided for them, so that in 1909, of the whole number of 31,540 insane persons in the state, 30,490 were in state institutions and the remainder were in private institutions licensed by the Commission in Lunacy. The state now has fourteen state hospitals upon which there has been expended for building equipment and furnishing the sum of \$27,970,995. Many of the hospitals are overcrowded and there is now a shortage of proper accommodations for about 1,500 patients. The annual increase of patients is about 1,000, so that the expenditures for new hospitals is apt to continue in the future with no visible signs of relief from the growing burden. The land has been purchased for a new hospital which is greatly needed. During the quarter of a century from 1888 to 1912 the expenditures for this purpose have increased from \$1,646,289 to \$7,357,973, and they now constitute the largest single item of expenditure, or over 18 per cent of the total general fund expenditures.

The State Commission in Lunacy was the first to exercise rigid control over the expenditures of the various institutions and to make whatever internal economies were possible. In 1896, a board consisting of the governor, secretary of state, comptroller and commissioner of lunacy was given power to supervise and revise the salaries and wages paid to the employees in the state hospitals. Here, as in the case of the charitable institutions, the largest items of expenditure are for salaries and wages, for provisions, and for fuel and light. These three items amount to a per capita cost of \$161 out of a total per capita cost of \$191. There is not much reason to expect any marked economies in the management of these institutions in the near future.

Some small saving may be made in connection with the purchasing of provisions and stores and of fuel, but for a considerable time to come we may expect constantly increasing expenditures for state hospitals. The situation is entirely different from that of the charitable institutions whose inmates may be taught to contribute something towards their support. In view of the increase of patients of about 1,000 a year, it would seem that expenditures both for new buildings and for maintenance are apt to continue indefinitely.

Up to the present time the policy of the state has been to build its public buildings out of income, a "method of financing which no private business would be expected to adopt and a sharp contrast with the resort to bond issues necessarily prevailing in the case of most municipalities."¹ The future policy of the state should be to construct its public buildings by the issuance of bonds, because these buildings will be inherited by coming generations, and it is only reasonable and just to ask them to share the burdens.

In adopting a policy for the construction of future hospitals and charitable institutions a standard style of building should be adopted. The style should be that one which has been found to be best suited to the class of patients for which it is intended, and in this way the cost of the building and the maintenance cost per year can be accurately known beforehand. Experience tends to show that small institutions are more expensive to maintain than large ones, owing to the fact that the per capita cost of care and management is much greater in proportion in the smaller institutions. It has already been pointed out that the per capita cost of salaries and wages constitute from one-third to one-half of the total per capita cost in the existing institutions. The New York Soldiers' and Sailors' Home supports 2,000

¹ *A. R. Comptroller, 1910, p. 7.*

inmates at a cost of \$148 per capita, while the School for the Blind at Batavia supports 136 inmates at a cost of \$418 per capita. While it will always be true that some classes of patients will be more expensive than others, owing to the greater amount of care and supervision required, yet for each particular class of defectives some one type of building may be found which will give the maximum accommodations with the least cost. It would seem that no better place could be found for studying this problem than among the various state and private institutions of this state.

Protective.—The expenditures which are classified under this item include those for public buildings, public lands, Forest, Fish and Game Commission (changed to Conservation Department in 1912), Indian affairs, and the maintenance of the various monuments, parks, reservations and historic buildings. With a few noteworthy exceptions in recent years, the policy of the state has been to pay for the erection of public buildings and for the acquisition of lands for the purpose of establishing parks or reservations out of the annual receipts in the treasury. Short-term bonds have been issued for defraying the expenses of acquiring the Niagara Reservation, Adirondack Park, and Saratoga Springs State Reservation.

The fallacy of including such expenditures, which go toward permanent investment and improvements among the annual current expenses, is apparent. Not only should the cost of all such permanent improvements be paid out of the receipts from bonds, but the length of term of the bonds issued should bear some definite relation to the probable life of the improvement. Otherwise it might conceivably happen that the people would be required to redeem the bonds long after the improvements had ceased to exist. While this matter is most important when considering the constructions of highways, the life of which is compara-

tively short, yet it should not be wholly disregarded in the matter of constructing public buildings.

Indian Affairs.—The Indians living within the state have been a constant source of expense, although the sums annually paid have not been large. In 1819, there were not over 5,000 Indians living in the state, scattered about on different reservations. In that year they owned 270,000 acres of land. From time to time treaties have been negotiated with the various tribes whereby the state has secured large tracts of land in return for which it has agreed to pay to them perpetual annuities. A few examples will show the terms of these treaties. By a treaty with the St. Regis Indians in 1818 the state received 2,000 acres for which it agreed to pay a perpetual annuity of \$200, and the next year, by a treaty with the Stockbridge Indians, the state secured 5,390 acres by paying \$5,390 cash and a perpetual annuity of \$322. These annuities comprise the largest part of the payments made to the Indians, although there are a few other expenses for the erection and maintenance of schools and churches and the salaries of superintendents or agents of the various tribes. The expenditures for Indian affairs in 1912 amounted to \$8,610.

Constructive.—The constructive expenditures include the expenses of the offices of the State Engineer and Surveyor, the Superintendent of Public Works, the State Architect, and the Highway Department. The first two departments have to do with the canal construction, and have already been dealt with under the chapters on Internal Improvements. Some account will be given here of the highway construction. If the recommendations of the Water Supply Commission are carried out, the construction of the dams and reservoirs will fall under this heading, and so a short notice will be given here of the work of the Water Supply Commission which was created in 1905, and which is now included under the State Conservation Department.

Highways.—The expenditure of state funds for the improvement and maintenance of highways began in 1898. A century earlier the state had furthered the improvement of roads by granting charters to turnpike companies and to bridge companies. These were allowed to charge tolls to keep the roads and bridges in repair and to retain a profit. Later the state regulated the rates of tolls charged, and as the charters of these companies expired, the roads became the property of the state either by purchase or otherwise. For a time the state maintained some toll roads, but sooner or later they all became free public highways. About the only evidences of this early policy are the few toll bridges which still exist, but which will soon all be taken over by the state and become free bridges.

The care and maintenance of public highways was left entirely to the local subdivisions, with certain restrictions placed upon the amount which might be raised for this purpose. In 1801, the board of supervisors could assess property for road improvements up to \$1,000 per county. The Commissioner of Highways in each county had charge of the roads, and every free male over twenty-one years of age was liable to road duty, except ministers and county officials.

The year 1898 marked a new era in the management of public highways. The Hibgee-Armstrong Act of that year provided for the construction of a limited number of costly macadam roads by the state authorities who were to have sole charge of the work. The cost was apportioned among the state, counties and towns, in the ratio of 50, 35 and 15 per cent respectively. The Money System Act was designed to encourage the abandonment of the antiquated system of working out the highway tax. Under it the state paid to each town which abandoned the labor system, and paid its highway tax in cash, a sum equal to 25 per cent of the tax

levied. The initiative under both acts was left entirely with the local authorities and the money was paid over to the local highway officials and expended as they saw fit.

A few years later the state engineer was given supervisory power over the expenditures of money, and the town officials were required to render accounts to him for all highway funds raised in the town, or donated to it by the state. The number of towns working under the money system in 1908 was 650 out of the 933 towns in the state. In this year the labor system was abolished and all towns were compelled to come under the money system. The amount paid to the several towns as the state aid for the repair of highways was \$1,665,500 in 1912, and the total amount contributed since 1898 was \$10,111,150.¹

A new plan was adopted in 1907 in order to lessen the cost of improvement in the poor counties and towns. Under this plan the cost borne by the county and town was based upon the average assessed valuation of property per mile. The counties paid two per cent of the cost of improvement for each \$1,000 of assessed valuation per mile of highway within the county, and the town paid one per cent for each \$1,000 of assessed valuation per mile, and the state paid the balance, except that in no case should the county pay more than 35 per cent, nor the town more than 15 per cent, of the total assessed valuation. The total amount paid by the state according to this act was \$1,350,000, and the amount raised locally amounted to \$73,350 in 1910.²

The amount of state aid given for repairs and maintenance was increased from 25 per cent to 100 per cent in some cases. The exact percentage varied with the amount of assessed valuation per mile as follows: in towns having an

¹ *A. R. Comptroller*, 1913, p. xx.

² *A. R. Highway Commission*, p. 162.

assessed valuation per mile of highways less than \$5,000, the state paid 100 per cent; towns between \$5,000 and \$7,000, the state paid 90 per cent, and the percentage paid by the state decreased as the valuation increased, until it reached 50 per cent, which was the amount contributed to all towns having an assessed valuation per mile of \$13,000. No town should receive state aid in any year to an amount exceeding the average of \$25 per mile for the total mileage of its highway, exclusive of incorporated villages, except that in towns whose assessed valuation averaged more than \$25,000 per mile, the amount of state aid was limited to one-tenth of one per cent. The total amount expended under this act was \$2,526,612, of which amount the state contributed \$1,441,751.¹ The maximum amount of state aid which the towns in the different counties are entitled to draw in any one year is \$2,199,177. In 1913, only 229 towns raised sufficient highway funds to draw their full amount of state aid.

An amendment to the constitution was made in 1905, by which the state was authorized to issue bonds to the extent of \$50,000,000, the proceeds of which were to be used in paying the state's share of the expense of improving roads.² These were payable in fifty years. The first million was issued in 1906 at three per cent, but due to adverse market conditions the rate was raised to four per cent. Up to December 31, 1912, there had been issued \$34,000,000 of these bonds. An annual appropriation was made out of the general funds to provide for the highway improvement sinking fund. In 1912 this contribution amounted to \$1,755,667.

The present system of public highways includes the improvement, maintenance and repair of three divisions: (1)

¹ *Ibid.*, p. 226.

² Art. vii, sec. 12.

the state highways, consisting of through routes running across the state, aggregating 3,514 miles, which are to be improved solely at the expense of the state; (2) the county highways, consisting of main roads, aggregating 8,380 miles, which are to be improved at the joint expense of the state, county and town in the manner above explained; (3) the town roads, embracing all roads not to be improved as state or county highways, aggregating about 77,000 miles; these are maintained and repaired as earth roads at the expense of the towns plus the aid donated by the state. A Commission of Highways was established in 1909 to relieve the state engineer of these duties and to have charge of road improvement.¹

The Highway Department also has charge of the elimination of grade crossings. In the case of state roads crossing a railway, the state pays half and the railroad half of the expense of constructing grade crossings. In the case of county roads, the railroads pay one-half the expense and the other half is divided proportionately among the state, county and towns.

Of the original issue of \$50,000,000, there had been expended at the close of 1911, the sum of \$48,955,000, leaving only \$1,045,000 unexpended. Of the 8,380 miles of county highways, there had been completed 3,155, and the present appropriations were sufficient to complete 600 miles, thus leaving nearly 4,500 miles still unfinished. Of the 3,514 miles of state highways there had been completed 2,073, thus leaving 1,441 unprovided for.

This large amount of road construction was secured only by the special appropriation of \$13,955,000 for the early completion of certain expedited routes which it was thought were in urgent need of completion. The first \$50,000,000

¹ *Laws of 1909*, chap. 30.

was spent in building short stretches of road, scattered about throughout the state. The roads began nowhere and ended nowhere, they were not connected up with through routes, and if they had been allowed to remain in the condition in which they were when the first \$50,000,000 was spent, they would have been practically useless. The appropriations for the expedited routes were a belated effort to remedy this situation and connect up at least some of these disconnected pieces of roads.

The present distribution of the highway funds is largely in the hands of the Highway Commission, the distributions being based upon the ratio of the county mileage to the state mileage. The appropriation for certain expedited routes gave these favored counties more than their proportionate share of the state funds, and in dividing the eight million dollars appropriated for highway construction in 1911, one-half was set aside and apportioned to those counties which were not being benefited by these special appropriations, and the other half was apportioned among all counties; but those counties which were receiving an excess of state mileage received no county mileage.¹ An act making provision for issuing another \$50,000,000 of highway bonds was passed and received the favorable vote of the people at the general election in 1912.² Twenty millions of this is for state highways and thirty millions for county highways, the money being apportioned among the counties according to population, area and mileage of improved highways. The legislature has appropriated one-tenth of this amount.

The constitution provides for the creation of a sinking fund of at least two per cent per annum to discharge the principal and interest on these bonds, and counties and

¹ *State Highway Com.*, 1912, p. 20.

² *Laws of 1912*, chap. 298.

towns can be compelled to pay their proportionate share, provided no county shall be required to pay more than thirty-five one-hundredths of the cost or no town more than fifteen one-hundredths of the cost of the highway. Since the bonds were to run for fifty years, the provision fixing the minimum rate at two per cent was doubtless intended to provide for the sinking fund at the time of payment. But since the sinking funds are to be invested, this makes no provision for the accumulating interest. The result is that at the present time there is an excess in the highway sinking fund of \$3,394,395. The framers of the constitution failed to consider the earning power of the sinking funds, and the best remedy now would seem to be an amendment to the constitution.

Water Supply Commission.—Another result of the expanding activities of the state into new fields of endeavor has been the appointment of a Water Supply Commission in 1905, to exercise supervision over the course adopted by the municipalities and local divisions in acquiring control over the water supply of the state. Every municipality must submit plans to the commission and have them approved before it can take over a new source of water supply.

The work of the commission has not stopped here however. It has made extensive surveys of the most important rivers and basins which might be used to form reservoirs to furnish additional water power for the industries of the state. Two of the proposed projects may be cited.

The Sacandago project is to construct a dam at Conklingville on the Sacandago river, about fifty miles north of Albany, thus creating a storage reservoir of 29,000,000 cubic feet capacity and converting thirty miles of the present river valley into an artificial lake of the same size at Lake George. It is estimated that such a reservoir would furnish 85,500 additional horse-power continuously throughout the

year. The total cost is estimated at \$4,650,000, and the net revenue after paying fixed sinking fund charges and for maintenance is estimated at \$189,800.

The Schroon project is to construct a storage reservoir of 16,000,000 cubic feet capacity on the Schroon river, which would be capable of furnishing 52,000 additional horse-power. The estimated cost is given as \$1,900,000, and the net revenue, after paying all expenses, is estimated at \$152,000.

Surveys have also been made of the Orange, Raquette, Black and Genesee rivers and of many others, and the probable cost and probable additional horse-power has been computed. The horse-power furnished by streams in 1908 was 600,000, and the total possibilities of the streams of the state is estimated at 1,500,000 horse-power.

The arguments presented by the commission in favor of the state's undertaking this work seem to be conclusive. In the first place, the project involves the flooding of thousands of acres of land, and to be successfully executed the power of eminent domain must be invoked. State action would insure the fullest possible utilization of the power possibilities of each stream. The state has greater financial strength, and thus can borrow funds at a lower rate of interest than a private company. State supervision will be needed to ensure the safety of the construction and maintenance of the dams. Perhaps the most important argument presented is that state action will "ensure the equal participation of all citizens in this form of natural wealth, which is particularly the heritage of the whole people."¹

General.—Under this item we have included the sums paid out by the state, acting as agents for the local subdivisions or for the United States government. During the

¹ *Assem. Doc.*, 1910, No. 34, p. 97.

first eleven years, the state spent \$441,000 in redeeming and canceling bills of credit, which had been issued prior to the adoption of the constitution. Later it advanced money to counties for arrears of taxes, sums were paid out for the redemption of lands sold for taxes etc., and it also paid the United States direct tax out of the state treasury. Strictly speaking, this item ought not to be included among the ordinary expenditures, but it is difficult to classify it elsewhere.

The payments for the support of the State Banking and Insurance Departments are made directly out of the treasury, in the first instance, but the treasury is subsequently reimbursed by means of assessment levied on the various banks and insurance companies under the control of the department. Under this item is also included the interest paid on temporary loans and the small amounts paid as bounties.

From 1789 to 1795 bounties were paid upon hemp. In 1808, \$2,000 was given away in premiums on woolen cloth, and later bounties were extended to the manufacture of broadcloth. Later salt bounties were paid. The sums paid varied from a few hundred dollars to a few thousand, and it is very doubtful if these payments had any material stimulating effect upon the industries so aided. Bounties paid for the destruction of wolves and other wild animals cost the state thousands of dollars; in 1821, \$22,659 was paid out for this purpose. The state and counties shared equally in the expense. A bounty of \$20 was paid on every full-grown wolf, and the county in which the wolf was killed raised an equal amount.

CHAPTER X

MANAGEMENT OF FUNDS

THE fiscal officers of the state, in 1789, consisted of a treasurer and auditor. In addition a legislative committee was appointed to assist the auditor in examining the treasurer's accounts, which were examined every six months. This method continued down to 1797, when the office of Comptroller was established and the office of Auditor was abolished.

Up to the year 1797 the accounts were kept in pounds, shillings and pence, but in that year an act was passed requiring them to be kept in dollars and cents. For reducing these early figures to dollars and cents a ratio was deduced from figures found in the legislative documents of the period, and the ratio thus obtained was that one pound equals \$2.50, or one dollar is worth about eight shillings.

The fiscal year coincided with the calendar year from 1789 to 1819, in which year it was changed from December 30th to November 30th. In 1831 it was again changed from November 30th to September 30th. This was done to facilitate accounting, since the different departments were required to give a report for the quarters which ended April 1st, July 1st, October 1st, and January 1st, and it required about six weeks to make out the financial report, which had to be reported to the legislature early in the session.

The duties of the comptroller were to draw warrants

on the treasurer for state appropriations and salaries of officers, to examine and liquidate claims against the state, to make annual reports to the legislature, and to suggest improvements. He was given power to loan surplus revenues in the treasury on good land security for ten-year periods at six per cent interest, and to borrow funds from banks to meet the current expenses of the state. The annual statements which the comptroller made to the legislature were simply statements of cash receipts and disbursements, and estimates of expenses for the coming year, and occasionally improvements were suggested. The only attempt at classification was to divide the itemized expenditures into annual appropriations, permanent annual appropriations, and specific appropriations. Beginning in 1825, the accounts of the various funds were stated separately. In the treasurer's reports we find page after page of itemized accounts, with no attempt at classification.

The legislature made no attempt to confine itself within the estimated revenues, and the comptroller simply borrowed money whenever appropriations exceeded the revenue. It was through this borrowing power that the first state debt was created. Up to 1797 there was an annual surplus of revenue, but beginning with that year the comptroller had frequently to borrow amounts from banks. These were strictly short-time loans, and were regarded of so little consequence that we find no reference to them as constituting a debt until 1806, when they amounted to \$130,000.

This plan was continued until 1816, when the debt amounted to \$2,905,335. In that year a tax was levied and continued until this debt was finally paid off in 1826. Although the tax was still needed, as shown by the rapidly increasing deficits from 1826 to 1829 (deficits \$2,050

\$96,750; \$175,450; \$118,950) and was repeatedly urged by the comptroller, yet it was not levied, and the capital of the General Fund which was invested in mortgages or loaned to individuals was used as it came into the treasury in paying the annual current expenses. In this way the capital of the General Fund was reduced from \$4,396,944 in 1814 to zero in 1835. When the General Fund was exhausted a scheme of borrowing money from the Common School Fund, Literature Fund and Canal Fund was inaugurated and state stocks were issued for these funds in return.

When this policy of borrowing from funds was adopted, the amounts borrowed were not considered as constituting a debt which they really were, since the state had pledged itself to keep these trust funds intact. This gave to the annual statements of the comptroller a false impression of prosperity. Later on in the year, when the trust funds needed these sums which the state had borrowed from them, it became necessary for the state to borrow money by issuing bonds to meet these claims, and thus the state debt was eventually increased. In 1842 the state had borrowed from other funds \$435,416 which represented the actual deficit for that year.

The opposition to taxation came largely from those counties not directly benefited by the Erie Canal. It was felt to be an injustice, to compel these counties to pay taxes for improvement that benefited other counties and it was argued that the cause of the annual deficits was due to the diversion of a portion of the General Fund to the Canal Fund, *viz.*, the auction duties and salt duties.

This opposition to taxation grew as the funds began to accumulate in large amounts in the Canal Fund, and it was suggested that the government should be sup-

ported by borrowing from the Canal Fund, or at least using the interest on the accumulation for the benefit of the treasury. This could not be done on account of the constitutional provision, and to overcome this difficulty and avoid the levying of a tax the scheme of borrowing from trust funds was adopted. It was true that the constitution if strictly adhered to would have resulted in the accumulation of at least \$10,000,000 by 1845, for the purpose of paying \$2,000,000 but the condition ought to have been remedied by an amendment to the constitution.

The business interests were chiefly concerned in pushing the work on the canal, and as long as the state was able to borrow funds for this purpose and the Canal Fund was in a prosperous condition little attention was paid to the general expenses of the state. The canal interests opposed taxation lest by burdening the people with a tax it would call attention to amounts being spent on the canal, and lessen appropriations for this purpose. No doubt the complicated condition of the finances, the confusion arising from this system of transfer between trust funds and the General Fund concealed the true condition of the treasury from the average intelligent citizen, and gave to the annual reports of the comptroller a false impression of prosperity.

Whatever the cause was, the fact was that no state tax was levied between the years 1826 to 1842. During these years the annual deficits were paid out of the General Fund until it was exhausted and then by borrowing from the trust funds, which policy ultimately resulted in increasing the state debt. The General Fund debt increased from \$561,500 in 1832 to over \$5,000,000 in 1842. Furthermore, a contingent debt was growing through the issuing of state stock to railroads and canal com-

panies which afterwards failed. This amounted to over \$4,000,000 in 1841. Finally, in 1842, when the state was nearly bankrupt, a tax was imposed which saved the situation, and in 1846 a new constitution was adopted which placed the finances on a more substantial basis.

The only evidence of any attempt at retrenchment or economy during this period was that exercised over the amount of stationery used in the Senate and Assembly, and the amounts of the salaries paid to the clerks of the various departments. We find carefully prepared tables¹ showing the quantity of paper, the number of pens, knives and stamps supplied by the clerk of the Assembly for every year from 1823 to 1842, and this is supplemented by a table showing the amounts paid out of the treasury for these articles. The largest item is for letter paper, for which \$338 was paid in 1842. On page 149 of the same report we find the amount paid to the clerks in the public offices for the year 1842. There were 35 clerks listed, whose salaries ranged from \$400 to \$1,000.²

To find such rigid attempts made to economize at a time when the legislature was appropriating millions of dollars annually to public improvements would appear ludicrous were it not for the fact that no doubt every legislator was quite serious about the matter. The same sort of economy has not been confined to these earlier periods of the state's history. The provisions of the constitution of 1846 did much to remedy a bad situation by limiting the borrowing power of the state and by making provision for the payment of debts, but it left the legislature free in the matter of making appropriations.

¹ *A. R. Comptroller, 1842, Appendix Tables 3 and 4.*

² *Ibid., Appendix 3 and 4.*

The appropriations of the legislature still bore no relation to the revenues. Year by year the state tax increased until it reached the figure of 9¾ mills in 1873, and yet almost every year revealed a deficit due to the excess of appropriations over receipts. In 1854 the deficit of the General Fund was \$579,054, and in 1872 it was \$4,800,000. The estimates of the comptroller were at best "financial fallacies," and the supply bill usually "demolished in a single night the most profound calculation in the comptroller's report." Appropriations "moss-grown on account of age, and items of doubtful character and unknown parentage were slipped into these bills and crowded through the legislature in the hurry and confusion attendant upon the closing hours of the session."¹ In 1860 Governor Morgan complained, regarding the supply bill, that he was only left the choice between depriving honest creditors of their dues or authorizing the payment of thousands of dollars on demand, solely without foundation.² It was not until 1874 that the constitutional amendments gave the governor power to veto separate items in the appropriation bill.³ The supply bill continued to be an "annual abomination." In 1863 the comptroller described its working as follows: "It has become a general avenue to the treasury for claimants and beggars of every description, and seems to be turning the capital into an almshouse instead of a seat of government." Items covering deficiencies amounted to \$46,209, while items for claims for donations covered twenty-five pages and swelled the amount to over \$630,000. Sums donated to hospitals,

¹ *A. R. Comptroller, 1855*, p. 14.

² *Governor's Message, 1861*, p. 263.

³ Art. 4, Sec. 9.

dispensaries and asylums, schools and other associations strictly local in their character amounted to over \$200,000. No accounts were rendered by any of these local associations, and the comptroller says: "Whether this large amount has been expended upon objects for which it was appropriated will be known to no branch of the state government." In 1872 the Private Charity Bill, carrying an appropriation of over one million dollars, was not passed owing to the heavy burden of taxation and the desire to economize.

This lavish expenditure was the result of the craze for special legislation which characterized the legislation of the period. Of 974 laws which were passed and received the governor's signature in 1866, "only 112 were of a general character, 337 related exclusively to private interests, and 525 had merely a local bearing. More than one-half of these bills were enacted during the last ten days of the session."²

The only check upon the legislative appropriations was the refusal of the comptroller to pay them. In 1870 he refused to pay an appropriation "For the improvement of the navigation of the Bouquet River." And the court of appeals sustained him on the ground that it violated article 1, section 9, of the constitution. Regarding this river the court said: "It's name is not found on any general map of the State. Its name is not found in any general history of the country."³ Another appropriation "for the construction of a bridge across the Cattaraugus Creek, at Upper Irving, near the Indian Reservation, \$10,000," was also held to be unconstitutional.⁴ Guided

¹ *A. R. Comptroller, 1864*, p. 30.

² *Governor's Message, 1867*, p. 23.

³ *People ex rel. Adsit et al. v. W. F. Allen, Comptroller.*

⁴ *People ex rel. v. Board of Supervisors of Chautauqua County.*

by these decisions the comptroller refused to pay \$21,000 of appropriation in 1870.¹

The increased burden of taxation for the state purposes added to the rapidly increasing local taxes led to difficulties in collecting the taxes. Counties were tardy in paying over the amounts due the state. On October 1, 1861 there was due from county treasurers \$1,125,923, which should have been paid the preceding March. In 1873, the unpaid taxes due from county treasurers amounted to \$8,916,371, of which nearly \$7,000,000 was due from New York City. To remedy this condition of affairs a law was passed making the tax payable April 1, and directing the comptroller to charge such a rate of interest on unpaid taxes as should be sufficient to pay back all expenses incurred by the state in borrowing money, and such additional rate as he should deem proper. The retention of moneys in the hands of county treasurers, led to the common practice of loaning these sums out at interest; thus officials made a profit out of a breach of their trusts. When invested in banks they were loaned out in the same way. In 1873, it was provided that every county should pay its quota of state taxes into the treasury, one-half on or before April 15, and the other half on or before May 1. New York County was one of the worst offenders, and in 1874 the city comptroller was required to issue revenue bonds so that the city could pay the state its quota of taxes.

As the system worked out, the expenses of the state were from six months to a year in advance of its income. The appropriation bill passed in April or May, 1880, would go into effect October, 1880 and thus the appropriations would become available six months before a

¹ *A. R. Comptroller, 1871, p. 23.*

dollar of the tax was paid into the treasury, since the tax was not due to be paid until April or May, 1881. The comptroller was therefore embarrassed by large and urgent demands upon an empty treasury. This gave rise to the serious abuse of using the moneys in the sinking funds to defray the current expenses of the government in direct violation of the constitution.

The subterfuge adopted to accomplish this result was the following: The legislature authorized the comptroller to invest surplus moneys belonging to the capital of the sinking funds in taxes thereafter to be collected, and to apply these moneys to meet appropriations. The money appropriated was to be supplied at a future time by taxation. The aggregate amount in the several sinking funds was \$15,594,951 in 1874. On inquiry it was found that nearly two-thirds of this amount existed only on paper.¹

In 1874 it was found that \$3,988,526 of the money belonging to the General Fund Debt Sinking Fund had been expended in anticipation of taxes and of the \$9,790,072 belonging to the Bounty Debt Sinking Fund, there was actually on hand only \$2,772,444, and \$7,017,628 was invested in unpaid taxes. The deficiencies in the two funds amounted to \$11,000,000. Taxes were immediately levied to meet these deficiencies and the accounts were adjusted as soon as possible, and an amendment to the constitution in 1874 provided that "the sinking fund provided for the payment of interest and extinguishment of the principal of the debt of the state, should be separately kept and safely invested, and neither of them should be appropriated or used in any manner other than the specific purpose for which they were provided."²

¹ *Senate Documents, 1874, No. 29.*

² *Art. 7, Sec. 13.*

The old plan of using the moneys in the various trust funds to carry on the work of the state now became a settled policy and large balances belonging to the trust funds were allowed to accumulate in the treasury. The law required these to be invested, however, and the general fund was thus required to pay as high as six per cent interest upon these funds as long as it kept them there uninvested. It was argued that the payment out of these trust-fund balances was the temporary investment of the funds in a tax levy. The amount thus retained amounted to over \$2,000,000 in 1878, and the interests paid by the General Fund the same year amounted to \$147,622. The total amount of interest paid by the General Fund for the ten years 1873-1882 for amounts borrowed from all trust funds was \$1,433,338.¹ This plan was continued until the comptroller was empowered to issue revenue bonds in anticipation of taxes.

During the thirty years 1880 to 1909 the comptroller had to resort frequently to temporary loans in the form of revenue bonds to carry on the government. The General Appropriation Bill items became payable October 1st of the same year in which it was passed. The Supply and Supplemental Supply bill or special bills became payable as soon as the governor signed them. The increasing use of the supply bills not only gave away large sums of money without mature consideration at the hands of the legislature, but complicated the fiscal situation by making payable appropriations some months before the money could be collected from the tax levy, since the first installment of the state tax was not received until February 15, following the legislative session. In 1912 the General Appropriation Bill amounted to \$28,

¹ *A. R. Comptroller, 1883*, p. 13.

106,576, the Supply Bill to \$3,632,852, and special bills to \$20,627,154,215.¹ The Higgin's Bill passed in 1899 (Chap. 580) which prohibited departments and institution from incurring indebtedness in excess of appropriations was designed to render large supply bills unnecessary in the future. In 1899 the state had to pay $3\frac{3}{4}$ per cent and 4 per cent interest on the \$2,000,000 borrowed that year. During the decade 1891 to 1900 the state borrowed \$9,000,000 for current purposes.

The development of the new system of taxation in the state, the so-called indirect taxes has had a marked influence upon the financial operations. The taxes levied upon corporations are payable at various times throughout the year, as for example the tax on transportation companies is payable on August 1, the tax on insurance companies is payable on June 1, and the tax on trust companies and saving banks is payable on September 1. The receipts from the mortgage tax, stock transfer, and inheritance tax are distributed throughout the year. A proper adjustment of the dates for paying these various taxes might be made to make the receipts payable at the time when the treasury experiences the greatest strain on its revenues. In this way borrowing might be minimized in the future. Recent changes in the dates of assessment and taxation have been secured in the New York City administration for the purpose of securing revenue earlier in the year and thus reducing the amount of borrowing by the city and resulting in a saving in interest.

Furthermore, during the decade 1901-1910 the revenues from the indirect sources so increased as to leave an excess of revenue over expenditures inclusive of sink-

¹ *Ibid.*, 1913, p. 103, 215.

ing fund contributions for every year except 1904, 1905 and 1909, and the cash surplus of the state varied between \$6,363,131 in 1901 to \$15,285,839 in 1909.

From 1906 to 1910 no direct state tax was levied and the annual contributions to the Canal Debt Sinking Fund were provided for by appropriating the sums out of the General Fund. In 1902 the annual contribution to the free School Fund, which had formerly been raised by a special tax, was made a charge on the General Fund. The aggregate amount spent for this purpose from 1902-1910 amounted to \$34,925,201. In 1907 the annual contributions to the highway improvement sinking fund debt were made a charge upon the General Fund. These payments and the increased appropriations wiped out the large surplus of former years and made it necessary in 1911 to resort again to a direct tax on the real and personal property of the state. The tax imposed was six-tenths of a mill.

The annual interest and sinking fund charges will increase to about \$8,500,000 in 1914, and as the receipts from special taxes will hardly increase faster than ordinary expenses, it seems likely that the direct state tax will have to be continued for some years.

The burden of a direct tax will be inconsiderable, since with an assessed valuation of approximately \$10,000,000,000, each million may be raised by a tax amounting to but ten cents on every thousand dollars, and furthermore the moral effect of a direct tax may result in a saving in appropriations of as much as the amount raised by the tax levy itself.¹

¹ *A. R. Comptroller, 1911, p. 10.*

Administration Officials

The comptrollers of the state have for the most part been men of unusual ability, and their reports are teeming with suggestions for improvements which have too often passed unheeded by the legislature. Time and again the comptrollers have pointed out improvements which if they had been acted upon would have saved the state thousands of dollars in money and in nearly every case would have been to the best interest of the state.

In some cases the same suggestions have been repeated year after year by successive comptrollers—in one case, dealing with the U. S. Deposit Fund, for thirty years—before any action was taken by the legislature.

Comptroller Flagg, who held office continuously from 1832 to 1842, with the exception of one term, was one of the great comptrollers of the state. He pleaded in vain against using the capital of the General Fund for defraying current expenses, and again and again pointed out the necessity of imposing a tax to meet expenses. His masterly criticism of the famous Ruggles plan for incurring a debt of forty millions of dollars for canal improvement, which has been fully described elsewhere, was one of the great financial documents of the state. Comptroller Robert's reports in the nineties, dealing with the break-down of the old general property tax and arguing for the newer forms of special or indirect taxes, and especially a graduated income tax and the separation of state and local revenues, are noteworthy documents. The splendid reports of Comptroller Williams mark a new epoch in the financial history of the state.

The character and volume of the business transacted by the comptroller's office has so increased as to require the

establishment of separate bureaus, and the number of employees has increased from a single official in 1797 to 245 persons in 1910. The annual receipts and expenditures have grown from that of a few hundred thousand dollars to that of thirty-nine millions, but more important is the fact that within the last ten years the volume of treasury transactions has increased by more than 100 per cent. The official signature must be signed by the comptroller and his regular deputies not less than 125,000 times during each year.¹ A branch office in charge of a deputy comptroller is maintained in New York City for the benefit of the citizens of this district, and the two offices are kept informed regarding business transactions by means of complete daily reports and the exchange of bulletins.

The work of the department is divided among the following bureaus: The Finance Bureau, Canal Bureau, Land Bureau, Auditor's Bureau, Corporation Tax Bureau, Transfer Tax Bureau, Stock Transfer Bureau, Municipal Accounts Bureau, Court and Trust Fund Examiners, Licenses Bureau and Detective Agents. The work performed by these bureaus has already been described.

Only one serious breach of trust among the financial officials has occurred during the history of the state. During the year 1873 Charles H. Phelps, one of the clerks in the treasurer's office, defaulted to the amount of \$304,957.91. No one else was involved in the matter. The amount needed to cover the defalcation was raised by taxation by adding $\frac{6.9}{118}$ mills to the tax rate.²

Supervision of Public Accounts.—One of the most hopeful tendencies to be noticed in New York State in

¹ *A. R. Comptroller, 1911*, p. 69.

² *Laws, 1874*, Chap. 417.

recent years is the rigid supervision over all officers who have to do with the management of public money. This tendency is due partly to the higher moral standard upon which we now insist in dealing with public affairs, and partly to the realization of the fact that much of the loss and waste in the management of public affairs is due to crude and inefficient systems. We are coming to realize that many of the mistakes of the past have been due not to dishonesty, but to sheer ignorance and inefficiency. The fact that the duties and burdens placed upon county treasurers and local officials have been steadily increasing in importance has forced the state to exercise a closer supervision over them. The county treasurers have now become the collectors of the state and school taxes, the excise and inheritance taxes, and court and trust funds, involving the supervision over hundreds of thousands of dollars of state funds. The defalcation of a single county treasurer becomes a more serious matter than was the case when revenues were small. Furthermore, the economies, which appear small in particular instances, become of vast importance when carried into effect uniformly throughout the whole fiscal system.

The inadequacy of the old system of collection and accounting first became apparent when the collection of the inheritance tax was intrusted to the county treasurers. It was soon discovered that through the laxity of these officials the state was losing annually thousands of dollars. In fifteen counties the collection was taken out of the hands of the local officials and placed in the hands of salaried appraisers. The examination conducted at this time revealed the enormous losses resulting from the old system, and brought to light especially the laxity of administration of trust funds paid into the courts of record.

Courts and Trust Funds.—In 1892 the comptroller was given supervision over all these court and trust funds. The money was to be deposited in depositories chosen by the comptroller and the county treasurers were required to render accounts to the comptroller and accumulations which had remained in their hands for a period of twenty years were to be paid into the state treasury.

The investigation brought to light glaring irregularities. In 33 counties defalcation or shortage had occurred within recent years. In some cases no separate account had been kept with reference to court trust funds. Money arriving from different actions was kept in a common fund. Loans on mortgages were taken in excess of 60 per cent. of the value of the property, and in some cases in excess of the fair market value of the property, and mortgages were often not accompanied with an abstract of the title. It was not uncommon for the county treasurers to retain a portion of the interest collected. The situation was a serious one, since the greater part of such moneys belonged to widows, orphans and incompetents, and in many cases represented their sole support.

In 1901 the comptroller was required to examine the county treasurers' books once a year, and by 1903 the department succeeded in making an examination of the court and trust funds in every county of the state. The chief abuses and losses sustained by beneficiaries were due to the following causes: (1) defalcation of county treasurers; (2) poor and unauthorized investments; (3) where, by special direction of the courts, funds were paid into banks and trust companies not designated by the comptroller many accounts were not credited with any interest, or a smaller rate was paid than other deposit-

ors received; (4) these companies were not required to give security; (5) funds were invested in bonds and mortgages at $4\frac{1}{2}$ per cent interest and only 3 per cent. was allowed to the account; (6) prior to 1889 the New York City chamberlain had used the court funds to pay traveling expenses of the officers of the court and for stationery and postage; (7) for years the first three months' interest had been diverted to other purposes and the difference between the simple and compound interest was also diverted; (8) certain beneficiaries whose funds had been lost on account of poor investments were paid out of other court funds which belonged to other persons. The examinations further showed that the county clerks and surrogate clerks had failed in many cases to enter in their books a record of money directed to be paid into court. Administrators and guardians, directed to pay money to the county treasurer, had withheld it. In discussing this point the comptroller wrote in 1905: "It is a regrettable fact that practically every county in the state has furnished within the past year one or more instances of money improperly withheld by referees . . . and the interest which would have been earned had the money been properly deposited is lost."¹

In 1908 the power of the comptroller was increased. He was given power to compel banks and trust companies to transfer court funds to county treasuries. The court was forbidden to direct the payment to any bank which was not an authorized depository. Trust companies designated as depositories were required to file bonds. Referees were required to pay money to the county treasurer or city chamberlain. County treasurers

¹ *A. R. Comptroller, 1905, XIV.*

were required to register in a special book all money paid in response to the order of the court under penalty of \$250 fine. Each county and the city of New York was made responsible for all funds deposited with the treasurer or the chamberlain. A uniform system of keeping the accounts was installed and is now in use in all the counties.

State and national banking institutions are designated as depositories, with two exceptions, and the amount of deposits in any one institution is limited to 25 per cent. of its assets; the total amount of such funds, under the supervision of the comptroller, is about \$7,000,000, of which amount about one-third is invested, and the remainder is on deposit. It is necessary to keep a large amount on deposit owing to the constant withdrawals which are being made.

The department employs for this work eight examiners, who receive a per diem salary of \$8 to \$12. During the year 1910 there was paid into the treasury \$270,591 of money which had remained in the hands of the county treasuries for over twenty years. For a number of years the city chamberlain of New York refused to comply with this provision of the law, but the matter has now been adjusted.

Municipal Accounting.—In 1905 a comprehensive law was passed giving the comptroller control over nearly all the local financial officers. It provided that all counties in the state (excepting the city of New York), the comptrollers of cities of the second and third classes, and the treasurers of all villages having a population of three thousand or more, should annually make a report of the financial conditions to the comptroller. It also authorized an examination of the accounts of these officers. A new section to the law passed in 1911 provided for the

collection of statistical information relative to taxation, revenue and debt of all municipalities within the state. This will provide accurate figures of local receipts and expenditures.

It was found that the system in operation ranged from that of practically no system at all, to a complicated double entry system of book-keeping. In many cases it was impossible to interpret the records of the previous officers, and in other cases a detailed report could not be made as bills were paid on the order of the clerk and the board of supervisors, and the order did not state the purpose of the payment. Furthermore, the superintendent of the poor audited and paid all bills against the county for charitable purposes from a fund appropriated for that purpose. It became apparent that the best results could be obtained by installing a uniform system of accounting for each class of municipality. There were 57 counties, seven comptrollers for second class cities, 36 comptrollers and treasurers in third class cities, and 69 treasurers in villages, and the force of examiners in 1907 consisted of ten men. It was found that the amount improperly and illegally expended annually ranged from $2\frac{1}{4}$ to 16 per cent of the total amount expended by the county government. The principal purposes for which illegal expenditures were incurred were (1) compensation and expenses of members of boards of supervisors; (2) compensation and expenses of county officials and their assistants; and (3) printing and publishing. The investigations into the affairs of the county treasury revealed an astonishing condition. It was found that the money was being disbursed absolutely contrary to law; this was due largely to the fact that the local officials followed precedent rather than the law. County money was loaned to private individuals or used by the

officials in paying their private bills. Illegal payments were made to coroners and sheriffs. County treasurers illegally retained fees. Boards of supervisors were inexcusably lax in the auditing of bills and many bills were paid before they were audited. Superintendents of the poor kept no accounts at all. Depositories paid only 1 per cent on deposits, but charged the county 3 per cent on all sums borrowed. On account of the improper methods of book-keeping, and disregard of statutes, the city of Albany was escaping its share of the county tax and it owed the county nearly \$300,000. County funds were not always protected by depository bonds. Taxes were improperly levied, and great laxity was apparent in the matter of collecting. In Onondago County a bank at Syracuse performed all the functions of the county treasurer, and had in three years retained over \$50,000 in fees. Illegal use of sinking funds existed in the village of Watkins. Widespread laxity of administration prevailed everywhere throughout the state. Extravagance, confusion and carelessness, as well as wilful disregard of the law prevailed.

The comptroller concluded that nearly all the irregularities were "primarily due to the failure on the part of the various boards of supervisors to perform the duties with which they are charged by law, especially with reference to the audit of accounts and claims against their respective counties.¹ The best solution of this problem is to take away from the boards of supervisors their power of audit over county accounts and give such power to an officer who should be known as the county auditor or comptroller, and whose duties relative to county finances should be similar to those of the state comptroller with

¹ *A. R. Comptroller, 1909, XLVI.*

the finances of the state." Most of the counties now have a county auditor. Since the board of supervisors met only once a year, bills which became due immediately after the meeting could not legally be paid until the next meeting of the board, and thus creditors of the county were not promptly paid.

The department now employs 15 examiners and as many more are needed to do the work. The number of municipalities to be examined is 549, consisting of 57 counties, 46 cities and 446 incorporated villages. The methods employed are to coöperate with local officials by suggesting methods of improvement, and by giving assistance in the installation of new systems of accounting. Instructions as to the proper procedure in the levying of taxes and as to the proper methods to be employed in auditing accounts have been prepared and sent to each board of supervisors. Instructions relative to keeping accounts have been sent to the various officials. Forms for the tax levy, for the annual appropriations, and for the annual reports have been sent to the county treasurers.

The immediate value of the work to the taxpayers is evident from the following results: in Nassau County \$40,000 has already been returned to the county on account of former defalcations; in Schenectady County more than \$13,000 has been returned to the treasury; Rensselaer, Schuyler and Oswego counties have each received \$2,000 which has been returned by former officials. But more important than these immediate gains is the fact that the improper and illegal practices have been stopped, which will result in the saving of thousands of dollars to taxpayers, and in raising the moral tone of political activity.

Bureau of Audit.—In August, 1910, a Bureau of

Audit was established in the comptroller's office. The first audit made was that of the books of the Department of Public Buildings. Next an examination was made into the common school investments, termed bonds for land. The differences between the actual balances on the ledger and the balance of principal supposed to be invested amounted to \$26,495. In many cases no payment of either principal or interest had been made for years, and in other cases the evidences of the transactions were missing altogether.

Uniform systems of accounts were devised and installed for the state prisons and for the Forest, Fish and Game Commission. Systems were worked out for the accounts of the national guard and naval militia, and in time a wise co-ordination will be established between the comptroller's department and the other departments under his control.

The Budget.—Governor Hughes in his annual message in 1910 recommended the passage of an act to insure publicity with respect to the demands upon the state, and to facilitate the work of legislative committees in dealing with questions of appropriations. This suggestion was embodied into a law early in the session.¹ This law provided that on or before November 15th of each year each state officer or head of department should file with the comptroller a statement in detail of all money for which a general or special appropriation was desired at the ensuing session of the legislature, together with the reasons therefor. From these reports the comptroller was to make up the annual budget. The first budget was presented to the legislature in January, 1911. It contained, first, an itemized statement of the

¹ *Finance Law*, ch. 149.

actual expenditures made during the preceding year; second, a statement of the appropriations made for the preceding year; and third, a statement of the appropriations desired for the coming year. These desired appropriations were summarized under the following schedules: Schedule A, for salaries and services (including wages of laborers); Schedule D, for general expenses and office equipment; Schedule E, for maintenance; Schedule F, for permanent outlays; Schedule G, for miscellaneous purposes; Schedules B and C furnished statistical information concerning the number of regular and temporary employees; Schedule H gives the portions of appropriations which will lapse within the next two years. This is necessary because, according to the constitution, appropriations only run for two years. Schedule I gives the estimated appropriations which will remain unexpended at the close of the fiscal year. Comments upon the important items and variations are stated quite fully in the last column.

The comptroller's report for the year 1910 is such an improvement upon former reports as to constitute the beginning of a new era in fiscal accounting in this state. Prior to this date the expenditures were given for each division of the government with little attempt at classification. The books contained no controlling accounts for appropriations, lapses thereof, bonds or sinking fund obligations. Beginning in this year a standard classification of expenditures was adopted and the subdivisions of the government were grouped under fourteen main heads, and under each subdivision items were given in detail.

Based upon this standard classification, a condensed comparative statement of the receipts and expenditures is given for the years 1881—1910. A balance sheet has

been issued monthly since September 30, 1910, and weekly bulletins have been issued giving the appointments made during the week, the list of licenses issued to private detectives, and the appointment of all depositories of state funds.

Besides these reforms in accounting and methods of presenting the annual report, other changes have been inaugurated. In order to insure the safety of state funds on deposit, it was decided not to accept personal sureties, but to require either the deposits of state bonds, or the bond of a surety company. The following definite policy for the administration of state funds was adopted: state depositories are limited to those institutions whose surplus and undivided profits exceed 20 per cent of the share of capital; the amount of state funds deposited will be limited to 25 per cent of their capital surplus and undivided profits; preference will be given to state and national bank institutions, depositing state bonds as security. The result of this policy has been to broaden the market for state bonds. The payment of 3 per cent interest is insisted upon for reserve accounts.

The first conclusion to be drawn from this part of our study is that the legislature has been chiefly responsible for the mistakes of the past, and that it has hindered rather than advanced the efficient and economical management of the state finances. It has paid too little heed to the recommendations of the administrative officers, who, through experience and intimate knowledge of the needs of their departments, were best qualified to make suggestions for improvement. The recommendations of the administrative officials have in nearly every case been to the best interest of the state, and whenever large powers have been granted to these officials, as in the administration of the corporation laws, these powers

have been properly used and not abused. A closer coordination between the legislative and administrative departments is highly desirable and urgently needed.

Secondly, a complete reorganization of the administrative and accounting procedure in the comptroller's department is urgently demanded. The comptroller is responsible for passing on all financial relations of the state, and yet under the present system he is entirely dependent upon the personal fidelity of the various administrative officials in his work of auditing accounts. He must accept the audit of the department heads. It was testified before the recent State Department Investigating Committee that more than \$29,000,000 of the general fund expenditure is not audited by the chief financial officer; that the Educational Department, the Hospital Commission, the Agricultural Department and the Highways Commission audit their own accounts and send the vouchers to the comptroller, who accepts them, provided the appropriation laws authorize such expenditure.¹

The annual report of the comptroller for 1912 emphasizing this point says: "The records and accounts which are made of these large expenditures disclose the accuracy and honesty of the receipts and payments, but offer no data from which to determine the justification or relative worth of these expenditures."² Such information can only be acquired by installing a system of accounting, showing revenues and expenses in addition to the present system, which shows only receipts and disbursements.

He recommends "that the legislature authorize the

¹ *New York Times*, Friday, January 9, 1913.

² *A. R. Comptroller, 1913*, XXXIII.

comptroller to formulate a plan for the equipment and organization of an auditing department which shall be capable of a thorough examination and audit of the accounts of all parts of the state government.”¹

An amendment to the finance law in 1913 provides that a duplicate of every invoice shall be delivered to the comptroller at the same time it is sent to the department receiving the supplies. This will give the comptroller some basis for auditing vouchers, but in addition he should be supplied with a copy of the original order and should have an inspection force at work to ascertain whether the goods purchased are satisfactory as to quality and quantity before payment is made. The law further provides that contracts exceeding \$1,000 in amount shall be approved by the comptroller. He is also given power to prescribe the form of accounts to be observed in all state institutions. This is a long stride in advance, but the benefits to be derived from an up-to-date accounting system will be lost unless the knowledge gained thereby is made use of in the preparation of the annual budget:

A board of estimate consisting of the governor, lieutenant-governor, president *pro tempore* of the senate, the chairman of the finance committee of the senate, the speaker of the assembly, the chairman of the ways and means committee of the assembly, the comptroller, the attorney general and the commissioner of efficiency and economy has been created² to prepare the annual budget. The minutes of this board are a public record and are open at all times to public inspection. Public hearings may be held but they are not mandatory. Departmen-

¹ *A. R. Comptroller, 1913, XXXIII.*

² *Laws 1913, Chap., 281.*

tal hearings are granted to officers to explain their requests and to offer data in support of them. It remains to be seen whether this board will exercise a rigid supervision over requests for appropriations and will make the budget a comprehensive, well planned, scheme for carrying on the activities of the state or whether it will merely perform the functions formerly exercised by the ways and means committee of the assembly and the finance committee of the senate and perform these functions in the same way they have been performed for years.

CHAPTER XI

STATE FUNDS

The General Fund

THE General Fund in 1789 consisted of the state lands, a considerable amount of cash and securities acquired through the operation of the Funding Act of Congress and the ordinary revenues. It was expected that the annual revenue would be more than sufficient to pay all the ordinary expenses of the government for many years. Unfortunately, however, the fund was so badly managed that by 1835 nothing remained except the ordinary revenues, which consisted of the amounts raised from direct and indirect taxes.

In order to understand the composition and management of this fund a short account must be given of the operation of the Funding Act of Congress, since the amounts received from this source became a part of this fund.

State Debt and Funding Act of Congress.—The Funding Act of 1790 was a boon no less to the various states than to the national government. The states, when they entered the Union, brought with them a burden of indebtedness which had largely been acquired through their efforts in the common struggle for independence. The debt of New York State consisted of a confused mass of certificates, dating back as far as 1780, and, as finally adjusted by the secretary of the treasury, amounted to \$1,167,575.25.¹

¹ Statement of Debt of New York State in 1789.

	<i>Principal</i>			<i>Interest</i>		
	£	s	d	£	s	d
Certs. for moneys loaned pursuant to						
do. do. Act of 1788	111	13	3	78	14	5
do. do. Act of 1780	741	6	0	472	10	9
For horses bought 1780.....	904	5	0	515	8	5
For depreciation of pay to Aug. 1780	54,520	1	7	25,669	17	4
Army pay for 1781	17,972	6	9	8,626	14	0
Pensions to Officers	8,104	8	2	3,647	4	2
Pay of Levies, militia	42,871	4	3	18,220	5	3
Rec'd on Loan from U. S. Apr. 18, 1786	523,848	5	1	144,058	5	4
For $\frac{4}{8}$ of interest due in this loan..	105,669	9	8			
Claims on forfeited estates	25,897	8	10	3,884	12	3
Bills of Credit issued June 30, 1780..	3,612	16	0	1,174	3	1
Miscellaneous	1,047					
Total Pounds.....	785,300	14	7	206,297	15	0
Demands against forfeited estates for which no certificates have been issued	41,017	12	5			
Interest on above	206,297	15	0			
Total Pounds.....	1,032,616	2	0			

The State held the following Continental securities in the Treasury:

	£	s	d
Certificates issued to Wm. Barber.....	458,213	4	0
" " Loan Officers	360,683	9	3
" " Pierce, Burrel, Deming	389,498	9	9
Interest facilities	2,502	14	8
Total Pounds	1,210,897	16	8

"Of the above-mentioned Loan Office and Barber's certificates, the sum of £470,649, 173s., 69d. was received in one loan by the state in 1786 and one-fifth of the interest that was due thereon, to the 31st of December, 1784, then paid and certificates for the remaining four-fifths issued payable in one year of which three-quarters remained unredeemed." The sum was computed by Hamilton to amount to £565,586, which was to be subtracted from the above-cited debt in order to find the

net debt of the state, or £1,032,616 less £565,586 equals £467,030, which at eight shillings to the pound equals \$1,167,575. The assumption of the state debt by the United States changed this sum from a debt to a source of revenue. According to the Act of Congress each subscriber to the debt received three certificates: one for a sum equal to four-ninths of the subscribed sum to bear interest at six per cent; another for two-ninths of the subscribed sum to bear interest at six per cent after 1800; and the third certificate for the remaining three-ninths, bearing an interest of three per cent. New York's quota of the \$21,500,000 was \$1,200,000 and the amount actually subscribed by the state was \$1,183,717, so that the provision made by Congress was ample for assuming all the indebtedness incurred by the state. By act of February 23, 1791, the treasurer was directed to subscribe to the U. S. loan all the continental paper in the treasury and receive in exchange U. S. funded stock. As a result of these two operations we find that the state possessed the following U. S. stocks on December 31, 1791:

		<i>Due 1792</i>
United States 6% Stock	\$898,847.03	633,132
“ “ 3% “	680,681.70	721,936
“ “ deferred stock	520,688.66	766,793
	<hr/>	
	\$2,100,197.39	

In order to simplify the outstanding obligations of the state, creditors of the state were offered the opportunity of exchanging their certificates for the six per cent and three per cent United States funded stock which the state had acquired. In order to carry out this plan the state exchanged some of its six per cent stock for deferred stock, and in 1792 the funds in the treasury were as stated above. It might at first thought seem that the state was a loser by this method, but what the state would have received in in-

terest on the larger amount of six per cent stock would have been paid out in interest on its own certificates and there was a positive advantage in the disappearance of the old confused obligations.

In the assumption of the state debts it was also necessary to adjust the accounts which had accumulated during the revolutionary period between the various states and Congress. The states which had balances to their credit were entitled to have these funded upon the same terms with the other part of the domestic debt. The commissioners appointed to settle these balances found balances against six states amounting to \$3,517,584, among which New York was by far the largest debtor.

An act of Congress, February, 1799, allowed these debtor states to discharge these claims either by passing a law before April, 1800, agreeing to pay within five years an amount equivalent to the debt of each state assumed by the United States, or by expending this amount in erecting fortifications. This act released New York from a considerable part of her balance due the United States, since by agreeing to pay \$1,183,717 within five years she could discharge her debt of \$2,074,846, thereby saving herself \$891,129. Accordingly an act was passed in which the state agreed to spend on fortifications an amount equal to that assumed by the United States, *viz.*, \$1,183,717, and \$20,000 was appropriated for this purpose. New York and Delaware were the only two states that could derive any benefit from this act, and the other states evinced no disposition to pay any part of these balances. The committee on state balances, reporting in 1801, stated that New York had been credited with having spent \$222,810 on fortifications, but "since none of the other states have manifested any disposition to pay the balances reported against them, and since Congress has already released New York from such a large amount,"

it was their opinion "that a release of the balances due from other states is [was] expedient and for this purpose a bill is [was] submitted."¹

The following debts were due from debtor states from January 1st, 1790, to January 1st, 1797, at four per cent interest:²

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
New York.....	\$2,074,846	\$580,956	\$2,655,802
Pennsylvania.....	76,709	21,478	98,187
Delaware.....	612,428	171,480	783,908
Maryland.....	151,640	42,459	194,099
Virginia.....	100,879	28,246	129,125
North Carolina....	501,082	140,303	641,385
	<hr/>	<hr/>	<hr/>
	\$3,517,584	\$984,923	\$4,502,506

No action seems to have been taken by Congress, and the following year another report was made in which it was stated that Pennsylvania had passed a law by which she agreed to pay her balance as soon as the other states paid theirs. However, since in the opinion of the commissioners no measures of coercion could be resorted to and since a further continuance of the demands, the justice and equity of which the states did not admit, would occasion irritation and disquietude, they recommended that the claims against the states be extinguished and reported a bill accordingly. In 1802, New York passed an act prohibiting further appropriations; so that it seems that only \$222,810 of the \$2,074,846 was ever paid in discharge of the debt to the United States.

In 1797, the state sold the six per cent deferred stock to the Bank of New York for \$1,366,150, which sum was to be paid in 1809. Meanwhile the treasurer and the comp-

¹ *Am. State Papers*, vol. i, p. 697.

² *Ibid.*, *Finance*, vol. i, p. 479.

troller were declared members of the board of directors of the bank, and a bank statement was to be furnished to the governor whenever required. The three per cent stock was sold in 1818 and in 1825 the Bank of New York made its final payment on the purchase of the six per cent deferred stock, and all these sums were used either in paying off the state debt or frittered away in paying the annual current expenses.

State Loans and Investments.—The proceeds from the sale of public lands constituted a large part of the General Fund. This money was either spent in defraying current expenses or was invested in an unsatisfactory manner with little regard for its security. Chief among the methods of investing these funds may be mentioned the loans to counties, loans to individuals and corporations, loans on mortgages on land and investments in bank stock.

The first county loan was made in 1786, when \$500,000 were issued in bills of credit, and a portion of this was loaned; the sum was apportioned by legislative act. The purpose of this first loan was to furnish a circulating medium, the purpose of the second loan, made in 1792, when \$200,000 was apportioned to the several counties, was to enable the counties to enjoy the benefits of the prosperity of the state. The last county loan was made in 1808, when the state borrowed \$400,000 from the Bank of New York at six per cent, in anticipation of the payment of the debt due by the bank to the state, and loaned it to the counties. This loan was intended primarily to benefit the northern and western counties, which were not so prosperous as those in the southern district. The southern district was excepted from the general provisions of the loan, although provision was made whereby it might secure a portion of it if it so desired.

	1786	1792
Newport	£32,000	£19,300
Albany	22,000	16,400
Kings	4,500	1,900
Queens	11,500	8,600
Suffolk	10,000	9,600
Richmond	4,500	1,900
Westchester	9,500	14,100
Dutchess	17,000	27,200
Orange	10,000	10,900
Ulster	14,000	16,200
Montgomery	12,000	9,400
Washington	3,000	13,400
Columbia		16,300
Renssalaer		13,400
Clinton		1,400
Saratoga		10,400
Otsego		3,000
Herkimer		2,800
Tioga.....		2,600
Britain.....		1,200
Total.....	£150,000	£200,000

In 1791, the state invested in 152 shares in the Bank of the United States, and from this time on the state became a frequent subscriber to the stock of new banks. The act of incorporation, which was always a special act of the legislature down to 1838, usually contained a provision whereby a certain number of shares were reserved for the state. As a whole the investments in bank stock proved fairly successful, and for a number of years the dividends from banks furnished a considerable part of the annual revenues. The investments in the stock of corporations, especially canals, did not turn out so successfully. The loans to individuals and to corporations proved to be the least successful of all.

The relative importance of these various policies may best be seen from the table below which shows the amount invested in each way in 1810 and in 1830.

	1810	1830
Bank Stock	\$268,800	\$127,740
Loans to Counties	1,027,032	386,896
Loans to Individuals	26,391	
Mortgages on Land.	690,627	806,313
Bonds sold S'V'R G'I	135,205	23,320
950 Shares Western Inl. Lock Nav. Co. ...	92,000	
3 % Stock of U. S.	779,656	
Debt due from Bank of N. Y.	1,262,091	
Total	\$4,281,802	\$1,344,269

The general plan of managing the county loans was as follows. Two loan officers in each county were elected from among the freeholders by the supervisors and judges of one of the county courts. These loan officers loaned sums in small amounts to individuals on mortgage securities on land, lots or houses which the law required to be worth twice the sum loaned. The lands were to be sold by the loan officers on default of payment of either interest or principal, and the loan officers were paid out of the interest of loans. The loan of 1786 was apportioned to 20 counties and was to run until 1802 and to bear six per cent interest; the minimum sum loaned was to be \$75 and the maximum \$350. In 1808, the state borrowed \$400,000 at six per cent from the Bank of New York, and loaned this amount to the counties at seven per cent in sums of from \$50 to \$500, and the loan was to run until 1815.

The results of these experiments in finance were anything but satisfactory. The loan of 1786 was originally for fourteen years, which would make it payable in 1800, but was extended to 1829, at which time there were still due \$20,665. Much confusion arose over the manner of keeping accounts as it was practiced by the loan officers, and charges were made that payments for principal were charged to interest; losses were sustained upon bona-fide loans due to insufficiency of the value or failure of the titles to the mort-

gaged lands; large sums of bonds and mortgages for lands sold were merely nominal; in a large number of cases mortgages were foreclosed and the premises bid in for the state by the attorney-general at a very small sum and the residue was continued as a part of the fund on the strength of the personal liability of the mortgagor, a source from which there was every reason to believe the state would realize nothing.

Under laws of 1803 and 1805 the comptroller was authorized to make loans to individuals in amounts varying from \$100 to \$4,000 for two-year periods, taking as surety a bond and mortgage on land or houses worth twice the amount of the loan. In 1810, an assembly committee, appointed to investigate the management of the state funds, found that of \$38,500 loaned out in 1803 only four persons had repaid their loans and that there was still due the state \$34,000 of principal to \$4,000 of interest, and of \$76,100 loaned in 1805 only \$1,300 had been repaid. "This disclosed the alarming fact," said the committee, "that there is at this time \$106,000 of principal of the state funds in the hands of private individuals on which many thousands of interest are due."¹

While the investment in banks proved the safer plan, yet this was not wholly successful. In 1830 the state lost \$35,000 through the insolvency of the Banks of Hudson and Columbia. The dividends from banks amounted to a considerable sum for a number of years, the high-water mark was reached in 1816, when they amounted to over \$90,000.

While these methods of investing public funds would not be countenanced to-day, in passing judgment upon them it must be remembered that at the time they were in vogue perhaps no safer method of investing the public money was

¹ *Assembly Journal 1810*, p. 164.

possible. It was no doubt thought that the advantages secured through extending aid to citizens of the state in need of capital would more than offset the disadvantages which would result through a loss in the principal and interest, which would inevitably result. Furthermore, strict accountability of public officers was not required as now. It is impossible to state what percentage of net profits was realized upon these loans and investments, or what percentage of the capital was actually lost, because the capital and interest, when paid in, became a part of the cash in the treasury and was either reinvested or used in defraying the current expenses of government.

A part of the diminution of the General Fund was due to the establishment of the Common School Fund, and donations made to the Literature Fund and the Canal Fund. The General Fund ceased to exist in 1835, and since that time the term has been used to designate the receipts which are applicable to the payment of current expenses as distinguished from the trust and special funds.

Educational Funds

Common School Fund, 1806 to 1912.—The governor's annual message of 1804 recommended that schools be established in every village, and that the indigent be educated at public expense. Following out this suggestion the legislature passed a law in 1805 establishing a permanent fund for the encouragement of schools. Five hundred thousand acres of the public domain were set apart for this purpose, and it was provided that whenever the revenue from this fund should amount to \$50,000 annually it should be divided among the counties, and that the counties could raise by tax a sum equal to that received from this fund. The sum collected locally was to be used for buying lots, erecting school houses and

for repairs, while the state funds were to be used in paying the salaries of teachers. From time to time the fund was increased; in 1807, 1,000 shares of stock of the Merchants Bank were transferred to this fund; in 1813, the fees and perquisites of the clerks of the supreme court, after deducting their salaries, were added to it; in 1819, one-half of the quit rents and commutation of quit rents were added; in 1822, all the unappropriated land of the state, which amounted to 991,659 acres, was added, and in 1827, there was added \$100,000 of bank stock. The county loans of 1786, 1792, 1808, and 1840 were later transferred to this fund.

The constitution of 1846 provided that \$25,000 should annually be transferred from the revenue of the United States Deposit Fund to the capital of the Common School Fund. This provision was retained in the subsequent revisions of the constitution, and accordingly the capital has been increased annually by this amount from 1846 to 1912. Further additions were made by the sale of the public lands. In 1869 the balance of the revenue remaining after paying the amounts appropriated from the fund was appropriated to increase the capital of the fund.¹ Practically the only additions to the capital of this fund during the last forty years was the annual payment of \$25,000 provided for in the constitution with the exception of \$500,000 which was contributed by the General Fund in 1882 (chap. 108). The fund amounted to one million dollars by 1820; by 1840, it had grown to two millions. Thirty years more were required to reach the three-million mark. By 1890, it amounted to over four millions, and in 1912, it amounted to \$4,848,141.

The capital was principally invested in mortgages on real estate, the borrower giving both a personal bond and a

¹ *Laws 1869*, chap. 645.

mortgage on his property. Other investments consisted of bonds accepted by the state for balances owing by individuals on the purchase price of the unappropriated lands, loans to individuals and some of the money was invested in bank stock and state stocks. There is no means of knowing how much money was lost to the fund through lack of security or through personal delinquencies, but there is every reason to suppose that a considerable amount was lost in this way. An auditing of that part of the fund invested in bonds for lands in 1910 showed that in many instances during the past thirty years no payments of either principal or interest had been made to the state. This wasteful and inefficient method of investment was supplanted, as far as possible, by the business-like method of investing this money in town, city, county and village bonds. This method insured the safety of the principal and the certainty of the income. In 1912, the capital amounted to \$4,848,141, and of which \$4,543,300 was invested in town and city bonds yielding three and one-half and four percent. There was still \$49,641 invested in bonds for lands, and \$15,670 in bonds for loans.¹

The annual income from this fund did not amount to \$50,000 until 1814, when the first payment was made. As the income increased, larger and larger amounts were appropriated by the legislature; thus in 1820 the annual appropriation from this fund was \$80,000, and in 1827, it was increased to \$100,000. Whenever the annual income was not sufficient to pay the annual appropriation as fixed by the legislature, the deficiency was made up from the General Fund. Thus from 1819 to 1829 there were annual deficits, with the exception of the year 1825, and the total of these deficits amounted to \$81,853. Beginning in 1839, the

¹ *A. R. Comptroller 1913, p. 128.*

income was annually increased by transferring a part of the income of the U. S. Deposit Fund to it. The actual amount transferred varied from \$16,500 in the early years to \$25,000 in recent years. During the eighties especially the appropriations exceeded the annual income and the deficits arising were provided for by appropriations from the general fund. In 1882, 1885, and 1889, these amounts appropriated from the General Fund were \$355,734, \$46,947 and \$60,145 respectively.

It appears clear then that in the last analysis the payments to common schools have always been a charge upon the General Fund, and the maintenance of a separate fund has been merely a bookkeeping device with no real foundation in fact. For in the first place the Common School Fund was created out of the General Fund, and in the second place, wherever deficits arose these were provided for out of the General Fund. The only thing gained by having a separate fund was that it preserved this much of the General Fund from being dissipated and squandered at the time when the legislature was using the capital funds of the state to pay current expenses. Since 1904, the support of the common schools has been made a direct charge upon the General Fund, and the revenue from the Common School Fund has been transferred to the General Fund. There would seem to be no good reason for maintaining a separate fund longer.

It is interesting to recall that the Common School Fund was established to educate the indigent children of the state. A new section was inserted in the constitution of 1894,¹ which makes it the duty of the legislature to provide for the maintenance and support of a system of free common schools, wherein all the children of the state may be educated. Education to-day is no longer a form of charity but a necessity.

¹ Art. ix, sec. 1.

Literature Fund, 1790-1912.—As early as 1786, there was reserved in each township one lot “for gospels and schools” and one for the “promotion of literature”; in 1790, the lands of Lake George region and Governor’s Island were vested in the regents of the University for educational purposes; annual appropriations and lottery grants were made to the fund; in 1819 one-half the quit rents collected, and in 1827, canal stock worth \$150,000 were added, so that by 1830, the fund amounted to \$256,344. It was invested in stocks of the state and bank stock. In 1912, the fund amounted to \$284,201, which was invested in city, town and village bonds and 100 shares of Albany Insurance Company stock.

The annual revenue was increased yearly by contributions from the income of the United States Deposit Fund, the amounts contributed varying from \$25,000 to \$34,000 annually. From 1888 to 1905, sums varying in amount from \$60,000 to \$295,000 were annually transferred to the income of this fund from the General Fund. Since 1906, the net income of this fund has been transferred to the General Fund to be used for educational purposes. The payments from the fund were made as dividends to academies, and expended for educating teachers, for purchasing books and for defraying the current expenses of the regents of the university. The amounts apportioned to academies were based upon the number of pupils from the several academies who passed the regents’ examination.

There would seem to be no good reason for maintaining this fund as a separate fund longer. It together with the common school fund might be consolidated into one fund since the net revenue of each is now paid into the general fund.

Lewiston School Fund, 1810-1826.—For a number of years, beginning with 1810, a small amount of money was

handled by the comptroller in the interest of the Lewiston schools; but in 1826 this was transferred into the hands of commissioners, who took charge of the fund, and used it for the benefit of the Lewiston schools.

The United States Deposit Fund.—The United States Deposit Fund was created out of the surplus revenues which the United States distributed to the several states in 1837. The total amount distributed was \$28,101,644, of which amount New York received \$4,014,520, which was paid in three equal installments on January 20th, April 1st and July 1st. New York State regarded this sum strictly as a trust fund, which the state held merely as a trustee, and which it might be required to pay back at any time; accordingly the fund was to be maintained intact and only the interest could be used by the state. In anticipation of a fourth installment, money was borrowed from the canal fund and turned over to the commissioners of this fund, but upon the failure of the United States to pay a fourth installment these advances were finally paid back to the canal fund and the fund consisted of the sum originally given by the United States.

The method of investing the moneys of this fund presented a serious problem. It was felt that the sum should be generally diffused throughout the state, in order that all citizens might share equally in the benefits to be derived therefrom. The comptroller, in his report on the subject in 1836, favored the apportionment of the sum among the counties according to population and then loaning it to citizens of these counties, who should give mortgages on their lands as security. This plan was adopted by act of April 4th, 1837, which provided that the lands on which mortgages were taken should be worth double the amount of the sum loaned, exclusive of buildings; that the lands should be improved and the borrower should have a title in fee to the

land. The interest was fixed at seven per cent. Outside of New York City the sums loaned were not to exceed \$2,000, nor to be less than \$200; within the city the limits were respectively \$5,000 and \$500. Two commissioners in each county, to be appointed by the governor and confirmed by the Senate, were to manage the fund; they had absolute power over mortgages and collections in their respective counties and could foreclose on default of payment of interest and could discharge mortgages when paid; they were allowed to deduct their own compensations, pay all costs, disbursements and expenses, and the net receipts were paid once a year into the treasury. The compensation was as follows: for loaning \$25,000 or less, three-fourths of one per cent; for sums over \$25,000 and less than \$50,000, the rate was one-half of one per cent; for loans above \$50,000 made outside of New York City, the rate was one-half of one per cent, and loans made within the city, three-fourths of one per cent. These commissions were divided among the commissioners and were inadequate compensation. The losses of the principal were made a charge upon the income, and this provision was the only thing that saved the fund from extinction. Another provision which gave the comptroller power to invest any money of this fund which happened to be in the treasury in securities also helped greatly to keep the fund intact. This enabled the comptroller gradually to secure control over larger and larger amounts of this fund, and this provision was the one redeeming feature of the law. Up to 1880, however, over three-fourths of the fund remained in the hands of the commissioners. Of the amount invested by the comptroller in securities not a single dollar was lost and the net revenue was greater than that received from the interest on mortgages.

The system worked badly from the very beginning, yet it probably worked better under the conditions existing in

1837 than it has worked in more recent times. The plan of loaning other funds had already been tried with unsatisfactory results in the county loans of 1786, 1792 and 1808, and while not unmindful of these losses the comptroller seemed to think they were inevitable; for he said, "these losses have been less probably than on the same amount of capital invested for the same length of time in any other mode." It must be remembered that this was the era of "wild-cat banking," and the state which was already an investor in shares of bank stock had lost some of its funds through bank failures. Besides this, the wave of popular indignation and distrust of banks and corporations was at its height at this period and any suggestion to invest this sum in stocks or shares would doubtless have aroused intense opposition.

On the other hand, in 1837 the farmers were experiencing difficulty in securing loans and this idea was conceived to furnish relief to the farmers. The interest rate was favorable to land owners having good security and they were still in need of capital. Good land security furnished a satisfactory basis for permanent investment but would not enable them to get bank accommodations.

It seems probable, then, that the practice of loaning money on mortgages on land did work fairly well under the existing conditions at the time, when losses were common in every branch of industry and a rigid accountability over the expenditures of state funds was not enforced as now. The mistake that was made and that was perpetuated down to a recent date was in maintaining the system long after it had ceased to work satisfactorily and long after conditions which seemed to justify its existence had ceased to exist. When the interest rate ceased to be an inducement to borrowers having good security, the deposit-fund mortgages were relegated to the lands of poorer quality and to

persons of indifferent credit; when loans could no longer be made at the rate fixed by law, the large sums of money lying idle in the hands of the commissioners furnished the stimulus to loan sums on poorer and poorer security and increased the temptations to laxity of administration and improper use of funds. Even the lowering of the rate of interest, which was reduced to five per cent, did not remove the difficulties which were inherent in the system itself. Even if every commissioner had been competent and efficient, the system would not have worked successfully, as will be seen from a review of the history of the management of the fund. This inherent weakness, coupled with the lax administration of the fund on the part of the County Loan Commissioners, made the plan the most "expensive, inefficient and inadequate imaginable."

The history of the management of the fund is a sad one and all the more reprehensible, when one considers the amount of financial ability to be found among the citizens of this state. There was scarcely a single provision of the law that was not violated. Money was loaned upon property not worth double the amount of the mortgage, aside from improvements, due to the incompetency of commissioners to make appraisals or to their inactivity; second and third mortgages were taken in spite of the provision of the law forbidding loans being made upon incumbered property; forged and fictitious mortgages were taken; commissioners defaulted and absconded; sums were loaned in excess of the maximum amount fixed by law, as was shown by a recent investigation in 1908, which discovered over twenty such cases; boards of supervisors failed to examine the accounts of commissioners or overlooked irregularities. The result was an annual loss to the state, resulting from failure of titles, foreclosures of mortgages and bidding in lands by the state at the full face value of the mortgage

when they were worth much less and through costs to the state of attorneys' fees in connection with foreclosures.

To prevent these losses comptrollers repeatedly urged that the moneys be called in and invested in public works, or it was suggested that the commissioners be elected by a vote of the people instead of being appointed by the governor, and that the loss of principal and interest be made a charge upon the county where the sum was loaned; by making the loss a charge upon the county it was thought that as taxpayers the citizens would take a direct interest in the proper administration of the fund. After a thorough investigation made in 1877, Comptroller Olcott recommended that the office of commissioner be abolished and the fund be placed in the hands of the comptroller. Year after year this recommendation was repeated, until one comptroller exclaimed that, "A report from his department without some suggestion looking to greater safety for this fund would hardly be recognized," and he added, "a yet greater surprise would be to see the suggestion acted upon."¹

Finally, however, in 1897 the law was changed by an affirmative vote of 126 assemblymen and 35 senators, so as to take the power of making investments out of the hands of the commissioners and to place this power in the hands of the comptroller, who promptly invested it largely in securities. The next year the law was again changed, placing the entire fund again in the hands of the commissioners. This law was even worse than the act prior to 1897, since now the fund was placed entirely in the commissioners' hands, and they were given authority to compel the comptroller to turn over all the money belonging to the fund to them. As a matter of fact, they did not do

¹ *A. R. Comptroller 1878*, p. 27.

this, and nearly two-thirds of the fund remained invested in securities. Finally, in 1910, the authority of the commissioners to loan money of the fund was abrogated and they were required to remit all moneys to the state treasury and the comptroller was authorized to invest the funds in securities. On September 30, 1912, the fund was held as follows: invested in mortgages by loan commissioners, \$1,028,145; invested in securities by comptroller, \$2,384,560; judgments, court of claims, \$81,498.

From April 4, 1837, down to September, 1906, the state lost on resales of lands foreclosed, \$168,819; on foreclosures at the time of foreclosures, \$56,047; by failure of title, \$33,976, and by defalcation, \$44,804. The total transactions of the fund from April 4, 1837, to September 30, 1906, is given as follows: ¹

Principal of mortgages on lands bid in for the state at foreclosure sales.....	\$929,245
Principal received on resale of lands bid in.....	487,808
Principal lost on resale of lands bid in	168,819
Principal of mortgages on lands bid in remaining unsold	272,617
Principal lost on foreclosures sales by commissioners	56,047
Principal lost by failure of title	33,976
Principal lost by defalcations of commissioners	44,804

No words of condemnation could be stronger than passages which we find in some of the reports of recent comptrollers, of which the following is a good illustration.

“ This system, which is not worthy the name of financial system, this hodgepodge of poor and insufficient laws, with incompetent and careless loan commissioners, has cut down the educational revenue of the state hundreds of thousands of dollars and has been condemned by nearly every comptroller for the last thirty years.” ²

¹ *Ibid.*, 1907, p. 264.

² *Ibid.*, 1909 p. xxxix.

The affair seems now to be in a fair way of settlement, and within a few years the fund will all be invested in securities. The average annual net revenue received for the twenty-eight years from 1839 to 1866 was \$248,101, or 6.2 per cent, while the average for twenty-nine years from 1880 to 1908 was only \$171,757, or 4.3 per cent, and if separate years were taken the amount would be still less. While the actual rate called for by statute is five per cent, the actual net receipts after deducting the amount transferred to make up the losses sustained through foreclosure is much below this and in 1907 amounted to only 3.8 per cent. Experience has demonstrated that the returns from mortgages do not net the state as much as the returns from bonds in which a large part of the fund is now invested. The income has been applied to educational purposes.

A complicated system of transfers between this fund and the Common School Fund and the Literature Fund existed down to the year 1906. The transfers were made to obviate the necessity of making out three separate checks in favor of schools which drew money from all three funds. From 1839 to 1880, \$165,000 was annually transferred to the revenues of the Common School Fund. From 1839 to 1884 there was annually transferred from this fund to the Literature Fund \$28,000, and since that date the amount has varied somewhat. The remainder left after making these transfers was appropriated to the capital of the Common School Fund down to 1846 when by a constitutional provision this was fixed at \$25,000 annually and this sum has been continuously paid down to 1912. Each year there was transferred from the annual revenue to the capital of this fund an amount sufficient to make good the diminution on the loans through foreclosure of mortgages, which sum varied from a few thousands to in some cases a hundred thousand dollars a year. The total sum thus trans-

ferred during the history of the fund has been about \$1,000,000.

The net revenue from the fund is now transferred directly to the General Fund to be used for educational purposes, with the exception of \$25,000 which the constitution requires shall go to increase the capital of the Common School Fund. The revenue for the year ending September 30, 1912, was \$179,624.

College Land Scrip Fund, 1865 to 1895, and Cornell Endowment Fund, 1868 to 1880.—These funds were created out of the proceeds of the land donated by the United States to the various states July 2, 1862, on condition that the states should provide colleges for the advancement of agricultural and mechanical arts and by the gifts of Ezra Cornell. The comptroller was authorized to sell these lands and to invest the proceeds in United States and state securities, and to pay all expenses connected with this sale and investment out of the state treasury.

New York's share of this scrip amounted to 990,000 acres, much of which was located in the pine timber region of Wisconsin and Minnesota. Ezra Cornell was appointed agent to sell this land. A contract was entered into between him and the state whereby he agreed to pay thirty cents per acre on the transfer of the scrip and to pay to the state all the net profits arising from all sales and leases of the land. The expenses of locating and selling this land amounted to \$201,680. From the gross receipts of the sales was deducted the original thirty cents per acre, the expenses of locating and selling, taxes and interest at seven per cent, and the remainder constituted a separate fund, known as the Cornell Endowment Fund. The income was originally appropriated to People's College in Schuyler County, on the condition that within three years this college should

meet certain requirements specified in the act. In 1865, Cornell University was established and the income was later appropriated to this university. The capital of the Cornell Endowment Fund amounted to \$97,200 in 1868, and was gradually increased by subsequent addition to \$128,596. In 1880, all the securities belonging to this fund were transferred to the trustees of Cornell University and the fund was closed.¹ Since 1890, the United States has paid to Cornell University annually for instruction in agriculture the sum of \$50,000, and this has been annually appropriated to the university.²

The College Land Scrip Fund was established in 1867 by issuing seven per cent state stock to the amount of \$64,000 and by the gift of Ezra Cornell of \$170,000. It was increased year by year through the proceeds of the sale of the lands donated by the United States until it amounted to \$473,403, at which figure it remained from 1871 to 1894. In 1895, it was again increased by a gift from Ezra Cornell of \$129,600, and by premiums on sale of bonds of \$84,567, which brought the total up to \$688,576. In 1895, the securities were sold and the proceeds were transferred to the General Fund, with the provision that the state should pay to Cornell University five per cent interest on the amount transferred.³

Free School Fund.—This consisted of an annual tax levied upon the real and personal property of the state, the proceeds of which were used for educational purposes. In 1902, the fund was discontinued and the payments to schools were thereafter made from the General Fund.

Elmira Female College Educational Fund.—In 1869, the state set apart \$25,333 as a permanent fund, the

¹ *Laws 1880*, chap. 317.

² *Ibid.*, 1897, chap. 56.

³ *Ibid.*, 1895, chap. 78.

income of which was to go to Elmira Female College. It was increased to \$50,000 the next year. This was kept as a separate fund until July 1, 1884, when it was transferred to the college.¹

Trust Funds

Bank Fund.—It is not necessary to give here an account of this fund which has already been fully described in the previous chapter on the banking system.

Mariners' Fund.—The law providing for the establishment of this fund was passed in 1829, but no account of the fund appears in the comptroller's books until 1840. This law provided that out of the money received by the commissioners of health after defraying the expenses of the marine hospital and paying \$8,000 to the Society for the Reformation of Children of Delinquents in New York City, the balance should be paid to the comptroller, to be invested and called the Mariners' Fund. Owing to misapplication of this fund by Smith Cutler, the health commissioner, no money was received to the credit of this fund. The fund arose from the specified tax upon masters, mates, sailors and passengers entering the port of New York. A decree against Dr. Cutler on behalf of the state for \$39,809 was secured. On its execution nothing was obtained. Later the banks where Dr. Cutler kept his funds turned over to the state certain securities owned by Dr. Cutler which were sold for \$24,013, and \$5,040 was collected by the attorney-general on one of Dr. Cutler's official bonds. The new commissioner paid over the yearly balances, and in 1842, the fund amounted to \$57,212, consisting of state stock, \$20,000, cash \$25,213, and a mortgage given by the American Seamen's Society for \$10,000 which bore no in-

¹ *Ibid.*, 1884, chap. 443.

terest. The revenue was appropriated to the New York City, Eastern and Northern Dispensaries, and to the Hospital of New York City. The lack of co-ordination between legislation and administration allowed the fund provision to continue unnoticed for eleven years.

Military Record Fund, 1870-1910.—In 1865, the legislature authorized the construction of a Hall of Military Records, provided \$75,000 should be voluntarily contributed for this purpose by the people of the state. The principal of this fund consisted of the contributions remaining in the hands of the state treasurer, after the Hall of Records had been completed. The income was used for meeting the expenses of collecting military statistics. The annual income yielded was between \$2,500 and \$3,000. The capital of the fund amounted to \$1,714 in 1866, and was subsequently increased to \$39,121.

Soldiers' Allotment Fund.—This fund, consisting of \$54.96, first appears on the comptroller's books in 1864 as \$36, and was subsequently increased to the above amount. It is carried on the books from year to year till 1875 which is the last year it appeared. No mention was made of the fund in any of the comptroller's reports of the period.

Trust Fund for the Payment of Bounties.—This fund, as its name implies, was created in 1869 for the purpose of paying bounties to soldiers, and in that year it amounted to \$11,340, but was subsequently increased to \$20,830. It also disappeared from the treasurer's books in 1875 without any mention of the cause.¹

Metropolitan Police Fund, Board of Health Fund, and Fire Department Fund, 1857-1875.—These funds, while appearing on the books of the comptroller as trust funds, were not trust funds in any real sense, for the state simply

¹ *Laws 1869, chap. 756.*

acted as agent for the metropolitan district. It received the moneys paid in for these purposes and paid them out immediately upon the warrant of the commissioners of the several boards. Although the amount swelled the aggregate of the debit and credit accounts of the treasury, the treasury was in no way affected by them, and there were no funds to be administered.

The Metropolitan Police Department was created in 1857, and the receipts and expenditures were included in the comptroller's report until 1869. The Fire Department and Board of Health were created in 1865 and 1866 respectively, and continued to be carried on the comptroller's book until 1869 and 1875 respectively.¹

Women's Monument Fund.—This fund, consisting of \$42, was received in 1887 from a G. A. R. Post. The object of this deposit is not reported. The fund remained unchanged until 1898, when it was paid to the Soldier's and Sailor's Home at Bath, N. Y.²

Public Administrator's Fund.—This consists of amounts received from escheated estates and the rent from real estate, and amounted to \$287,993 in 1912.

Twenty-Year Court and Trust Fund.—This consists of the sums which have been in the Court and Trust Fund for a period of twenty years, and which are then paid into the treasury.

Retirement Fund for State Hospital Employees.—The comptroller is authorized to deduct and to retain monthly from the salaries of employees in the state hospitals for the insane certain sums which are to constitute a permanent fund for the payment of annuities to such employees.

¹ *Ibid.*, 1857, chap. 569; 1865, chap. 249; 1866, chaps. 686 and 74.

² *Ibid.*, 1898, chap. 606.

The comptroller is custodian of these funds. The amount of the fund was \$30,881 in 1912.¹

General Fund Debt, Sinking Fund.—The General Fund Debt arose from the fact that the state issued stock to railroads which failed and also from the fact that the state's expenses exceeded its revenues, and that temporary loans were secured either from sinking funds or from trust funds, in return for which comptroller's bonds were issued. The following table will show the character of the debt as it existed in 1855:²

<i>General Fund State Debt—September 30, 1855</i>	
State stock issued to J. J. Astor, 5 %	\$561,500
State stock issued, deficiency in General Sinking Fund....	791,068
State stock issued to railroads, at 4½, 5½ and 6.....	3,665,700
<i>Comptroller's Bonds, usually at 6 %</i>	
Loans from railroad sinking funds.....	38,085
Loans from Common School funds.....	451,645
Loans from U. S. Deposit Fund.....	438,134
Loans from Delaware Academy	4,825
Stock issued for Indians' benefit	36,000
Stock issued for claims of Canal Fund	385,000
Temporary Loans	198,000
Indian Annuities	122,695
Total	\$6,692,652

The General Fund Debt Sinking Fund was created by Art. 7, Sec. 2, which provided for an annual contribution of \$350,000 until the time when a sufficient sum had been appropriated to pay the interest and principal of the Canal Fund and after this period \$1,500,000 was to go to this fund. The contributions to this fund were paid in full in

¹ *Laws 1912*, chap. 29.

² *A. R. Comptroller 1856*, pp. 20, 21, 22.

1873, but owing to the fact that this money had been diverted from its intended purpose and expended in paying appropriations, the debt remained in existence. In 1874, it was found that \$3,988,526 of the money belonging to the General Fund Sinking Debt had been expended in anticipation of taxes. The affairs of this fund were soon after adjusted, and in 1874 an amendment to the constitution prevented the recurrence of this condition of affairs.¹ The debt was finally paid off in 1878, and there remained a balance of \$11,463. Of this sum \$8,882 was transferred to the Long Island Railway Sinking Fund, to provide for a deficiency which existed owing to the refusal of the railroad to pay the premium on the coin purchased to pay its debt, and the remainder of \$2,581 was transferred to the General Fund.²

The Bounty Debt Sinking Fund.—The Bounty Debt Sinking Fund was created to pay off the debt incurred by the state for bounties to enlisted men during the Civil War, and the annual contributions to this fund were raised by taxation, and are shown in the following table:

<i>Year</i>	<i>Rate</i>	<i>Amount</i>
1866	2½	\$3,188,785
1867	3	4,892,477
1868	2½	3,749,996
1869	2¼	4,101,566
1870	2½	4,096,280
1871	2	4,022,974
1872 ..	2	4,093,710
1873	2	4,174,068
1874	2	4,251,843
1875	2	4,640,849
1876	⅓	805,647

The principal of this fund fell due in April, 1877, at which time the cash in the fund was sufficient to meet the

¹ Art. vii, sec. 13.

² *A. R. Comptroller 1879*, p. 11.

obligations with the remainder of \$229,193. This amount was transferred to the General Fund Debt Sinking Fund. The last payment of \$3,055 was made April, 1884, when the account of the fund was closed.

Railroad Sinking Funds.—Several railroad companies to which loans of state stock had been made were required to pay into the treasury annually two per cent on the amount loaned to them respectively as a Sinking Fund for the ultimate payment of the debt. In 1842, the following sinking funds were maintained: Tonawonda Railroad Company, Tioga Coal, Iron and Manufacturing Co., Hudson & Berkshire R. R., and Auburn & Rochester R. R.

Saratoga Springs State Reservation Fund.—The state has authorized the issuance of bonds to the amount of \$950,000 for the purpose of purchasing land in the town of Saratoga Springs. Ninety-five thousand dollars is payable annually from 1913 to 1922.

Palisades Interstate Park Debt Sinking Fund.—In 1910, a loan of \$2,500,000, at four per cent, was negotiated for the purpose of developing the Palisades Interstate Park. The debt is redeemable in 1961. The annual contributions to the sinking fund, amounting to \$126,515.97, are paid from the General Fund.¹

Highway Debt Sinking Fund No. 1.—This was created to redeem the \$1,000,000 of fifty-year three per cent bonds issued in 1906.² In 1912, the fund amounted to \$598,247.

Highway Debt Sinking Fund No. 2.—This fund is for the purpose of redeeming the \$33,000,000 of highway improvement four per cent bonds which have been issued in pursuance of the law of 1906 and amendments. It amounted to \$3,687,469 in 1912.

Canal Sinking Funds.—(1) For redeeming the \$2,000,-

¹ *Laws 1910*, chap. 363 and *1911*, chap. 868.

² Chapter 469.

000 of three per cent bonds issued for the construction of the Erie, Champlain and Oswego canals in 1903, and redeemable in 1923. There was in the sinking fund \$1,337,-360 in 1912.

(2) For redeeming the \$21,000,000 of fifty-year bonds issued in 1906, 1907, 1908 and 1909. There was \$14,839,-862 in the sinking fund in 1912.

(3) For redeeming the \$40,000,000 of four per cent fifty-year bonds issued for the construction of the Erie, Champlain and Oswego canals in 1910, 1911 and 1912. There was \$894,435 in the sinking fund in 1912.

(4) For redeeming the \$3,000,000 of four per cent fifty-year bonds issued for the construction of the Cayuga and Seneca Barge Canal.¹ There was \$180,184 in the sinking fund in 1912.

(5) For redeeming the \$3,407,000 of thirty-year four per cent bonds issued in 1912 for the construction of Barge Canal terminals. There was \$24,283 in the sinking fund in 1912.

Funds Maintained Apart from Treasury Funds. William Vorce Fund, 1902-1912.—This fund was established in 1902, under the provision of William Vorce's will, which bequeathed certain securities to create a fund, the income of which was to be expended for the benefit of education in the towns of Ellery, Chautauqua and Westfield. The will stipulated that the fund should be administered by the state comptroller. Under the provision of the law of 1902, the securities and cash in this fund were to be maintained by the comptroller apart from the treasury funds. The amount of this fund in 1912 was \$134,247. The net income is paid to the commissioner of education who apportions it among the towns.²

¹ *Laws 1909*, chap. 391.

² *Ibid.*, 1902, chap. 59.

Canasaraga Creek Improvement Fund.—This consists of a funded debt of \$200,000 and miscellaneous receipts amounting to \$19,503, and is maintained by the comptroller apart from treasury funds.¹

Conclusion

The policy of establishing separate funds for special purposes may seem at first thought to be a wise measure, but as it actually worked out in practice in this state, a worse system could hardly be devised. It was simply a book-keeping device which served to confuse the accounts and to make them unintelligible either to the citizen or the legislator. The Canal Fund was under the special care and supervision of commissioners, and was kept as nearly as possible separate from the rest of the state funds. The capital and revenue of all the other funds, however, were collected and blended together in the state treasury. Out of this money all warrants drawn by the comptroller according to law were paid without reference to the source from which the money was received. At the close of the fiscal year, the accounts of each separate fund were ascertained and stated.

The confusion arising from the maintenance of separate funds resulted in counting the same item two or more times, and thus the figures for total receipts and expenditures were much larger than they should have been. This is well illustrated in the following table which shows the amount of capital, the annual revenue, and the annual payments from the various funds in the year 1842.²

¹ *Laws 1909*, chap. 56.

² *A. R. Comptroller 1842*.

<i>Fund</i>	<i>Capital</i>	<i>Annual Revenue</i>	<i>Annual Expenditure</i>
General		\$938,198	\$1,205,368
Common School.....	\$1,968,291	255,092	275,089
Literature	268,991	47,501	49,790
Bank	315,155	22,800	6,000
U. S. Deposit	4,014,521	311,737	276,453
Mariners	57,212	14,730	13,866
Railroad Sinking			
Tonawanda	2,426	1,584	1,626
Tioga C., etc.	816	35	116
Hudson, Berkshire	6,511	3,251	3,251
Auburn & Rochester	8,682	4,335	4,335
Canal Funds			
Erie & Champlain.		1,708,406	1,708,406
Oswego		36,020	36,010
Cayuga & Seneca		17,993	17,993
Crooked Lake		1,217	1,217
Chemung		7,206	7,206
Chenango		15,331	15,331
Genesee Valley		12,075	12,075
		\$3,397,504	\$3,634,133

The total receipts for the General Fund amounted to \$938,198, whereas the receipts from all funds swelled the total to \$3,397,504. In the latter is included \$1,003,536, which represents simply the amount of capital belonging to the Common School, Bank Fund and U. S. Deposit Fund, which happened to be paid into the treasury during the year and which should not be considered as a part of the annual receipts. Furthermore, the following transfers between funds were counted twice. The revenue of the U. S. Deposit Fund is given as \$311,737, out of which was paid to the Common School Fund Revenue \$165,000, and to the Literature Fund Revenue \$28,000, but these sums were also included in the revenue as stated for these two funds; that is, the actual revenue of the Common School Fund was only \$90,092, and of the Literature Fund only \$19,501.

There would seem to be no good reason for keeping three separate educational funds at the present time when the revenues from all are simply transferred into the General Fund. It makes extra work for the already overburdened comptroller's department and serves to complicate and to render unintelligible the annual reports.

CHAPTER XII

CONCLUSION

THE machinery of the state government has been used to accomplish those ends which could not be achieved by the activities of individuals. During the early decades these ends were four in number in addition to the usual functions of government: (1) To hasten the development of the state by an energetic population through a sale of public land; (2) to supply capital; (3) to provide transportation facilities, and (4) to regulate banks so that this business might be conducted in a just and equitable manner.

If we judge the success of these policies by the criterion of net income derived from them, we must conclude that they were not successfully managed. But if we consider them from the larger standpoint of public utility, we must conclude that their success cannot be measured. They resulted unquestionably in a flourishing condition of private industry. In modern times the public revenue is derived from taxes imposed upon the private industries of its citizens, and therefore the more flourishing the private industries are, the larger is the fund from which the state may draw its revenue. Viewed from this standpoint, we may conclude that the policies adopted by the state in disposing of her public lands, in loaning capital and in constructing canals were sound financial policies, since they resulted in increased efficiency of private industry.

On the other hand, we must recognize the fact that these financial policies violated another fundamental axiom of a sound financial system, which is that the services rendered by the state shall be at the least possible cost. The political restraints established by the constitution were woefully inadequate to secure this end, and furthermore financial policies adopted by the legislature were not based upon sound fiscal principles. The state's lands and capital were distributed in too lavish a manner. Investment of capital in canals was unnecessarily generous, and the scheme was undertaken on a scale of too great magnitude. This is inevitably the result, where each member of the legislature must account to his constituency for his vote, and where, in consequence, he will endeavor to secure the adoption of those policies which contribute directly to the prosperity of his own constituents. The total absence of any provision for paying the principal of the rapidly accumulating debts, the failure to take into account a possible reduction of the tolls, or to allow for the costs of maintenance and repairs and operating expenses, shows inexcusable ignorance of sound fiscal principles. Such being the inevitable results of expenditures made by popular legislative bodies, it behooves democratic people to exercise a wise conservatism in entering the field of industrial and commercial undertakings.

Two things are clearly brought out in this period. The first is that the sense and feeling of the masses of the people were right in deciding as to what things were for their own best interest. There can be no doubt that the need for transportation and capital overshadowed all others. On the other hand it is quite as evident that the bungling methods employed by the legislature to fulfill these desires of the people were crude and unsatisfac-

tory. These mistakes, however, were apparent at the time, and all were clearly and forcefully presented by the comptrollers of the period. If the legislature had heeded the expert advice offered by those versed in sound fiscal principles and best qualified to judge, many of the mistakes could have been avoided. This leads naturally and inevitably to the conclusion that a distinction should be made between the expression of a governmental policy and the means employed to carry out such a policy. The first is pre-eminently the function of the legislature. It, better than any other, can sense the feelings and desires of the community and can express these desires through the formation of some desirable public policy. The practical working-out of this policy in matters of detail should be left to experts, who, through long training and experience along a particular line of thought or activity, are more competent to work out an efficient and economical system.

Such a division of labor has long been in practice in all branches of industry with marvelous results for good and is just beginning to be employed in the field of legislation and administration. The Interstate Commerce Commission is a good example. After the decision of the people that railroads ought to be regulated, the practical working-out of the details of the plan has been left to a board of experts.

Some such system should be adopted in all our state legislatures. The complexity of modern industrial life, its vast extent and its ramifications in all fields of activity make it impossible for any one man to be a master of the whole field. It is absurd to expect the legislator from an agricultural community to vote intelligently upon the intricate and complex problems of our great industrial centers. He is capable of expressing by his

vote the interests of his community and can thereby help to formulate some sort of public policy which has for its object the best interests of the people of the whole state; but the detailed system to be embodied in law should be left to experts in the particular field concerned. A sound policy of public finance must rest upon a thorough knowledge of political economy.

A long step in this direction would be made if the legislature would pay greater attention to the recommendations made by the heads of departments. These men, who have witnessed the workings of the law in their department, are in a much better position to recommend alterations; and, with their intimate knowledge of the whole field, are more competent to suggest new laws which may be needed, than is a member of the legislature. Especially is this true in matters of finance. The comptroller's reports are full of suggestions and demands for changes and alterations—in some cases the same suggestions have been made by successive comptrollers for decades—but apparently no attention is given to these by the legislature.

During the four decades 1840 to 1880, the machinery of the government was little used to regulate or to control industries or economic affairs. The operation of the canal was the most important economic function performed. A few futile attempts were made to regulate railroads but nothing of importance was accomplished.

The last few decades have witnessed a marked change in the relation of the state to industrial activities. In the main the tendency has been toward that of regulation and control of industry rather than that of direct state activity in the industrial field, although the construction of highways and canals are noteworthy exceptions to this rule. Whenever the interest of the people

can be best secured by state activity, as in the purchase and maintenance of forest lands and parks and reservations, the state has not hesitated to enter the field. The possibilities of governmental activity have been enlarged until today there is nothing which the whole community wants which it has not the right to obtain by state means. Nevertheless, it is still true that the forces of government have been chiefly directed toward curbing excesses, protecting the weak, and pointing out the limits of aggressive trade and competition. More and more the common people are looking to the government to redress wrong, to alleviate suffering and to equalize opportunity. The new governmental departments, which have been growing year by year to perform these functions, have been created at additional cost to the community, and if the state is to take advantage of its possibilities in extending supervision and control over every phase of community life it must first of all have a sound financial system. During the course of our study the need for certain improvements have so often been forced upon our attention that we feel justified in stating a few of the more important needs in the form of the following recommendations:

(1) All work performed by state officials is public business, and not only should every citizen in the state have right of access to all public records, but the reports of the various officials should be so clearly and forcefully presented as to render them easily understood by the average intelligent citizen.

(2) The comptroller, being the chief financial officer of the state, should have complete control over every expenditure made by the state; and to this end he should not only be furnished with a duplicate of every invoice, but should also receive a copy of every order issued by every state official.

(3) The new forms of accounts which are being worked out by the Bureau of Auditor should not only disclose the accuracy and honesty of receipts and payments, but should also offer data from which to determine the relative worth of various expenditures. Unit costs should be acquired for the purpose of making comparisons between similar institutions and between various years for the same institution.

(4) There should be some organized agency established for the sole purpose of making the facts of administration known to the public. State administration affects the physical, intellectual and economic welfare of every individual, and the citizen should be informed of all that is being accomplished, so that all may share equally in results of public expenditure.

(5) The state budget should be a well-planned, comprehensive scheme for the activities of the state during the coming year. Funds should be appropriated according to the urgency of the needs, and the apportionment of the funds among the various state activities should be made only after the most careful and thorough investigation of the needs to be met, the use made of funds previously appropriated, and the results obtained therefrom. Every citizen should be made to feel that he has some part in the apportionment of funds to various activities.

(6) An inventory should be taken to find out how much property the state actually owns and what is the present worth of the state's property. In 1910 a committee of the commissioners of the land office reported that "no list of lands now owned by the state is kept, except that in the comptroller's office there is kept a list of all lands acquired by the state under tax sales, and also of lands acquired by the state on the foreclosure of

loan commissioner's mortgages, and also in the forest preserve counties a list of lands acquired by the Forest Preserve Board by purchase."¹ The only statement of the value of the state's buildings is one which gives the amounts expended by the state on these buildings at various times from 1834 to the present time, which statement obviously gives no idea of the present worth of the property.

(7) All expenditures for new buildings and additions to old buildings and purchase of land should not be paid for out of current revenue, but should be provided for out of bond issues. The length of term of the bonds issued should bear some relation to the life of the improvement for which they are issued, and under the most conservative estimates the term of the bonds should at least not exceed the possible life of the improvement.

¹ *A. R. Comptroller, 1911, page 46.*



APPENDIX I

CLASSIFICATION OF EXPENDITURES USED IN THE COMPARATIVE STATEMENTS FROM 1789 TO 1912

1. EXECUTIVE.

This item is not classified separately until 1881 ; previous to that year the expenditures, which might be classified under this heading are included under the heading Administrative.

It includes the expenses of the governor, lieutenant-governor, the attaches of the governor, and the expenses of proceedings for the removal of public officers.

2. ADMINISTRATIVE.

From 1789 to 1797 it was not possible to separate the expenses of the legislature and judiciary from the purely administrative department, and so all three are included under this heading up to the year 1798, since which time they are classified separately. From 1798 to 1880 it includes all the expenses, including clerk hire, salaries of assistants or deputies, postage and traveling expenses of the following officers : governor, lieutenant-governor, secretary of state, comptroller, treasurer, attorney general and state engineer. Since 1880 the governor and lieutenant-governor are classified under "executive" and the state engineer under "constructive." The Civil Service Commission and State Printing Board are classified here since their creation.

3. LEGISLATIVE

This includes the expenses of the Senate, the Assembly, the Board of Statutory Consolidation, in existence from 1890 to

1901, and the legislative printing and the publishing of laws since 1880.

(a) *Printing*

This sub-item includes all expenses of printing and publishing laws from 1789 to 1880.

4. JUDICIAL

The courts and law libraries.

5. REGULATIVE

This includes the Banking Department, Insurance Department, the Railroad Commission, Inspectors of Steam Vessels, Superintendent of Weights and Measures, Inspectors of Racing Associations, State Assessors, the State Board of Tax Commissioners, the Public Service Commission, the Departments of Excise, Health and Labor, Factory Inspectors, Board of Arbitration, Bureau of Labor Statistics, the Quarantine Commission, the Board of Port Wardens, Inspector of the Gas Meters, the Metropolitan Election Bureau, State Board of Audit, and the Commission on Fisheries. Since 1880 the Banking and Insurance Departments are classified under "general" and the Commission on Fisheries under "protective expenditures."

(a) *Public Health*

From 1792 to 1829 payments were made to the commissioner of health and to the hospital in New York City; the sums included under the sub-item from 1857 to 1880 are the amounts paid for quarantine.

6. EDUCATIONAL

The items given under this head do not represent the total amount spent by the state for educational purposes, until the year 1904. The total amount was not given in the comptroller's reports and could be obtained only by a long and tedious computation involving the various payments from the various trust funds. These figures are those found in the reports.

During the early years small contributions were made to various institutions such as Columbia College, to the professor of anatomy in Columbia College, to the College of Physicians and Surgeons, to the regents of the University, to the public library, etc. Beginning in 1800 appropriations were made for the support of common schools, but the chief reliance was placed upon the revenues from the trust funds which were appropriated directly to various educational purposes. The revenue from the U. S. Deposit Fund was transferred to the common School and Literature fund, and the revenue of the former went to the support of common schools, Indian schools and normal schools, and of the latter fund to academies. The revenue from other funds, such as the College Land Script Fund, the Cornell Endowment Fund and Elmira College Fund went directly to Cornell College and Elmira College. In addition to these sources, a state tax was levied for school purposes, which constituted the Free School Fund. The payments from this fund are given from 1870 to 1903, when it was discontinued, and since that time the support of the common schools has been made out of the General Fund. The revenue from the above-mentioned trust funds are now transferred to the General Fund. The item includes the Department of Education, the normal schools, the education building, the state historian, the State Library, the State Museum, the State School of Clay Working and Ceramics, the regents of the University and Cornell University. Since 1880 Cornell University has been classified under "Agricultural."

7. Agricultural

The small sums appropriated during the early years were for distribution as prizes among the various county agricultural societies. Later it includes the Dairy Commission, the Dairymen's Association, experiment stations, the Department of Agriculture, the State Fair Commission, the State Veterinary College, the College of Agriculture, St. Lawrence University.

8. Defensive.

Early appropriations were made to the Commissioners of Fortifications, to Brigade Inspectors, Commissary Dept. etc. It includes the National Guard, Arsenal and Armories, the Armory Commission.

9. Penal.

The figures given under this heading are incomplete down to 1854 since prior to that year the prison accounts were not included in the comptroller's statement of receipts and expenditures but were attached to the report as appendices. This item now includes the Prison Department, Commission on Prison, Commission on Probation, the State Prisons at Auburn, Clinton, Great Meadow, Sing Sing, the penitentiaries, the State Hospitals at Dannemora and Matteawan and State Farm for Women.

10. CURATIVE

Up to 1880 the items which might be classed under this heading are included under the heading "Charitable." Since 1880 the State Commission in Lunacy and the institutions under its care are classified here. These are the State hospitals at Binghamton, 1879, Buffalo, 1871, Central Islip, 1909, Gowanda, 1894, Hudson River, 1867, Kings Park, 1896, Manhattan, 1906, Middletown, 1871, Rochester, 1891, St. Lawrence, 1887, Utica, 1843, Willard, 1866, and Mohansic (under Construction).

11. CHARITABLE

This item includes the expenses of the State Board of Charities, the fiscal supervisor, and the following institutions under his care: Western House of Refuge for Juvenile Delinquents, established in 1846 and changed to State Agricultural and Industrial School, Industry, 1902; State Institution for feeble-minded children, Syracuse, 1851; New York State School for Blind, Batavia, 1865; Thomas Indian School, Iroquois, 1875; State Custodial Asylum for Feeble-minded

Women, Newark, 1885; New York State Soldiers' and Sailors' Home, Bath, 1878; New York Training School for Girls, Hudson, 1904, but originally called House of Refuge for Women, 1881; Western House of Refuge, Albion, 1890; New York State Reformatory for Women, Bedford, 1892; State Custodial Asylum, Rome, 1893; Craig Colony for Epileptics, Sonyea, 1894; State Women's Relief Corps Home, Oxford, 1894, State Hospital for the Care of Crippled and Deformed Children, West Haverstraw, 1900; State Hospital for Treatment of Incipient Pulmonary Tuberculosis, Raybrook, 1900; State Training School for Boys, 1904; Letchworth Village Asylum, 1907, originally called Eastern State Custodial Asylum, 1909; State Reformatory, Elmira, 1876; Eastern State Reformatory, Napanoch; New York House of Refuge, Randall's Island, was founded by the Society for the Reformation of Juvenile Delinquents in the City of New York in 1824. In addition to these, 10 private institutions receive state appropriations and are under the care of the Board of Charities.

12. PROTECTIVE

Up to 1880 the expenditures for (a) public buildings general and unclassified; (b) public lands; (c) Indian affairs; (d) monuments and exhibits are classified as sub-items. After 1880 all are classed together and to these are added the Forest, Fish and Game Commission, reservations, etc.

13. CONSTRUCTIVE

This includes the State Engineer and Surveyor, the State Architect, the Water Supply Commission, the Department of Highways.

(a) Internal improvements includes all expenditures except those for canals, such as roads, bridges, draining swamps, railroad, dredging rivers, etc.

(b) Salt works includes sums paid out for this purpose. These sub-items are classified separately only up to 1880.

14. GENERAL

Refunds of moneys payable into the treasury for account of Banking Department, Insurance Department and excise refunds, stationery, twenty-year court and trust funds, State Racing Commission.

(a) Supervisory duties includes those payments in which the state simply acts as agent for the smaller division or for the United States, as, for example, from 1789 to 1798 the redemption of paper money issued during the Revolutionary War was a large item of expenditure, the payment of the U. S. direct taxes in 1815 and 1816, and again during the Civil War period, non-resident taxes, redemption of lands sold for taxes, etc.

(b) Bounties, such as wolf bounties, especially in the early period, bounties on wool to encourage sheep raising, premiums on silk to encourage this industry, bounties on coal, lead, gypsum, salt, etc.

(c) Interest.

STATE FUND TRANSACTIONS

1. The Free School Fund consisted of a state tax for the support of the common schools and the payments for this fund are given here from 1870 to 1903,

2. Payments from the canal fund comprise payments to Canal Debt Sinking Fund, payment out of proceeds of bonds, etc.

3. Payments to canals does not represent the total expenditure for canals, but only certain appropriations made out of the general fund which were found in the reports. The canal fund was kept separately from the other state funds, but some comptrollers included the canal payments in these annual reports and others omitted them.

4. Metropolitan police fund is included for only three years in 1857, 1858, 1859. The state simply acted as agent for the Metropolitan Police District and the payments have no bearing on the state's finances.

5. Trust funds.

Since 1880 the payments of principal and revenue of the various trust funds are given under this heading.

6. Highway Improvement Fund Transaction.

Under this heading are included all payments for construction, interest on highway debt, and payments from the highway sinking fund.

GENERAL REMARKS

The sums set down in the columns as representing the amount expended for each item must not be considered as the exact amounts spent, but only as a very close approximation of the true amount. There was not only the difficulty of deciding where to classify certain expenditures which seemed to be on the border line between two divisions, and this was especially true during the earlier years, but also the danger of overlooking some items since the items finally added together to form expenditures for a given classification had to be picked out a report covering many pages of itemized accounts in which there had been no attempt to group them in any logical way. After the individual items had been grouped under their proper heading the addition of these items was subject to error.

There is no reason to suppose that the figures as given in the reports themselves included all the receipts and expenditures of the state. The receipts and expenditures from prisons were not included until 1854. So also the receipts and expenditures for the salt works are not included each year, and the same is true of lotteries.

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

I. GENERAL EXPENDITURES	1789	1790	1791
1. Executive			
2. Administrative	37,166	41,089	37,285
3. Legislative			
(a) Printing	3,622	1,957	
4. Judicial			
5. Regulative			
(a) Public Health			
6. Educational		2,500	
(a) Support of Common Schools			
7. Agriculture			
8. Defensive	4,660	13,429	2,281
9. Penal			
10. Curative			
11. Charitable			
12. Protective			
(a) Public Buildings		20,000	9,188
(b) Public Lands	6,516	13,458	86
(c) Indian Affairs	9,484	9,100	1,675
(d) Monuments and Exhibits			
13. Constructive			
(a) Internal Improvements	8,103	2,839	4,707
(b) Salt Works			
14. General			
(a) Supervisory Duties	67,624	23,891	57,731
(b) Bounties	390	565	562
(c) Interest	900	833	348
15. Miscellaneous	23,327	5,832	2,085
Total Ordinary Expenses	161,692	135,493	115,948
II. DEBT PAYMENT			
1. Temporary			
2. Bonded			
III. INVESTMENTS		7,925	8,100
IV. PAYMENTS TO SINKING FUND			
1. Bounty Debt			
V. STATE FUNDS TRANSACTIONS			
1. Payments from Free School Fund			
2. Payments from Canal Fund			
3. Payments to Canals			
4. Metropolitan Police Fund			
5. Trust Funds			
6. Highway Improvement Fund			
Transactions			
TOTAL	161,692	143,418	124,048

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1792	1793	1794	1795	1796	1797
I.	.....	.....	.....	.....	.....	.....
2.	45,298	60,426	43,194	49,818	102,389	100,605
3.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	6,899	832	.....
4.	.....	.....	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....	.....
(a)	3,750	1,000	11,007	15,000	23,917	11,875
6.	19,250	4,000	5,625	9,375	61,125	49,999
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	.....	1,000	.....
8.	17,097	8,733	160,075	58,328	68,417	10,433
9.	.....	.....	.....	.....	112,500	87,562
10.	.....	.....	.....	.....	.....	.....
11.	.....	.....	1,000	7,750	.....	4,500
12.	.....	.....	.....	.....	.....	.....
(a)	1,516	500	.....	.....	.....	.....
(b)	8,038	34,248	11,231	15,382	44,626	2,437
(c)	1,682	5,100	4,459	25,235	27,236	14,240
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	1,986	54,625	5,775	5,215	5,780	7,500
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	72,793	58,219	50,775	56,202	28,926	22,125
(b)	684	952	883	808	.....	2,050
(c)	.....	.....	.....	.....	.....	.....
15.	2,943	5,078	4	2,555	1,605	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
II.	175,037	232,882	293,978	252,667	478,353	313,326
I.
2.
III.	554,600	45,372	56,750	57,500	30,000
IV.
V.
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	729,637	278,254	293,978	309,417	535,853	343,326

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1798	1799	1800	1801	1802	1803
I.	.....	.....	.....	.....	.....	.....
2.	37,521	28,784	46,031	40,588	23,670	22,328
3.	73,233	54,149	44,866	42,898	39,739	34,199
(a)	1,752	719	222	3,590	9,899	1,793
4.	7,596	9,462	10,041	8,201	17,165	14,637
5.	.....	.....	.....	.....	.....	.....
(a)	14,194	12,346	17,750	13,019	16,735	12,500
6.	4,125	3,125	50,122	1,978	6,422	1,200
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	.....	.....	.....
8.	10,236	.....	21,765	1,962	9,551	25,485
9.	87,168	17,384	19,442	20,591	36,635	.....
10.	.....	.....	.....	.....	.....	.....
11.	2,886	17,286	16,230	27,912	37,365	28,034
12.	.....	.....	.....	.....	.....	.....
(a)	10,500	.....	.....	.....	.....	44
(b)	10,276	50,700	15,102	1,995	10,542	1,812
(c)	12,669	12,498	12,314	15,532	20,021	20,774
(d)	.....	800	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	.....	6,950	500	2,221	4,730	.....
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	12,759	16,920
(b)
(c)	2,400	13,070	12,696	24,847
15.	3,327	24,492	28,113	22,913	24,674	25,685
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	290,642	251,765	295,194	228,247	257,148	205,411
II.
1.	41,245	20,366	107,305	112,360	39,599
2.
III.	15,000	4,000	13,500
IV.
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	346,887	251,765	315,560	335,552	373,508	258,510

APPENDIX I. CLASSIFIED EXPENDITURES—*Continued*

	1804	1805	1806	1807	1808	1809
I.	.....	.....	.....	.....	.....	.....
2.	19,958	20,550	19,375	19,234	34,906	31,284
3.	41,376	46,438	40,903	47,988	57,800	55,354
(a)	4,816	9,613	4,849	6,702	8,545	.....
4.	18,290	20,141	20,031	20,106	25,439	24,180
5.	.....	.....	.....	.....	.....	.....
(a)	15,205	12,500	12,500	12,500	12,500	15,498
6.	17,190	12,709	24,941	15,351	17,017	22,168
7.	.....	.....	.....	.....	.....	.....
8.	4,614	4,967	34,737	17,275	76,618	88,845
9.	40,253	35,658	48,957	31,034	43,309	35,730
10.	.....	.....	.....	.....	.....	.....
11.	37,462	37,126	36,853	32,598	2,718	27,481
12.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	20,000	25,000	10,000
(b)	47,624	17,048	4,716	10,566	17,449	19,242
(c)	13,008	13,245	11,004	18,832	14,914	14,994
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	14,231	9,482	26,439	13,769	15,910	13,398
(b)
14.
(a)
(b)	2,870
(c)
15.	14,981	33,639	24,585	22,815	20,539	18,253
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	289,008	273,116	309,890	288,740	372,664	379,297
II.
1.	50,620	51,353	109,075	102,582	34,314	105,286
2.
III.	1,000	22,000	19,400	34,325	476,161	142,989
IV.
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	340,628	346,469	438,365	425,647	883,139	627,572

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1810	1811	1812	1813	1814	1815
I.	.....	.....	.....	.....	.....	.....
2.	24,470	24,288	25,994	32,066	31,966	38,745
3.	45,227	51,671	84,960	67,848	98,691	76,966
(a)	4,850	7,836	4,055	21,135	8,525	5,989
4.	36,563	48,374	58,370	58,961	61,142	64,647
5.	.....	.....	.....	.....	.....	.....
(a)	15,259	16,000	16,000	16,000	16,000	16,000
6.	33,510	.....	2,847	500	48,876	46,898
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	.....	.....	.....
8.	111,651	58,435	195,025	101,613	322,275	132,857
9.	25,900	45,740	31,608	33,215	40,640	42,076
10.	.....	.....	.....	.....	.....	.....
11.	30,517	44,139	38,080	52,800	84,440	45,246
12.	.....	.....	.....	.....	.....	.....
(a)	.....	7,912	2,875	.....	.....	2,500
(b)	24,689	10,473	3,355	2,439	3,792	19,225
(c)	14,979	15,404	15,263	15,451	16,318	17,311
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	19,097	19,787	55,851	43,026	60,043	26,121
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	91,833	55,656	784,868
(b)	3,840	4,095	.....	2,790	3,790	5,612
(c)	53,158	59,911	144,353	101,657	166,143
15.	11,793	48,533	37,982	23,252	17,004	25,391
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II.	402,345	455,845	632,176	705,282	970,815	1,516,595
I.	153,266	65,000	1,075	70,000
2.
III.	50,546	133,542	58,208	165,022	340,456	451,308
IV.
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	606,157	589,387	755,384	871,379	1,311,271	2,037,903

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1816	1817	1818	1819	1820	1821
I.	.....	.....	.....	.....	.....	.....
2.	67,695	41,334	41,800	37,465	35,943	26,325
3.	93,466	94,696	86,297	101,697	99,435	71,704
(a)	6,821	5,072	6,376	8,336	10,499	10,888
4.	80,310	74,351	72,937	51,034	44,797	28,194
5.	.....	.....	.....	.....	.....	.....
(a)	23,500	24,104	22,500	22,500	22,500	22,500
6.	56,101	70,433	65,920	79,281	91,199	113,220
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	6,152	11,244	12,242
8.	83,992	32,783	21,247	34,287	37,064	38,543
9.	71,216	95,734	146,264	162,570	71,572	88,167
10.	.....	.....	.....	.....	.....	.....
11.	74,195	46,503	10,804	20,780	10,970	13,659
12.	.....	.....	.....	.....	.....	.....
(a)	7,560	234	44	6,120	100	1,868
(b)	47,559	57,138	12,646	4,491	8,248	12,887
(c)	21,610	17,805	22,753	18,121	19,894	18,151
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	22,622	13,298	41,268	4,133	17,809	23,330
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	365,903	8,201	10,512	18,743	19,393	20,134
(b)	7,917	11,727	8,077	11,977	10,484	22,659
(c)	.....	190,298	138,335	88,709	107,730	86,737
15.	39,329	15,542	27,997	22,572	23,003	61,647
	<u>1,069,796</u>	<u>799,253</u>	<u>734,877</u>	<u>698,968</u>	<u>641,884</u>	<u>672,855</u>
II.	.....	.....	.....	.....	.....	.....
1.	577,832	195,247	1,980,088	60,000	252,096	210,000
2.
III.	339,490	204,430	71,957	281,926	101,063	14,056
IV.
1.
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3.
V.
1.
2.
3.	21,783	95,498	218,690	168,741	207,450	173,773
4.
5.
6.
	<u>2,008,901</u>	<u>1,294,428</u>	<u>3,005,612</u>	<u>1,209,635</u>	<u>1,202,493</u>	<u>1,070,684</u>

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1822	1823	1824	1825	1826	1827
I.	.....	.....	.....	.....	.....	.....
2.	24,497	24,552	32,178	25,940	37,086	40,890
3.	85,099	75,113	93,929	78,934	71,439	87,975
(a)	10,609	15,386	11,738	20,245	15,852	12,771
4.	27,362	20,463	18,865	25,482	21,327	27,317
5.	.....	.....	.....	.....	.....	.....
(a)	22,500	22,500	22,500	22,500	22,500	22,500
6.	87,983	96,833	85,783	85,245	91,823	104,907
(a)	.....	.....	.....	.....	.....	.....
7.	7,220	8,441	5,024	3,213	1,000	.....
8.	17,093	10,412	5,406	7,910	9,091	11,265
9.	56,326	48,624	43,589	67,143	59,994	44,597
10.	.....	.....	.....	.....	.....	.....
11.	11,914	15,437	15,633	16,912	15,009	16,601
12.	.....	.....	.....	.....	.....	.....
(a)	200	1,586	1,266	86	5,394	716
(b)	19,254	39,734	11,719	28,366	41,444	28,980
(c)	20,807	19,234	17,395	17,738	17,995	17,992
(d)	1,000	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	4,839	4,037	1,069	19,386	45,926	21,721
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	33,040	22,515	13,746	23,604	24,988	48,328
(b)	14,869	1,635	1,337	975	1,257	2,228
(c)	60,000	60,000	.....	44	.....	.....
15.	28,478	11,401	13,689	19,592	34,142	54,783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	533,090	497,903	392,876	463,315	516,267	543,571
II.	.....	.....	.....	.....	.....	.....
1.	116,800	142,108	828,777	280,138	.....	.....
2.	.....	.....	.....	.....	.....	.....
III.	5,842	20,448	163,700	232,000	261
IV.
1.
2.
3.
V.
1.
2.
3.	268,363	444,505	1,103,570	859,503	1,036,399	1,364,515
4.
5.
6.
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	924,095	1,104,964	2,325,223	1,766,656	1,784,666	1,908,347

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1828	1829	1830	1831	1832	1833
I.	.....	.....	.....	.....	.....	.....
2.	32,489	45,414	31,328	25,056	31,769	32,705
3.	125,733	110,842	71,253	75,007	94,367	80,597
(a)	41,884	31,796	13,183	13,710	14,234	19,281
4.	32,605	25,393	30,222	18,579	32,657	28,507
5.	.....	.....	.....	.....	.....	.....
(a)	22,500	22,500	.....	.....	.....	.....
6.	104,703	6,966	.....	.....	.....	.....
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	.....	.....	.....
8.	13,469	13,113	10,645	7,996	.....	14,483
9.	57,488	60,487	56,459	44,831	39,290	11,848
10.	.....	.....	.....	.....	.....	.....
11.	19,002	12,623	7,737	.....	8,839	8,730
12.	.....	.....	.....	.....	.....	.....
(a)	258	565	.....	.....	.....	.....
(b)	77,393	20,713	18,845	.....	.....	.....
(c)	18,024	17,993	18,061	18,144	20,168	18,240
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	30,679	42,167	7,836	.....	.....	18,266
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	47,878	50,909	57,868	57,183	93,764	43,253
(b)	4,210	4,511	.....	.....	.....	1,455
(c)	.....	500	.....	.....	6,806	28,923
15.	44,251	46,557	56,303	58,787	52,000	26,625
II.	672,566	513,049	379,740	319,293	393,894	332,913
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
III.	107,767	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	1,208,471	1,170,080	35,279	24,228	23,178	73,079
4.	.....	.....	.....	.....	.....	.....
5.	.....	1,347,137	1,553,704	1,404,566	1,755,384	2,009,572
6.	.....	.....	.....	.....	.....	.....
	1,988,804	1,860,186	1,968,723	1,748,087	2,172,456	2,415,564

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1834	1835	1836	1837	1838	1839
I.	.....	.....	.....	.....	.....	.....
2.	32,868	35,018	37,331	41,071	42,048	52,909
3.	84,332	85,605	99,434	103,784	82,852	91,921
(a)	22,569	25,358	35,574	34,612	29,664	27,549
4.	36,920	30,400	24,303	24,553	24,068	128,345
5.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	.....	.....	.....	.....
8.	19,160	13,536	12,999	14,421	36,581	16,594
9.	9,537	7,759	537	25,467	3,334	265
10.	.....	.....	.....	.....	.....	.....
11.	12,194	21,848	32,210	68,084	89,887	124,833
12.	.....	.....	.....	.....	.....	.....
(a)	41,566	27,650	20,002	18,461	41,300	25,691
(b)	13,669	.....	.....	.....	.....	126,432
(c)	17,872	21,861	17,921	17,796	18,018	15,431
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	.....	17,575	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
14.	.....	.....	.....	.....	.....	.....
(a)	36,422	50,876	79,959	46,694	54,156	41,409
(b)	1,305	.....	.....	.....	.....	756
(c)	33,247	38,293	41,912	48,686	111,969	123,246
15.	38,046	14,528	2,448	88,881	137,449	72,173
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II.	399,707	389,307	444,530	532,510	671,326	888,178
I.	100,000	218,951
2.
III.
IV.
I.
2.
3.
V.
I.
2.
3.	93,881	44,465	94,508	217,385	229,161	182,688
4.
5.
6.
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	493,588	433,772	539,038	749,895	1,000,487	1,289,817

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1840	1841	1842	1843	1844	1845
I.	.....	.....	.....	.....	.....	.....
2.	39,896	43,273	44,257	35,853	36,026	38,056
3.	99,528	111,370	106,215	84,330	95,856	96,627
(a)	28,242	53,352	50,311	36,759	34,848	51,764
4.	79,290	72,683	93,030	103,595	99,833	100,479
5.	.....	.....	14,776	13,035	17,354	11,875
(a)	22,500	22,500	.....	.....	.....	.....
6.	.....	.....	9,255	4,154	6,216	6,899
(a)	.....	.....	.....	.....	.....	.....
7.	.....	.....	6,156	6,560	6,066	6,558
8.	28,406	17,784	23,916	23,498	21,567	27,993
9.	21,702	15,351	14,840	18,926	42,560	95,266
10.	.....	.....	.....	.....	.....	.....
11.	141,820	110,642	97,703	11,448	80,920	100,063
12.	.....	.....	.....	.....	.....	.....
(a)	41,257	28,400	70,929	36,708	6,588	8,585
(b)	40,002	112,903	15,355	88,491	58,302	61,622
(c)	10,520	39,289	8,655	9,265	8,009	9,675
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	.....	3,661	.....
(b)	.....	.....	.....	9,565	37,655	31,528
14.	.....	.....	.....	.....	.....	.....
(a)	86,336	125,737	95,499	23,588	92,022	84,944
(b)	.....	.....	1,840	21,477	36,078	80,627
(c)	120,243	71,082	210,345	191,986	294,713	268,633
15.	158,983	112,109	54,285	145,908	25,479	100,550
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	908,725	936,475	917,367	965,146	1,003,753	1,181,744
II.
1.	303,500	530,000	288,000	290,727	300,000	617,385
2.	241,884
III.
IV.
V.
1.
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3.
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6.
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	1,607,838	1,466,475	1,205,367	1,255,873	1,823,835	1,808,735

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1846	1847	1848	1849	1850	1851
I.	.....	.....	.....	.....	.....	.....
2.	36,489	38,876	61,075	64,853	40,390	41,764
3.	101,250	93,674	144,171	82,290	96,008	142,264
(a)	69,739	38,458	64,935	75,448	92,529	121,448
4.	100,182	70,303	90,449	109,272	100,405	95,918
5.	10,788	.....	16,215	17,400	19,348	19,803
(a)	.....	.....	.....	.....	.....	.....
6.	7,182	11,921	8,759	12,166	9,238	7,187
(a)	.....	.....	.....	.....	.....	.....
7.	6,968	7,121	7,417	6,563	.....	7,358
8.	99,871	36,824	53,769	50,174	14,720	26,141
9.	103,584	68,532	138,400	84,395	83,490	70,390
10.	.....	.....	.....	.....	.....	.....
11.	128,951	97,291	124,779	152,362	126,633	106,485
12.	.....	.....	.....	.....	.....	.....
(a)	10,107	9,152	16,006	10,496	.....	.....
(b)	29,909	27,987	20,392	13,724	.....	.....
(c)	8,521	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	.....	.....	.....	8,470	.....	.....
(b)	18,918	30,548	25,520	29,754	47,399	30,000
14.	.....	.....	.....	.....	.....	.....
(a)	62,665	.....	30,352	44,259	24,568	118,734
(b)	20,569	.....	.....	.....	.....	.....
(c)	300,770	.....	.....	.....	1,436	11,572
15.	50,850	172,022	82,541	65,667	121,176	91,876
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,167,313	702,710	884,780	827,293	777,340	890,940
II.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	30,000	.....
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	56,503	119,410	.....	.....	.....	.....
4.	.....	.....	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,223,816	822,120	884,780	827,293	807,340	890,940

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1852	1853	1854	1855	1856	1857
I.	.....	.....	.....	.....	.....	.....
2.	66,630	55,293	56,226	64,687	76,477	81,761
3.	105,386	138,844	95,289	110,995	80,344	153,982
(a)	138,225	135,364	128,461	156,618	109,549	109,936
4.	95,061	96,328	97,875	97,914	97,171	98,052
5.	19,066	20,292	22,956	21,902	88,046	38,505
(a)	.....	.....	.....	.....	.....	50,018
6.	59,267	53,250	22,017	31,656	42,215	44,996
(a)	.....	.....	.....	.....	.....	.....
7.	7,027	7,762	7,649	7,886	6,043	7,026
8.	52,683	15,082	20,553	14,911	14,317	31,409
9.	81,365	101,627	183,651	480,266	270,136	.....
10.	.....	.....	.....	.....	.....	.....
11.	215,933	192,895	282,012	351,434	227,784	342,454
12.	.....	.....	.....	.....	.....	.....
(a)	.....	14,388	16,128	42,803	9,216	22,779
(b)	24,901	13,464	8,747	8,741	1,574	17,988
(c)	.....	.....	1,676	1,318	975	.....
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	.....	18,231	53,819	56,317	76,514	89,646
(b)	34,912	24,827	25,250	51,000	43,000	111,622
14.	.....	.....	.....	.....	.....	.....
(a)	14,970	15,474	35,862	41,077	91,193	35,523
(b)	.....	.....	.....	.....	.....	.....
(c)	16,670	13,709	47,468	31,226	40,608	42,693
15.	339,349	88,266	58,352	133,016	72,014	417,802
II.	1,271,445	1,005,106	1,163,991	1,703,767	1,297,176	1,696,192
I.	.....	.....	.....	50,000	150,000	287,000
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	621,467	.....	320,000	262,500
4.	.....	.....	.....	.....	.....	183,190
5.	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
	1,271,445	1,005,106	1,785,458	1,753,767	1,767,176	2,428,882

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1858	1859	1860	1861	1862	1863
1.	.....	.....	.....	.....	.....	.....
2.	82,489	83,392	77,306	71,578	73,846	73,108
3.	139,742	125,905	124,299	116,957	117,071	145,423
(a)	124,264	158,930	181,797	132,496	102,499	102,253
4.	105,511	111,000	115,413	123,662	123,808	134,523
5.	33,475	30,907	50,075	50,227	50,814	61,373
(a)	11,491	96,359	28,361	.....	6,641	.....
6.	49,864	47,836	25,980	36,746	19,704	32,503
(a)	.....	.....	.....	.....	.....	.....
7.	7,245	8,008	8,186	10,472	5,767	12,868
8.	174,448	159,032	52,725	23,016	854,279	5,290,392
9.	311,179	343,398	426,632	388,931	311,745	385,542
10.	.....	.....	.....	.....	.....	.....
11.	368,574	275,750	263,079	253,183	256,456	258,134
12.	.....	.....	.....	.....	.....	.....
(a)	18,211	29,767	40,161	19,965	17,069	73,624
(b)	12,734	.....	12,653	14,687	4,414	1,277
(c)	1,013	2,217	1,033	1,049	10,708	939
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	77,171	12,977	18,295	.....	.....	20,300
(b)	89,863	57,556	52,416	63,500	43,074	34,355
14.	.....	.....	.....	.....	.....	.....
(a)	22,647	14,759	33,222	42,071	583,524	45,895
(b)	.....	.....	.....	.....	.....	.....
(c)	27,597	26,789	26,789	34,289	174,497	102,444
15.	106,379	238,246	143,010	2,909,098	81,427	104,458
	<u>1,763,897</u>	<u>1,822,828</u>	<u>1,681,432</u>	<u>4,291,927</u>	<u>2,837,343</u>	<u>6,879,411</u>
II.	.....	.....	.....	.....	.....	.....
1.	50,000	150,000	.....	200,000	300,000	.....
2.	.....	.....	.....	.....	1,240,000	1,505,000
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	1,240,500	1,730,747	1,421,972	852,552	2,769,623	1,420,188
4.	1,319,595	1,367,827	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
	<u>4,373,992</u>	<u>5,071,402</u>	<u>3,103,404</u>	<u>5,344,479</u>	<u>7,146,966</u>	<u>9,804,599</u>

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1864	1865	1866	1867	1868	1869
I.	.....	.....	.....	.....	.....	.....
2.	84,036	100,665	152,105	115,372	126,250	162,478
3.	165,000	198,156	183,041	229,217	260,184	295,294
(a)	155,715	214,162	193,212	198,651	207,395	192,267
4.	140,207	142,295	145,028	152,201	156,585	161,273
5.	69,523	79,207	63,458	78,785	81,414	91,618
(a)	50,437	50,240	95,562	96,340	239,845	342,495
6.	29,871	43,337	44,260	29,964	106,767	78,906
(a)	.....	.....	.....	.....	.....	.....
7.	10,917	15,204	9,969	13,613	19,748	25,814
8.	4,708,397	5,844,461	1,340,337	564,409	375,413	375,921
9.	409,996	578,909	692,295	896,909	988,188	1,147,052
10.	.....	.....	.....	.....	.....	.....
11.	303,579	440,421	565,907	759,482	775,256	1,046,074
12.	.....	.....	.....	.....	.....	.....
(a)	36,138	36,038	96,672	32,665	80,881	477,006
(b)	1,603	3,174	.....	.....	.....	.....
(c)	1,175	684	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	10,292
13.	.....	.....	.....	.....	.....	.....
(a)	149,029	91,206	273,616	143,632	381,811	174,028
(b)	54,234	49,000	49,184	50,000	50,000	50,000
14.	.....	.....	.....	.....	.....	.....
(a)	36,150	565,538	83,114	44,109	72,820	123,633
(b)	.....	.....	.....	.....	.....	.....
(c)	26,789	665,647	1,554,322	.....	.....	.....
15.	443,992	125,887	164,593	268,328	280,476	124,870
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
II.	6,876,788	9,244,231	5,706,675	3,703,677	4,203,033	4,846,021
I.	.....	.....	.....	.....	.....	.....
2.	5,000	2,000,000	1,000,000	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	3,188,786	4,892,476	3,479,996
V.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	535,374	931,779	2,147,614	1,406,817	1,019,266	1,828,400
4.	.....	.....	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,417,162	12,176,010	8,854,289	8,299,280	10,114,775	10,424,417

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1870	1871	1872	1873	1874	1875
I.	.....	.....	.....	.....	.....	.....
2.	331,381	301,111	311,571	337,928	332,989	301,381
3.	305,273	422,456	287,855	305,118	240,147	436,115
(a)	369,660	238,399	311,343	208,232	181,132	166,946
4.	202,454	361,509	391,365	393,622	400,579	387,754
5.	10,744	29,355	54,378	52,000	48,360	92,821
(a)	290,644	344,329	241,505	365,329	215,483	62,453
6.	20,943	26,614	46,577	35,091	37,184	175,375
(a)	.....	.....	.....	.....	.....	.....
7.	38,720	19,457	22,593	19,157	17,993	18,262
8.	309,087	501,555	267,787	495,597	356,160	364,594
9.	981,679	929,884	923,200	1,005,264	1,014,263	963,155
10.	.....	.....	.....	.....	.....	.....
11.	1,316,182	1,773,371	2,155,033	1,194,944	796,752	1,172,571
12.	.....	.....	.....	.....	.....	.....
(a)	1,252,788	515,413	893,595	121,928	645,754	1,438,383
(b)	.....	.....	.....	7,882	4,715	4,093
(c)	2,236	.....	.....	.....	.....	6,090
(d)	11,445	11,744	200	36,500	6,403	.....
13.	.....	.....	.....	.....	.....	.....
(a)	18,864	73,069	70,403	77,918	54,096	28,019
(b)	54,000	55,979	193,642	67,801	70,300	64,000
14.	.....	.....	.....	.....	.....	.....
(a)	64,358	43,449	134,368	109,560	141,161	41,266
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
15.	134,069	267,773	217,319	1,277,373	259,505	202,519
II.	5,712,527	5,915,647	6,522,734	6,111,244	4,822,976	5,925,797
I.	.....	710,117	315,750	1,846,826	725,768	.....
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
I.	2,890,151	3,007,553	3,033,586	3,012,533	3,278,857	3,303,046
2.	.....	.....	.....	.....	.....	.....
3.	1,595,953	3,880,035	2,238,096	2,863,070	3,281,985	2,537,819
4.	.....	.....	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....	.....
	10,197,731	13,513,362	12,110,166	13,833,673	12,109,586	11,766,662

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1876	1877	1878	1879	1880
I.	.....	.....	.....	.....	.....
2.	337,196	321,001	362,026	310,494	153,074
3.	459,078	418,134	446,181	419,715	391,942
(a)	157,079	103,420	126,042	74,666	108,436
4.	343,994	330,992	336,897	326,243	357,149
5.	201,305	326,684	282,414	235,902	301,824
(a)	25,913	17,500	38,500	32,308	35,771
6.	57,140	55,094	48,103	99,009	100,868
(a)	.....	.....	.....	.....	.....
7.	18,623	17,944	17,591	28,485	59,172
8.	340,619	333,420	555,807	681,807	483,938
9.	980,895	737,076	662,366	729,254	668,411
10.	.....	.....	.....	.....	.....
11.	1,256,922	1,199,626	983,451	1,074,650	1,229,776
12.	.....	.....	.....	.....	.....
(a)	943,503	768,401	1,151,847	1,023,029	1,057,220
(b)	1,305	1,033	224	3,001	129,178
(c)	1,177	1,362	1,663	11,905	9,062
(d)	.....	.....	2,500	1,000	4,000
13.	.....	.....	.....	.....	.....
(a)	31,028	43,110	34,447	26,926	35,704
(b)	72,731	70,600	60,000	60,000	.....
14.	.....	.....	.....	.....	.....
(a)	47,626	81,838	83,191	63,657	128,192
(b)	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....
15.	108,858	129,917	397,194	298,562	26,364
II.	5,384,992	4,957,152	5,590,444	5,500,613	5,280,081
I.	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....
I.	3,402,460	3,508,436	3,544,586	3,355,813	3,359,218
2.	.....	.....	.....	.....	.....
3.	712,820	.....	900,208	805,083	789,725
4.	.....	.....	.....	.....	.....
5.	.....	.....	.....	.....	.....
6.	.....	.....	.....	.....	.....
	9,500,272	8,105,588	10,035,238	9,661,509	9,429,024

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1881	1882	1883	1884	1885	1886
I.	37,777	36,983	34,409	31,775	32,341	83,942
2.	133,970	125,948	142,127	158,487	162,007	174,289
3.	507,035	457,030	460,334	492,428	469,919	521,648
(a)	.....	.....	.....	.....	.....	.....
4.	439,901	358,460	369,096	456,527	489,920	489,374
5.	238,798	278,341	178,762	140,083	145,060	201,659
(a)	.....	.....	.....	.....	.....	.....
6.	288,154	274,306	323,070	481,192	471,702	479,593
(a)	.....	.....	.....	.....	.....	.....
7.	27,020	75,910	49,524	51,147	97,183	103,734
8.	305,944	343,204	383,735	496,271	487,123	460,071
9.	560,876	533,627	548,171	544,382	1,076,327	1,392,063
10.	228,069	176,137	173,206	125,816	175,310	322,202
11.	453,074	523,453	585,741	465,888	613,578	807,271
12.	118,985	127,397	169,866	260,120	396,577	341,047
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	1,405,299	300,000
(c)	.....	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	1,463,783	1,370,021	1,467,081	1,397,852	973,298	650,926
(a)
(b)
14.	212,234	198,551	174,489	204,882	168,189	294,786
(a)
(b)
(c)
15.	125,000
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	5,015,620	4,879,368	5,059,591	5,305,850	7,163,833	6,747,605
II.
I.	500,000
2.
III.
IV.
I.
2.
3.
V.
1.	2,977,770	3,010,737	3,007,712	3,034,949	3,028,903	3,057,610
2.	1,076,245	540,664	2,854,985	2,151,369	1,493,230	1,243,296
3.	1,149,099	719,564	690,710	832,803	1,002,195	851,516
4.
5.	589,432	3,105,483	3,868,091	681,928	650,256	618,010
6.
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	11,308,166	12,255,816	15,481,009	12,006,899	13,338,417	12,518,027

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1887	1888	1889	1890	1891	1892
I.	116,984	45,498	36,450	36,095	35,401	64,611
2.	179,263	164,147	174,248	201,863	214,575	398,367
3.	530,266	613,458	661,891	623,189	535,964	658,188
(a)	.....	.....	.....	.....	.....	.....
4.	501,426	526,823	554,404	588,474	616,538	642,708
5.	213,846	249,355	224,620	445,469	318,862	275,069
(a)	.....	.....	.....	.....	.....	.....
6.	470,261	487,296	694,278	527,552	482,771	513,495
(a)	.....	.....	.....	.....	.....	.....
7.	122,823	137,924	218,059	224,241	234,482	277,261
8.	425,275	546,555	672,973	613,321	528,756	660,139
9.	1,741,298	2,174,698	880,002	1,081,362	995,550	952,805
10.	426,213	646,290	688,031	877,621	1,069,420	1,102,779
11.	826,294	1,015,698	938,072	958,113	1,026,265	1,007,115
12.	372,726	490,795	583,086	411,337	439,816	553,139
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	159,406	310,472	546,055	286,731	624,117	905,787
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
14.	236,479	225,011	273,445	209,691	241,582	329,480
(a)
(b)
(c)	122,500	120,000	117,500	115,000	112,501	110,000
15.
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	6,445,060	7,754,020	7,263,114	7,200,059	7,476,600	8,450,943
II.
I.
2.
III.
IV.
I.
2.
3.
V.
I.	3,569,827	3,578,916	3,587,633	3,609,362	3,883,891	3,908,899
2.	2,401,573	1,093,534	478,961	2,140,992	2,198,999	2,291,091
3.	1,117,313	1,444,008	1,569,029	1,658,423	1,462,103	1,117,553
4.	.....	.....	.....	.....	.....	.....
5.	927,121	1,184,035	654,697	621,569	2,395,837	1,921,729
6.	.....	.....	.....	.....	.....	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	14,460,894	15,054,513	13,553,434	15,230,405	17,417,430	17,690,215

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1893	1894	1895	1896	1897	1898
I.	44,535	36,165	35,214	53,159	38,456	36,444
2.	229,047	253,712	271,333	332,053	325,255	354,442
3.	810,392	1,198,159	1,210,454	1,226,060	1,062,924	1,220,067
(a)	.....	.....	.....	.....	.....	.....
4.	602,710	616,736	628,413	753,646	836,511	896,757
5.	743,059	448,043	447,513	553,734	710,707	616,011
(a)	.....	.....	.....	.....	.....	.....
6.	938,380	639,956	602,038	587,982	642,991	576,797
(a)	.....	.....	.....	.....	.....	.....
7.	291,770	379,353	376,081	429,489	414,832	438,849
8.	1,008,154	769,654	852,728	739,978	860,165	1,629,748
9.	891,298	880,079	845,549	698,282	737,601	885,078
10.	961,976	2,194,239	2,501,308	4,027,494	5,291,557	5,036,782
11.	1,334,212	1,233,575	1,509,410	1,616,785	1,708,772	1,605,826
12.	583,419	583,615	624,385	624,964	717,420	1,735,556
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	883,108	832,101	216,477	851,199	1,246,206	1,073,104
(a)	.....	.....	.....	Public Highways....	.....	3,345
(b)	.....	.....	.....	.....	.....	.....
14.	366,549	280,814	345,745	301,629	384,561	615,674
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	307,500	.....	.....	.....	.....	.....
15.	.....	.....	.....	.....	.....	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
II.	9,996,109	10,346,201	10,466,648	12,796,454	14,977,907	16,724,480
I.	.....	350,000	1,600,000	2,800,000	.....	1,000,000
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
1.	3,911,569	3,970,991	4,030,420	4,016,423	4,048,643	4,027,615
2.	474,044	1,250	1,250	248,860	3,612,536	5,836,443
3.	1,102,094	1,449,961	1,362,510	1,574,057	1,636,499	1,790,511
4.	.....	.....	.....	.....	.....	.....
5.	1,333,099	2,788,566	1,124,840	2,743,654	3,353,353	1,537,850
6.	.....	.....	.....	.....	.....	.....
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16,816,915	18,906,969	18,585,668	24,179,449	27,628,939	30,916,899

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1899	1900	1901	1902	1903	1904
I.	50,680	52,877	54,562	46,317	51,573	44,568
2.	359,855	433,137	462,043	449,402	414,678	423,321
3.	1,216,253	1,309,547	1,369,440	1,343,369	1,019,970	1,041,773
(a)	.....	.....	.....	.....	.....	.....
4.	880,572	975,766	1,012,569	1,032,077	1,009,841	1,043,011
5.	934,488	886,955	1,018,480	1,017,162	930,341	989,779
(a)	.....	.....	.....	.....	.....	.....
6.	587,062	749,931	871,666	803,416	755,170	1,380,364
(a)	.....	.....	.....	.....	.....	3,978,737
7.	572,504	663,398	721,448	724,894	726,108	773,195
8.	1,093,307	1,009,864	757,139	781,530	971,698	1,208,270
9.	874,149	942,272	900,567	1,076,245	725,932	1,094,434
10.	4,429,267	4,761,068	4,803,196	4,686,363	4,680,788	5,234,625
11.	1,801,165	1,737,282	1,944,441	1,822,306	1,857,338	2,159,463
12.	886,512	1,044,095	1,026,296	731,589	539,878	756,729
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	.....	.....	.....	.....	.....	.....
(a)	173,350	233,150	225,841	220,504	222,082	189,182
(b)	43,150	166,048	238,429	567,174	977,847	1,041,298
14.	740,887	731,009	594,721	588,188	636,777	820,392
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
15.	.....	.....	.....	.....	.....	.....
	14,643,201	15,696,399	16,000,838	15,890,536	15,520,021	22,179,141
II.	.....	.....	.....	.....	.....	.....
1.	1,250,000	2,000,000	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
1.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
1.	3,991,406	4,317,167	4,201,341	4,401,802	4,684,760	417,278
2.	852,073	1,096,994	1,326,778	575,453	1,782,239	684,304
3.	1,325,808	1,778,333	1,981,963	1,687,640	1,733,645	1,995,712
4.	.....	.....	.....	.....	.....	.....
5.	1,242,535	995,864	1,086,920	664,843	626,057	624,361
6.	.....	.....	.....	.....	.....	.....
	23,305,023	25,884,757	24,597,840	23,220,274	24,346,722	25,900,796

APPENDIX I. CLASSIFIED EXPENDITURES—Continued

	1905	1906	1907	1908	1909	1910
I.	52,537	63,566	63,520	86,867	79,065	83,656
2.	695,326	515,709	591,710	603,474	675,524	882,644
3.	1,324,658	1,369,848	1,208,950	1,280,031	1,436,317	1,503,764
(a)	.....	.....	.....	.....	.....	.....
4.	1,031,497	1,093,714	1,235,856	1,338,263	1,370,874	1,547,595
5.	1,040,326	1,113,489	1,205,598	1,419,782	1,548,115	2,058,743
(a)	.....	.....	.....	.....	.....	.....
6.	1,843,709	2,191,809	2,699,394	2,692,653	3,360,377	3,530,861
(a)	4,017,819	4,084,987	4,380,447	4,545,001	4,681,298	4,800,763
7.	746,137	991,490	1,037,378	1,356,737	1,495,118	1,575,957
8.	1,234,596	1,260,617	1,069,739	794,835	764,414	855,723
9.	1,032,822	1,071,296	912,729	1,040,329	1,339,740	1,648,384
10.	5,731,588	5,695,104	5,951,294	6,009,573	6,464,762	7,683,796
11.	2,121,035	2,345,039	2,311,173	2,466,234	2,924,371	2,943,371
12.	607,137	728,315	1,403,026	1,191,861	1,106,513	908,609
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
(d)	.....	.....	.....	.....	.....	.....
13.	228,849	179,878	176,312	333,139	394,395	298,017
(a)	1,342,005	1,175,595	1,020,828	1,493,780	3,086,537	3,478,775
(b)	.....	.....	.....	.....	.....	.....
14.	1,461,306	1,017,317	789,569	772,329	843,127	990,916
(a)	.....	.....	.....	.....	.....	.....
(b)	.....	.....	.....	.....	.....	.....
(c)	.....	.....	.....	.....	.....	.....
15.	.....	.....	.....	.....	.....	.....
II.	24,511,947	24,897,771	26,057,523	27,424,888	31,570,547	34,791,574
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
III.	.....	.....	.....	.....	.....	.....
IV.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	.....	.....	.....	.....	.....	.....
3.	.....	.....	.....	.....	.....	.....
V.	.....	.....	.....	.....	.....	.....
I.	.....	.....	.....	.....	.....	.....
2.	1,568,579	3,756,281	7,520,073	6,056,474	24,172,601	15,097,129
3.	1,472,814	1,223,772	1,239,961	1,179,874	1,292,657	1,345,972
4.	.....	.....	.....	.....	.....	.....
5.	926,011	372,270	1,720,989	54,743	746,712	895,002
6.	.....	.....	2,474,139	6,051,500	6,326,711	5,292,612
	28,479,351	30,250,094	39,012,685	40,767,479	64,109,228	57,422,289

APPENDIX I. CLASSIFIED EXPENDITURES—*Concluded*

	1911	1912
I.	107,725	80,653
2.	1,002,974	1,175,643
3.	1,446,984	2,047,420
(a)	.....	.....
4.	1,620,780	1,757,922
5.	1,777,832	2,331,806
(a)	.....	.....
6.	3,546,931	4,018,594
(a)	4,907,321	5,034,397
7.	1,585,957	2,055,338
8.	1,007,743	933,380
9.	1,663,942	1,572,124
10.	7,262,884	7,357,973
11.	2,945,432	3,038,517
12.	1,283,258	2,565,127
(a)	.....	.....
(b)	.....	.....
(c)	.....	.....
(d)	.....	.....
13.	232,805	296,511
(a)	.....	.....
(b)	.....	.....
14.	3,045,208	4,237,952
(a)	.....	.....
(b)	.....	.....
(c)	.....	.....
15.	691,861	730,760
	<hr/>	<hr/>
	34,129,637	39,234,117
II.	.....	.....
I.	.....	.....
2.	.....	.....
III.	.....	.....
IV.	.....	.....
I.	.....	.....
2.	.....	.....
3.	.....	.....
V.	.....	.....
I.	.....	.....
2.	21,507,561	25,824,527
3.	.....	.....
4.	.....	.....
5.	4,862,186	883,457
6.	8,664,240	8,486,734
	<hr/>	<hr/>
	69,163,624	74,428,835

APPENDIX II—Continued

Date.	Receipts from United States.		State Activities.				Investments.			Receipts from Loans.				Total Receipts.
	Subventions from United States.	War Claims from U. S. Govern- ment.	Proceeds of Public Lands.	Lotteries.	Proceeds from State Institutions.	Salt Works.	Proceeds from State Funds.	Dividends from Banks.	Miscellaneous.	Total General Fund.	Temporary Loans.	Bonded Loans.	Trust Fund Transactions.	
1790.....			\$3,167				\$1,744		\$169,913	\$180,783				\$189,783
1791.....			123,878				62,553		93,725	127,648				356,428
1792.....			325,077				190,978	\$5,083	23,158	559,500				559,500
1793.....			224,172				136,124	9,153	5,341	383,949				383,949
1794.....			293,994				134,958	11,551	29,790	484,328				484,328
1795.....			143,849				110,399	9,304	11,711	303,610				303,610
1796.....			64,546				105,669	7,114	41,967	254,112				254,112
1797.....			59,385				136,340	14,704	24,742	265,735	\$73,000			338,735
1798.....			10,377				97,558	6,300	71,164	210,589	140,000			350,589
1799.....			22,500				103,286	12,514	4,684	192,029	61,250			253,279
1800.....			10,850	\$500			105,604	19,008	11,359	294,010	17,750			311,760
1801.....			9,722	2,000	\$2,141		266,704	12,380	1,601	468,340				462,340
1802.....			9,349				158,412	12,707	3,151	345,597	25,000			373,597
1803.....			16,682	14,700	806		143,761	11,648	6,174	285,049	20,000			305,049
1804.....			16,064	25,000			169,768	12,997	8,901	314,602	20,000			334,602
1805.....			17,853	17,866			201,888	14,703	9,675	371,427	455			372,882
1806.....			3,290	43,282			195,351	19,504	14,160	357,324	85,000			442,324
1807.....			2,901	8,340			220,044	19,702	13,728	354,279	70,000			424,279
1808.....			1,404	25,102			151,683	20,695	21,070	305,147	575,000			880,147
1809.....			4,297	25,920	2,171	\$3,415	206,925	24,314		374,299	245,000			619,299
1810.....			13,328	10,850	3,357	3,087	250,156	33,324	716	466,043	106,000			626,043
1811.....			7,435	6,363		5,968	253,681	30,124	21,724	459,909	136,685			596,594
1812.....			12,644	14,042	2,290	6,877	259,480	24,865	1,928	509,946	281,500			791,446
1813.....			5,791	14,321	23,014	2,745	327,854	51,923	150,924	807,247	49,383			856,630
1814.....			56,857	10,378	277		299,167	57,202	2,279	642,522	690,000		\$3,666	1,336,218
1815.....		\$379,342	49,702	2,152	774	2,104	227,242	62,047	606	1,087,079	1,370,000		2,177	2,459,796
1816.....			76,788	257,340	872	8,224	227,019	91,815	1,807	1,384,289	181,650		2,162	1,568,101
1817.....			59,686	135,491	235	11,574	218,759	106,025	1,774	1,310,968			67,769	1,378,737
1818.....			12,345	64,253	506	57,832	814,180	82,269	16,991	1,844,156	1,012,500		109,207	2,965,863
1819.....			4,884	229,500	1,089	44,411	316,583	34,468		1,152,660	80,000		2,770	1,215,438
1820.....			5,183	66,021	650	67,039	253,436	318,032	2,855	1,195,566	12,000			1,207,566

APPENDIX II—Continued

Date.	General Property Taxes.		Special Taxes.					License or Business Taxes.					Fees.			
	State Tax.	Non-resident and Special Taxes.	Corporation Tax.	Inheritance Tax.	Mortgage Tax.	Stock-Transfer Tax.	Organization Tax.	Pedler's License Tax.	Auction Duties.	Liquor Tax.	Pool Tax.	Steamboat Tax.	Bank Tax.	Insurance Tax.	Railroad Tax.	Miscellaneous Corporations.	Fees of Public Officers.
1881.	\$22,577	\$88,316						\$1,650	\$2,778		\$1,000					\$4,688
1882.	198,974	50,085						1,650	181,968		10,000					12,622
1883.	202,256	48,178						2,950	209,631		1,068					6,637
1884.	241,091	69,287						3,200	233,102		3,932					1,767
1885.	134,692	67,322						2,700								736
1886.	147,534	253,001						2,278								1,184
1887.	22,993	\$25,868						1,870								1,455
1888.	112,881	28,980						1,990								2,249
1889.	35,739	621						1,580								1,936
1890.	61,431	1,799						1,310								1,060
1891.	27,806	2,957						1,410								2,144
1892.	40,182	4,418						1,460								1,440
1893.	30,307	4,104						980								1,283
1894.	42,810	2,753						1,980								1,936
1895.		2,443						1,610								1,060
1896.		2,419						2,660	59,834							2,144
1897.		3,205						1,130	214,458							1,440
1898.		3,927						80	142,102							1,283
1899.		44,887						320	225,492							1,936
1900.								1,862	164,621				47,479			1,384
1901.		49,650						2,720	206,702				23,122			1,848
1902.		27,578						4,665	200,284				42,516			1,664
1903.		3,332						1,770	161,123				1,436			1,107
1904.		514,101						1,770	174,749				12,734			1,796
1905.		492,591						1,750	176,199				17,650			30,968
1906.		56,612						2,445	139,312				9,035			54,311
1907.		36,122						3,080	87,032				2,040			42,516
1908.		57,613						2,990	193,991				14,984			42,516
1909.		301,822						1,445	93,095				3,759			53,306
1910.		298,904						1,700	85,910				28,807			46,540
1911.		298,843						1,876	102,569				9,035			35,115
1912.		241,139						1,686	115,108				2,040			37,216
1913.		127,857						1,686	115,108				2,040			32,820
1914.		36,934						1,805	94,443				14,984			12,469
1915.		460,834						1,876	102,569				14,984			12,469
1916.		1,266,976						1,493	145,003				26,302			4,108
1917.		1,266,976						1,493	145,003				26,302			4,108
1918.		1,266,976						1,493	145,003				26,302			4,108
1919.		1,266,976						1,493	145,003				26,302			4,108
1920.		1,266,976						1,493	145,003				26,302			4,108
1921.		1,266,976						1,493	145,003				26,302			4,108
1922.		1,266,976						1,493	145,003				26,302			4,108
1923.		1,266,976						1,493	145,003				26,302			4,108
1924.		1,266,976						1,493	145,003				26,302			4,108
1925.		1,266,976						1,493	145,003				26,302			4,108

APPENDIX II—Continued

Date.	General Property Taxes.		Special Taxes.					License or Business Taxes.					Fees.				
	State Tax.	Non-resident and Special Taxes.	Corporation Tax.	Inheritance Tax.	Mortgage Tax.	Stock-Trans-fer Tax.	Organization Tax.	Peddler's License Tax.	Auction Duties.	Liquor Tax.	Pool Tax.	Steamboat Tax.	Bank Tax.	Insurance Tax.	Railroad Tax.	Miscellaneous Corporations.	Fees of Public Officers.
1871	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1872	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1873	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1874	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1875	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1876	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1877	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1878	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1879	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1880	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1881	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1882	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1883	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1884	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1885	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1886	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1887	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1888	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1889	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622
1890	1,222,924	143,271	512					1,210	600,740			2,622	2,622	5637			2,622

APPENDIX II—Continued

Date.	Receipts from United States.		State Activities.					Investments.			Receipts from Loans.				Total Receipts.
	Subventions from United States.	War Claims from U. S. Government.	Proceeds of Public Lands.	Lotteries.	Proceeds from State Institutions.	Salt Works.	Proceeds from State Funds.	Dividends from Banks.	Miscellaneous.	Total General Fund.	Temporary Loans.	Bonded Loans.	Trust Funds.	Transactions.	
1876.			\$23,621		167,927	509,976	\$7,881		\$7,377	\$2,093,306	\$5,000		\$1,141,599	\$3,484,835	
1877.			1,733		53,477	29,710	29,710		403,131	2,171,538			1,023,305	3,195,343	
1878.			6,432		76,881	58,138	58,138		5,130	3,421,067	50,000		2,172,376	5,643,443	
1879.			182,440		7,732	15,399	15,399		855	3,463,361	150,000		3,055,918	6,479,279	
1880.			39,533		221,553	65,876	22,899		5,282	3,034,798	200,000		2,026,584	6,261,380	
1881.			681		94,939	66,330	21,779		7,956	3,796,067	1,550,000		4,836,958	7,018,025	
1882.			\$1,210,598		191,043	87,419	39,443		23,956	6,436,649	1,500,000		3,866,686	11,803,275	
1883.			1,690		43,833	76,091	44,711		4,471	5,316,877	2,000,000		3,504,447	10,821,304	
1884.			1,091		278,932	88,125	35,845		51,019	6,573,861	1,000,000		3,695,774	11,269,575	
1885.			1,347		220,288	87,766	38,845		5,288	6,746,378	4,984,000		4,542,726	16,273,106	
1886.			262,763		304,157	70,412	74,329		9,739	6,994,042	595,000		4,995,757	12,484,799	
1887.			495,477		88,589	49,059	49,059		48,037	8,186,454			5,104,479	13,381,433	
1888.			499,127		88,321	71,204	71,204		20,784	10,068,118			5,891,147	16,002,265	
1889.			480,430		88,799	86,697	86,697		66,936	10,123,616			6,668,445	17,045,063	
1890.			5,449		490,337	87,158	40,883		91,158	8,777,596	500,000		4,306,003	13,583,599	
1871.			17,892		436,153	84,731	52,477		17,945	10,636,823	500,000		1,151,157	12,437,980	
1872.			20,622		426,410	77,663	44,781		23,192	10,920,660	2,295,000		1,660,745	14,806,405	
1873.			12,058		354,197	80,574	117,425		6,605	10,431,986			1,718,680	16,450,675	
1874.			14,120		379,383	69,815	70,711		3,467	21,720,803	297,750		2,114,553	24,033,106	
1875.			1,268		368,979	65,973	82,514		79,746	13,693,853			1,768,870	15,464,723	
1876.			976		246,694	57,782	71,833		18,909	11,645,712			1,186,437	12,832,199	
1877.			98,186		310,912	60,378	71,663		6,564	5,601,092	150,000		1,171,283	17,342,215	
1878.			82,737		380,746	72,145	71,765		9,277	6,096,959			981,601	16,045,643	
1879.			105,283		414,795	76,211	55,378		43,826	7,110,964			906,446	8,029,410	
1880.			61,859		398,438	84,471	40,252		9,655	5,859,241				5,859,241	
1881.			21,421		414,097	78,409	6,727		28,500	8,242,337	500,000		838,176	9,580,513	
1882.			83,344		438,222	3,227	56,142		7,948	5,768,622			1,000,381	6,751,022	
1883.			34,792		424,968	77,258	30,677		9,677	6,886,184			3,070,169	10,756,373	
1884.			54,947		409,593	73,590	39,680		17,598	8,953,750			755,024	9,559,364	
1885.			35,645		506,594	67,698	30,840		7,127	7,176,572			640,688	8,855,266	
1886.			18,838		988,412	65,268	18,721		42,579	9,498,064	300,000		663,685	10,461,727	
1887.			51,382		1,111,824	58,992	35,370		40,477	9,523,042			988,755	10,512,419	
1888.			66,659		4,100,043	58,604	51,347		131,869	9,176,220			988,203	10,869,604	
1889.			22,112		459,330	55,691	44,794		123,200	9,170,720			640,338	9,823,058	
1890.			\$72,561		29,730	54,294	37,210		42,027	10,965,664			602,272	11,567,936	

APPENDIX II—Continued

Date.	General Property Tax.		Special Taxes.					License or Business Taxes.					Fees.			
	State Tax.	Non-resident and Special Taxes.	Corporation Tax.	Inheritance Tax.	Mortgage Tax.	Stock-Trans-fer Tax.	Organization Tax.	Pedler's License Tax.	Auction Duties.	Liquor Tax.	Pool Tax.	Steamboat Tax.	Bank Tax.	Insurance Tax.	Railroad Tax.	Miscellaneous Corporations.	Fees of Public Officers.
1907.	4,521,694	171,365	1,350,935	890,268			58,537								13,922	55,958
1908.	4,812,388	191,476	1,430,720	1,796,215			66,241								17,572	73,886
1909.	6,038,072	268,356	1,668,012	1,971,687			208,241								22,630	82,745
1910.	6,108,190	276,356	1,698,054	1,688,054			150,769								51,873	85,467
1911.	4,521,694	171,365	1,350,935	1,688,054			258,565								13,922	55,958
1912.	9,711,477	325,331	2,166,020	1,796,652			593,052								24,066	101,748
1913.	9,161,328	303,231	2,259,916	1,829,948			352,616								26,870	104,682
1914.	8,036,124	298,078	2,262,434	1,997,610			338,815								35,588	111,688
1915.	8,100,171	282,265	2,266,959	2,194,622			474,668								45,000	124,855
1916.	8,549,671	747,743	2,694,058	4,334,652			350,779								51,212	193,371
1917.	6,700,879	397,895	4,969,691	4,036,077			408,021								110,618	280,292
1918.	2,782,473	64,952	6,226,883	3,933,555			380,367								75,250	248,373
1919.	938,777	36,334	6,868,861	4,168,736			361,080								81,323	243,411
1920.	943,177	34,710	7,033,197	5,126,032			599,080								105,458	
1921.	1,151,593	39,407	6,620,316	4,627,051			354,490								105,458	
1922.	1,462,717	155,829	7,822,843	4,713,311	\$431,323	6,631,903	485,031								85,090	359,583
1923.	2,218,282	16,061	8,581,223	5,435,395	12,442,250	5,575,987	397,423								340,062	385,023
1924.	3,060,956	17,230	8,937,535	6,005,891	1,666,528	3,907,373	207,533								389,407	
1925.	3,300,437	24,018	8,671,920	6,902,615	1,844,821	5,355,546	343,939								427,074	881,944
1926.	3,300,050	39,287	9,123,739	8,212,735	1,931,848	4,635,443	483,178								506,390	1,045,051
1927.	2,228,619	150,496	9,781,749	8,152,199	1,767,622	3,499,811	377,266								664,365	856,609
1928.	6,326,823	26,614	10,349,165	12,153,156	1,852,324	3,653,037	472,960	1,431,568	7,832,499	2,568	2,022	252,357	689,269	856,609	879,702	

* For court expenses only.

APPENDIX II—Concluded

Date.	Receipts from United States.		State Activities.					Investments.			Total General Fund.	Receipts from Loans.			Total Receipts.
	Subventions from States.	War Claims from U. S. Government.	Proceeds of Public Lands.	Lotteries.	Proceeds from State Institutions.	Salt Works.	Proceeds from State Funds.	Dividends from Banks.	Miscellaneous.	Temporary Loans.		Bonded Loans.	Trust Fund Transactions.		
1861..	\$94,629	\$213,331	\$29,930	.....	\$50,386	\$40,402	\$62,998	.....	\$39,894	\$10,666,867	.....	\$2,191,213	.....	\$13,458,080
1862..	107,104	16,197	45,195	.....	244,89	43,669	.....	98,578	.....	5,533,993	.....	1,859,203	.....	8,413,196
1863..	96,661	.....	29,998	.....	21,896	34,730	20,937	.....	88,669	9,860,995	.....	1,711,660	.....	12,592,625
1864..	76,600	.....	476,528	.....	69,192	31,661	14,997	.....	83,194	10,794,954	.....	2,129,186	.....	13,274,140
1865..	123,931	.....	49,773	.....	110,204	30,968	5,436	.....	49,866	9,912,068	.....	1,925,837	.....	14,437,905
1866..	114,944	149,482	46,803	.....	16,230	30,952	10,167	.....	22,070	18,642,548	.....	1,124,429	.....	22,416,077
1867..	110,775	.....	36,290	.....	18,785	28,959	24,863	.....	20,016	16,296,901	.....	3,432,548	.....	21,759,449
1868..	115,862	.....	94,378	.....	22,073	25,836	29,928	.....	425,866	18,115,971	.....	991,171	.....	20,207,142
1869..	99,537	191,372	39,752	.....	105,718	6,931	23,194	.....	936,174	17,421,722	.....	924,556	.....	20,496,288
1900..	131,032	161,666	35,542	.....	406,102	.....	39,910	.....	25,177	21,724,638	.....	467,105	.....	24,191,743
1901..	138,080	146,801	59,830	.....	303,374	.....	67,723	.....	218,821	22,471,538	.....	594,436	.....	22,775,974
1902..	191,354	44,849	121,021	.....	321,488	.....	101,376	.....	117,666	18,592,443	.....	586,104	.....	19,178,547
1903..	170,913	36,310	66,028	.....	365,849	.....	123,804	.....	62,796	23,231,337	.....	484,966	.....	23,736,263
1904..	171,031	5,759	47,321	.....	359,856	.....	144,290	.....	55,378	24,372,780	.....	593,662	.....	24,876,442
1905..	317,618	178,250	49,786	.....	372,435	.....	120,104	.....	71,620	24,965,552	.....	1,029,035	.....	25,994,587
1906..	204,027	184,210	179,168	.....	445,754	.....	107,526	.....	75,839	33,401,983	.....	712,571	.....	34,114,554
1907..	208,342	.....	99,053	.....	526,217	.....	221,314	.....	80,809	34,528,516	.....	1,472,962	.....	38,316,478
1908..	191,502	.....	54,036	.....	616,337	.....	305,119	.....	625,667	33,618,055	.....	1,372,636	.....	39,049,691
1909..	183,685	.....	43,672	.....	575,400	.....	389,044	.....	31,217,769	.....	.....	1,300,000	.....	38,375,338
1910..	174,981	49,542	59,022	.....	759,836	.....	251,891	.....	134,013	37,460,201	.....	836,614	.....	43,296,815
1911..	179,485	.....	28,001	.....	817,659	.....	229,104	.....	996,954	35,629,230	.....	5,428,388	.....	51,697,618
1912..	179,120	.....	31,167	.....	860,807	.....	321,481	.....	1,170,489	59,036,466	.....	1,916,371	.....	59,952,777

* U. S. Direct Tax.

APPENDIX III

Table giving population, real estate, personal property and aggregate equalized valuation as fixed by the State Board of Equalization, the amount of state tax, including school tax, the tax rate, amount of town tax, the amount of the county tax, special taxes and the aggregate taxation.

Date.	Population.	Real Estate.*	Personal Property.*	Total Valuation.*	State Tax Including School Tax.	Tax Rate.	Town Tax.	County Tax.	Amount of Tax on Bank Stock.	Special Taxes.	Aggregate Taxation.
1790											
1800	34,020				86,718						
1801	58,983				86,509						
1802					82,509						
1803											
1804											
1805											
1806											
1807											
1808											
1809											
1810	90,888										
1811											
1812											
1813											
1814											
1815	1,035,910	\$250	\$41	\$291	461,713	\$2					
1816		266	38	304	491,138	2					
1817		272	38	309	524,935	3					
1818		243	37	281	263,887	1					
1819		222	33	256	233,173	1					
1820	1,372,814										

* 6 zeros omitted.

APPENDIX III—Continued

Date.	Population.	Real Estate.	Personal Property.	Total Valuation.	State Tax Including School Tax.	Tax Rate.	Town Tax.	County Tax.	Amount of Tax on Bank Stock.	Special Taxes.	Aggregate Taxation.
1881	\$200,577	1%	.....	.....	.....	.....	.....
1882	172	108,074	1	.....	.....	.....	.....	.....
1883	32	202,266	1	.....	.....	.....	.....	.....
1884	47	241,001	1	.....	.....	.....	.....	.....
1885	58	134,692	1/2	.....	.....	.....	.....	.....
1885	1,619,458	.....	.....	264	.....	.....	.....	.....	.....	.....	.....
1886	147,534	1/2	.....	.....	.....	.....	.....
1887
1888
1889
1890
1890	1,013,131	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1891
1892
1893
1894
1894
1895	2,174,517	403	120	532	.....	.....	\$1,056,976	\$1,246,314	.....	.....	\$8,276,299
1896	530	132	672	.....	.....	1,734,037	764,408	.....	.....	2,502,466
1897	468	122	620	.....	.....	1,806,206	807,708	.....	.....	2,703,014
1898	503	124	628	.....	.....	1,037,908	768,750	.....	.....	2,606,740
1899	510	132	519	.....	.....	2,254,861	874,460	.....	.....	3,129,321
1899	2,607,487	512	121	539	.....	.....	2,051,609	826,799	.....	.....	3,088,408
1899	532	123	559	.....	.....	2,208,843	874,513	.....	.....	3,173,356
1899	504	117	621	619,634	1	969,087	2,662,242	.....	.....	4,240,445
1899	595	595,068	1	599,264	2,453,888	.....	.....	3,605,166
1899	599	655,067	1/2	974,933	2,844,002	.....	.....	4,243,102
1899	509	301,310	1/2	949,272	2,159,940	.....	.....	4,170,568
1899	2,607,695	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1896	616	370,557	1/2	1,072,540	3,204,365	.....	.....	4,677,462
1897	632	302,579	1/2	1,437,810	3,437,810	.....	.....	4,843,686
1898	651	325,686	1/2	1,959,720	3,600,950	.....	.....	5,295,456
1899	605	334,556	1/2	1,374,704	3,439,722	.....	.....	5,148,982
1899	3,097,394	.....	.....	727	364,034	1/2	1,420,730	4,158,018	.....	.....	6,312,788

APPENDIX III—Continued

Date.	Population.	Real Estate.	Personal Property.	Total Valuation.	State Tax Including School Tax.	Tax Rate.	Town Tax.	County Tax.	Amount of Tax on Bank Stock.	Special Taxes.	Aggregate Taxation.
1851				\$1,077	\$8,545	1/4%	\$1,397,697	\$5,364,791			\$7,337,693
1852				1,168	22,642	1/4%	1,226,674	5,781,014			7,300,330
1853				1,266	125,126	1/4%	1,357,484	6,702,613			9,345,223
1854				1,364	1,020,926	3/4%	1,020,926	6,608,603			9,636,191
1855	3,466,212			1,402	1,751,718	1/4%	1,976,951	7,947,503			11,976,172
1856				1,430	1,430,000	1/4%	1,884,000	9,428,866			12,742,845
1857				1,433	2,221,775	3/4%	2,257,702	8,608,679			14,688,156
1858				1,404	2,457,534	2 1/4%	2,105,633	9,808,691			14,371,858
1859				1,404	3,512,284	2 1/4%	2,361,603	10,479,211			16,353,098
1860	3,886,735			1,419	5,440,640	3/8%	2,776,803	10,738,581			18,956,024
1861				1,441	5,586,848	3/8%	3,022,130	11,793,289			20,402,276
1862				1,449	6,884,104	4 1/4%	2,704,827	9,867,267			19,456,288
1863				1,454	7,272,274	5%	3,421,806	12,352,720			23,046,802
1864	\$1,161	\$330		1,500	7,880,240	5 1/4%	12,489,654	19,504,043			39,873,046
1865	1,158	392		1,550	7,230,976	4 1/4%	13,391,812	25,338,652			45,961,440
1866			334	1,531	8,577,864	5 1/4%	9,734,652	22,316,123			40,568,639
1867			436	1,664	12,647,210	7 1/4%	8,642,086	25,229,617			46,518,266
1868			438	1,766	10,243,317	5 1/4%	8,525,422	25,529,606			44,298,435
1869			441	1,860	10,463,179	5 1/2%	9,572,037	26,126,335			46,161,531
1870	4,382,759		434	1,967	14,285,977	7 1/4%	9,682,388	25,360,325			50,328,684
1871			452	2,052	11,613,944	5 1/4%	9,730,813	24,339,730			45,674,487
1872			447	2,089	19,580,882	9 3/4%	10,721,250	33,200,804			63,511,936
1873			437	2,130	14,800,994	6 1/4%	10,752,204	25,891,429			51,444,537
1874			419	2,160	15,727,482	7 1/4%	9,964,321	32,119,570			57,811,382
1875	4,705,208		407	2,568	14,206,680	6%	10,775,154	32,004,036			56,928,470
1876			357	2,666	8,599,174	3 1/4%	10,622,710	32,086,476			52,148,369
1877			370	2,756	8,726,511	3 1/4%	10,052,697	31,447,076			50,237,164
1878			365	2,738	7,941,208	2 1/4%	9,842,937	30,263,007			48,047,242
1879			352	2,685	7,699,416	2 1/4%	9,534,456	29,043,602			47,148,475
1880	5,629,071		322	2,638	9,232,542	3 1/2%	9,555,674	30,319,665			49,117,719

APPENDIX III—Continued

Date.	Population.	Real Estate.	Personal Property.	Total Valuation.	State Tax Including School Tax.	Tax Rate.	Town Tax.	County Tax.	Amount of Bank Stock.	Special Taxes.	Aggregate Taxation.
1887		\$340	\$341	\$681	\$6,024	2.2%	\$6,000	\$3,150			\$9,150
1888		2,433	351	2,784	9,880	2.1%	10,324	30,429			40,753
1889		2,537	315	2,852	9,334	3%	11,607	30,534			42,141
1884		2,669	345	3,015	7,702	2.8%	11,687	32,922			44,609
1885			332	3,095	9,160	2.8%	12,885	35,216			48,101
1886		2,900	325	3,225	9,512	2.8%	12,795	35,870			48,665
1887		3,025	336	3,361	9,975	2.6%	13,075	37,281			50,356
1888		3,123	346	3,469	9,689	2.6%	14,555	37,394			51,949
1889		3,213	354	3,567	12,557	3.1%	15,002	32,983			47,985
1890	6,997,853	3,298	385	3,684	8,619	2.6%	14,752	37,041		\$79,575	147,372
1891		3,397	382	3,779	5,196	1%	15,410	39,546		87,730	143,176
1892		3,497	405	3,902	7,784	1.8%	16,841	38,974		87,500	143,315
1893		3,627	411	4,038	10,418	2.6%	17,332	38,924		96,600	143,856
1894		3,762	438	4,200	9,155	2.1%	17,529	40,381		99,940	157,850
1895		3,841	450	4,292	13,006	3.0%	18,263	40,314		73,000	161,577
1896		3,909	460	4,369	11,751	2.9%	16,071	42,644		185,810	164,525
1897		4,042	465	4,507	12,033	2.7%	16,777	45,918		163,246	166,023
1898		4,350	549	4,899	10,189	2.3%	16,544	45,918		191,318	167,787
1899		4,414	663	5,076	12,640	2.8%	17,296	16,984		74,525	104,005
1900	7,268,804	4,812	650	5,462	10,704	1.9%	17,790	18,226		169,117	106,889
1901		5,003	594	5,687	6,224	1.2%	18,774	10,647		185,093	102,427
1902		5,160	585	5,745	748	1.2%	18,161	11,052		215,990	100,187
1903		5,268	557	5,825	761	1.3%	18,075	11,671		205,335	94,712
1904		6,750	697	7,446	668	1.3%	19,752	12,022		200,830	103,049
1905		7,051	687	7,738	1,191	1.5%	19,399	12,106	\$3,559	235,085	110,393
1906		7,312	702	8,015	no state tax		19,829	12,639	3,228	224,700	114,424
1907		8,553	674	9,227	10,714	1.2%	14,108	14,387	4,940	335,419	125,908
1908		9,117	551	9,668	10,802	1.1%	14,387	15,130	4,955	382,250	126,027
1909		9,267	556	9,823	12,839	1.3%	15,422	15,422	4,986	341,412	148,159
1910	9,113,279	9,639	482	10,121	13,738	1.4%	15,611	15,611		353,733	153,494
1911		10,561	492	11,053	6,072	1.6%	17,170	17,170	4,528	350,734	196,351

* This does not include amounts raised in counties for schools.

APPENDIX IV
STATE DEBT—Statement Showing Debt of the State from 1816 to 1912 Inclusive.*

	Canal Fund.	General Fund.	Contingent.	Bounty Debt.	Niagara State Reservation.	Total.
1816.....	.....	\$2,905,335 00	.....	.....	.....	\$2,905,335 00
1817.....	\$200,000 00	2,710,087 50	.....	.....	.....	2,910,087 50
1818.....	400,000 00	1,730,000 00	.....	.....	.....	2,130,000 00
1819.....	800,000 00	1,730,000 00	.....	.....	.....	2,530,000 00
1820.....	1,493,500 00	1,490,000 00	.....	.....	.....	2,983,500 00
1821.....	2,893,500 00	1,280,000 00	.....	.....	.....	4,173,500 00
1822.....	4,243,500 00	1,180,000 00	.....	.....	.....	5,423,500 00
1823.....	5,899,500 00	1,050,000 00	.....	.....	.....	6,949,500 00
1824.....	7,567,770 99	276,722 81	.....	.....	.....	7,844,493 80
1825.....	7,737,770 99	.....	.....	.....	.....	7,737,770 99
1826.....	7,844,770 99	.....	.....	.....	.....	7,844,770 99
1827.....	7,750,155 99	.....	\$500,000 00	.....	.....	8,250,155 99
1828.....	7,940,155 99	.....	500,000 00	.....	.....	8,440,155 99
1829.....	7,706,013 00	.....	810,000 00	.....	.....	8,516,013 00
1830.....	7,825,035 86	.....	810,000 00	.....	.....	8,635,035 86
1831.....	8,055,045 86	.....	810,000 00	.....	.....	8,865,045 86
1832.....	8,055,045 86	561,500 00	810,000 00	.....	.....	9,427,145 86
1833.....	6,673,006 29	644,649 83	810,000 00	.....	.....	8,127,656 12
1834.....	7,034,999 68	739,526 01	810,000 00	.....	.....	8,584,525 69
1835.....	6,328,056 19	868,979 02	810,000 00	.....	.....	8,007,035 21
1836.....	6,366,806 73	868,979 02	810,000 00	.....	.....	8,045,785 75
1837.....	6,166,082 02	978,032 43	810,000 00	.....	.....	7,954,114 45
1838.....	9,308,120 41	1,148,032 43	1,497,700 00	.....	.....	11,953,852 84
1839.....	10,785,820 08	1,392,217 92	1,847,700 00	.....	.....	14,025,738 00
1840.....	14,120,647 76	1,412,661 92	2,845,700 00	.....	.....	18,385,309 68
1841.....	16,306,374 48	1,418,878 92	4,235,700 00	.....	.....	21,960,953 40
1842.....	19,574,392 45	5,559,805 79	1,720,000 00	.....	.....	26,854,198 24

APPENDIX IV—Continued

	Canal Fund.	General Fund.	Contingent.	Bounty Debt.	Niagara State Reservation.	Total.
1843.....	\$20,302,324 18	\$5,423,415 33	\$1,720,000 00	.....	.....	\$27,535,739 51
1844.....	20,713,905 58	5,634,507 68	1,720,000 00	.....	.....	28,068,413 26
1845.....	19,600,020 77	5,885,549 24	1,713,000 00	.....	.....	27,288,570 01
1846.....	17,028,240 13	5,992,840 82	1,713,000 00	.....	.....	24,735,080 95
1847.....	16,743,749 57	6,139,840 82	1,563,000 00	.....	.....	24,446,590 39
1848.....	16,713,649 91	5,989,693 32	1,233,905 60	.....	.....	23,937,248 83
1849.....	16,414,523 67	6,389,693 32	1,233,905 60	.....	.....	24,038,122 59
1850.....	16,215,144 52	6,389,693 32	933,036 16	.....	.....	23,537,874 00
1851.....	16,641,534 61	6,389,693 32	933,036 16	.....	.....	23,964,264 09
1852.....	17,001,207 16	6,389,693 32	933,036 16	.....	.....	24,323,996 64
1853.....	17,001,269 16	6,355,654 37	931,644 83	.....	.....	24,288,568 36
1854.....	18,772,244 16	6,355,654 37	920,000 00	.....	.....	26,047,896 53
1855.....	20,281,333 16	6,692,654 37	770,000 00	.....	.....	27,743,987 53
1856.....	22,542,066 82	6,792,654 37	770,000 00	.....	.....	36,104,721 19
1857.....	25,189,781 82	6,595,654 37	770,000 00	.....	.....	32,465,436 19
1858.....	24,460,014 48	6,595,654 37	770,000 00	.....	.....	31,735,668 85
1859.....	24,307,844 48	6,595,654 37	570,000 00	.....	.....	31,383,498 85
1860.....	27,107,321 48	6,595,654 37	570,040 00	.....	.....	34,182,975 85
1861.....	26,131,770 25	6,595,654 37	339,000 00	.....	.....	32,976,414 62
1862.....	24,011,770 25	6,595,654 37	338,000 00	.....	.....	30,855,424 62
1863.....	23,278,470 25	6,595,654 37	338,000 00	.....	.....	30,122,124 62
1864.....	22,441,770 25	6,278,954 37	338,000 00	.....	.....	29,058,724 62
1865.....	19,597,395 49	7,059,954 37	224,000 00	\$23,989,000 00	.....	50,861,349 86
1866.....	18,248,460 00	5,642,622 22	218,000 00	27,644,000 00	.....	51,753,082 22
1867.....	15,733,060 00	5,642,622 22	130,000 00	20,862,000 00	.....	48,367,682 22
1868.....	14,429,960 00	4,797,826 00	68,000 00	25,943,000 00	.....	25,148,786 00
1869.....	12,564,780 00	4,694,526 40	68,000 00	25,938,000 00	.....	43,265,306 40
1870.....	11,966,580 00	4,040,026 40	68,000 00	22,567,000 00	.....	38,641,606 40

APPENDIX IV—Continued

	Canal Fund.	General Fund.	Contingent.	Bounty Debt.	Niagara State Reservation.	Total.
1871.....	\$11,966,580 00	\$4,040,026 00	\$68,000 00	\$22,047,000 00	.....	\$38,121,606 40
1872.....	11,396,680 00	3,988,526 40	68,000 00	21,121,000 00	.....	36,574,206 40
1873.....	11,352,880 00	3,988,526 40	68,000 00	21,121,000 00	.....	36,530,406 40
1874.....	10,230,430 00	3,987,526 40	68,000 00	15,912,500 00	.....	30,199,456 40
1875.....	10,086,600 00	3,119,526 40	68,000 00	15,054,500 00	.....	28,328,686 40
1876.....	10,081,660 00	3,092,238 58	5,000 00	10,137,000 00	.....	23,315,898 58
1877.....	9,900,360 00	936,694 87	.....	130,000 00	.....	19,957,054 87
1878.....	9,020,360 00	122,694 87	.....	11,000 00	.....	9,154,054 87
1879.....	8,988,360 00	122,694 87	.....	11,000 00	.....	9,122,054 87
1880.....	8,988,360 00	122,694 87	.....	3,000 00	.....	8,114,054 87
1881.....	8,983,360 00	122,694 87	.....	3,000 00	.....	8,109,054 87
1882.....	8,983,360 00	122,694 87	.....	3,000 00	.....	8,109,054 87
1883.....	8,348,160 00	122,694 87	.....	3,000 00	.....	8,473,854 87
1884.....	8,339,160 00	122,694 87	.....	3,000 00	.....	8,461,854 87
1885.....	8,339,160 00	122,694 87	.....	.....	\$1,000,000 00	9,461,854 87
1886.....	8,304,510 00	122,694 87	.....	.....	900,000 00	9,327,204 87
1887.....	6,044,310 00	122,694 87	.....	.....	800,000 00	7,567,004 87
1888.....	6,142,660 00	122,694 87	.....	Saratoga Springs Reservation	700,000 00	6,965,354 87
1889.....	6,052,160 00	122,694 87	.....	Fund.	600,000 00	6,774,854 87
1890.....	4,341,610 00	122,694 87	.....	.....	500,000 00	4,964,304 87
1891.....	2,404,960 00	122,694 87	.....	.....	400,000 00	2,927,655 87
1892.....	463,160 00	.....	.....	.....	300,000 00	763,160 00
1893.....	660 00	.....	.....	.....	.....	660 00
1894.....	660 00	.....	.....	.....	.....	660 00
1895.....	660 00	.....	.....	.....	Adirondack Park.	660 00
1896.....	1,770,600 00	.....	.....	.....	550,000 00	2,320,600 00

APPENDIX IV—Concluded

	Canal Fund.	General Fund.	Contingent.	Bounty Debt.	Niagara State Reservation.	Total.
1897.....	\$5,770,660 00	.....	..... Public Defense.	.....	\$495,000 00	\$6,265,660 00
1898.....	8,500,660 00	.....	.....	.....	840,000 00	9,340,660 00
1899.....	8,500,660 00	.....	\$900,000 00	.....	785,000 00	10,185,660 00
1900.....	8,500,660 00	.....	900,000 00	.....	730,000 00	10,130,660 00
1901.....	8,500,660 00	.....	900,000 00	.....	675,000 00	10,975,660 00
1902.....	8,500,660 00	.....	800,000 00	.....	620,000 00	9,920,660 00
1903.....	8,500,660 00	.....	600,000 00	.....	565,000 00	9,665,660 00
1904.....	8,500,660 00	.....	400,000 00	.....	510,000 00	9,410,660 00
1905.....	10,500,660 00	.....	200,000 00	.....	455,000 00	11,155,660 00
1906.....	10,230,660 00	..... Highway Improvement.	.....	.....	400,000 00	10,630,660 00
1907.....	15,230,660 00	\$1,800,000 00	Palisades Interstate Park.	.....	200,000 00	17,290,660 00
1908.....	20,230,660 00	6,000,000 00	.....	.....	.....	26,230,660 00
1909.....	30,230,660 00	11,000,000 00	.....	.....	.....	41,230,660 00
1910.....	41,230,660 00	16,000,000 00	.....	.....	.....	57,230,660 00
1911.....	51,230,660 00	26,000,000 00	\$2,500,000 00	.....	.....	77,930,660 00
1912.....	72,637,660 00	34,000,000 00	2,500,000 60	\$565,000 00	.....	109,702,660 00

*A. R. Comptroller, 1913, p. 138.

APPENDIX V—Continued

	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	1909.	1910.	1911.	1912.
Insurance premiums.....	\$125,854	\$116,621	\$222,317	\$149,174	\$849,724	\$1,000,153	\$1,051,775	\$556,447	\$909,417	\$1,181,455	\$1,267,730	\$1,237,174	\$1,304,397	\$1,368,403	\$1,450,360
Insurance.....	9,902	8,746	9,435	3,805											
Transportation, capital.....	718,057	827,568	875,979	844,132	918,262	816,976	1,007,245	899,779	1,189,301	1,137,743	1,490,423	1,339,353	1,476,745	1,326,488	1,506,114
Transportation, capital.....	468,115	426,845	523,825	631,584	691,410	688,902	710,904	773,441	889,364	965,967	1,000,038	903,350	952,887	906,687	1,006,499
Telephone and telegraph.....	39,052	49,246	53,167	85,159	84,111	111,888	132,780	132,192	146,625	161,656	182,194	191,492	213,897	230,599	251,088
Telephone and telegraph, capital.....	62,557	70,932	76,699	203,519	122,257	131,088	253,277	221,441	130,630	220,089	177,948	184,733	182,916	364,396	349,132
Gas, light, water, electricity.....	424,393	255,310	270,005	249,074	385,116	397,365	428,084	463,349	519,435	439,827	438,376	487,963	461,769	606,057	747,465
Foreign banks.....	62,329	55,089	87,961	37,218	57,314	98,370	62,342	32,435	68,311	134,699	95,712	44,749	134,092	143,400	100,599
Foreign corporations.....	2,455	2,981	32,545	15,066	118,102	58,103	51,290	31,178	30,555	46,836	24,523	25,121	29,428	55,809	36,745
Trust companies.....				1,578,978	680,030	2,038,888	1,860,877	1,081,817	2,242,778	2,406,337	2,221,942	2,141,508	2,375,369	2,489,624	2,446,717
Savings banks.....				705,333	737,225	771,474	719,535	787,691	706,802	762,515	769,025	890,161	780,873	884,172	959,227
Miscellaneous corporations.....	249,491	453,322	562,573	463,637	582,632	695,601	735,089	730,004	909,620	1,102,099	1,239,704	1,226,307	1,211,364	1,397,115	1,491,220
Total tax.....	\$2,162,435	\$2,266,650	\$2,624,506	\$4,966,679	\$6,226,183	\$6,808,808	\$7,033,198	\$6,620,314	\$7,822,229	\$8,381,223	\$8,937,625	\$8,671,921	\$9,123,738	\$9,781,750	\$10,340,166
Number of corporations.....															
Cost of collection.....		1.06%		.60%	.485%			10,749					19,836		

APPENDIX VI

Table Giving Special Franchise Valuations in New York State.

Year.	Number of Corporations Assessed.	Valuations.		Total for State.
		New York City.	All Others.	
1900....	1376	\$219,679,351	\$46,523,408	\$266,202,759
1901.....		211,334,194	44,416,571	256,150,765
1902.....		220,620,155	47,397,615	268,017,770
1903.....		235,184,325	49,614,267	284,708,592
1904.....		251,521,450	51,167,307	302,688,757
1905.....		302,193,550	54,636,005	356,829,555
1906.....		361,479,300	66,472,159	427,951,459
1907.....		466,855,000	88,453,797	555,308,797
1908.....		492,492,970	108,579,587	601,072,557
1909.....		474,001,900	113,987,467	587,989,367
1910.....		465,409,600	120,374,215	585,783,815
1911.....	2494	481,018,100	133,815,580	614,833,680

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VITA

DON CONGER SOWERS was born at Spring Hill, Kansas, on February 17, 1883. He entered Baker University, Baldwin, Kansas, in 1900, receiving the degree of bachelor of arts in 1904.

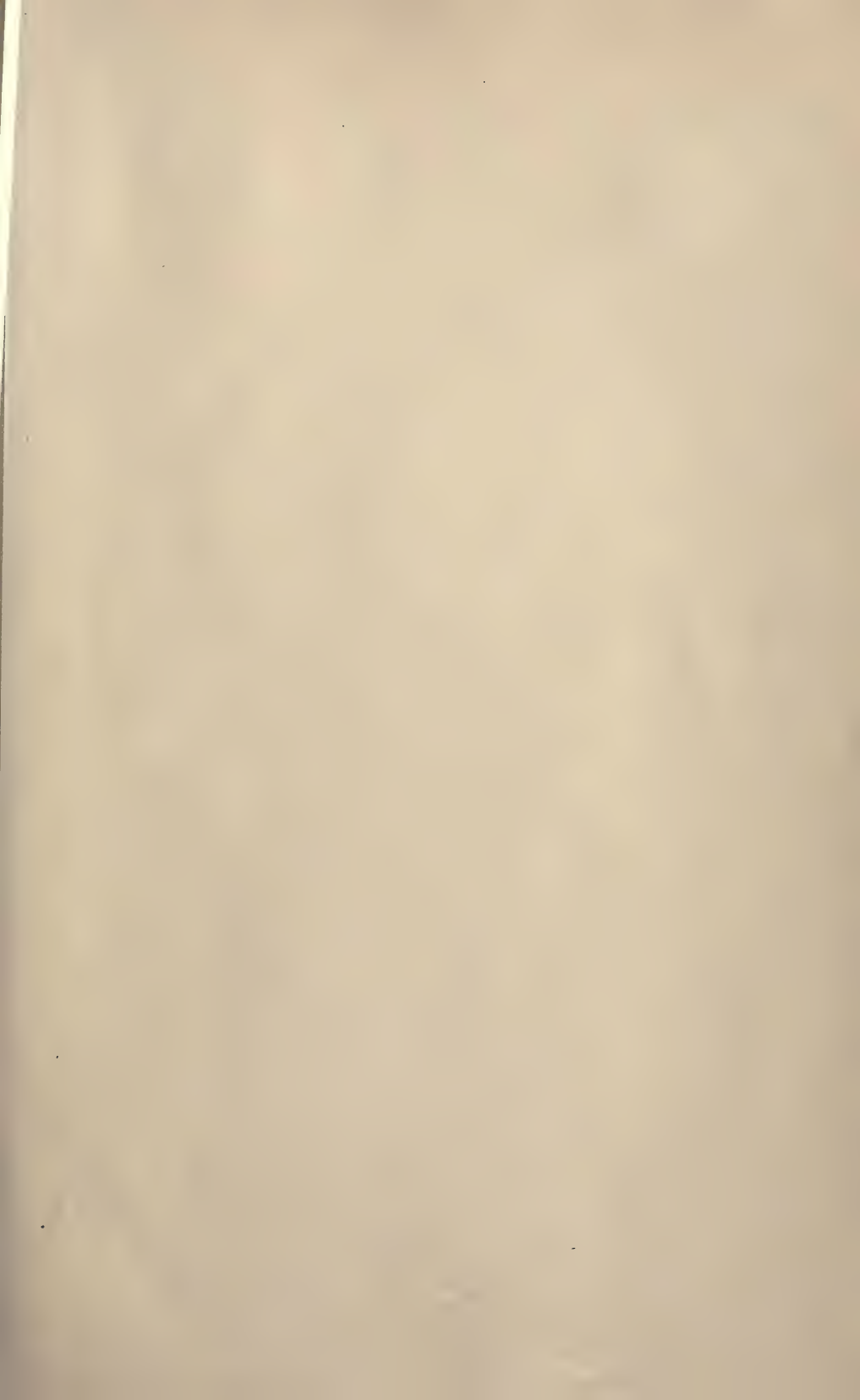
In February, 1910, he entered Columbia University and took courses until June, 1912, under Professors E. R. A. Seligman, H. R. Seager, J. B. Clark, H. L. Moore, H. R. Mussey, F. H. Giddings, V. G. Simkhovitch, C. A. Beard and F. J. Goodnow in the Faculty of Political Science, attending the seminars of Professors Seligman and Seager.

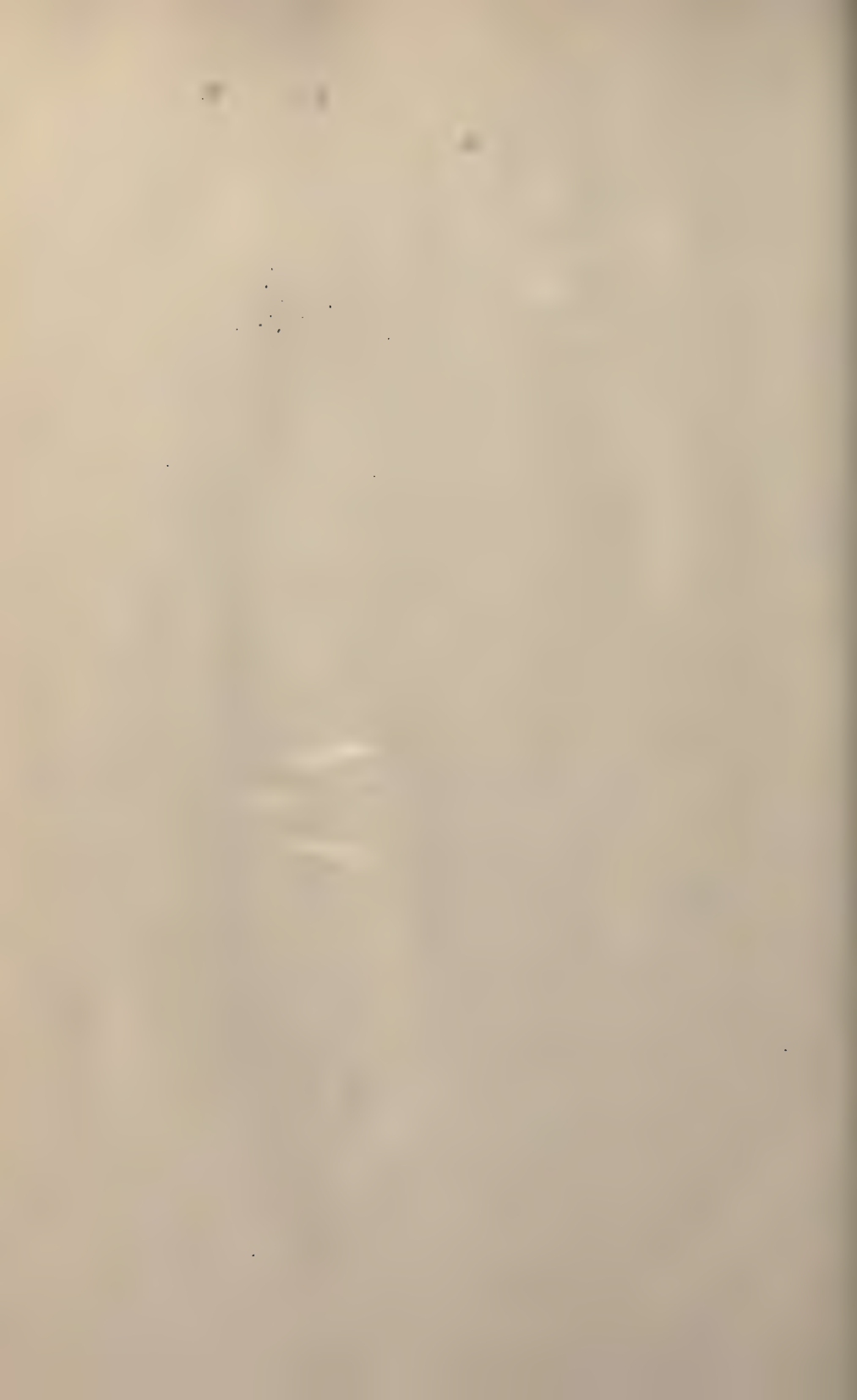
From 1904 to 1910 he was engaged in making magnetic observations for the Department of Terrestrial Magnetism of the Carnegie Institution of Washington. This work necessitated extended journeys. During this period the following countries were visited: West Indies, Venezuela, Peru, New Zealand, Society and Samoan Islands, China, Chinese Turkestan, India and Europe. At various times for short periods he was employed by the United States Coast and Geodetic Survey on magnetic work.

In January 1913 he entered the Training School for Public Service conducted by the Bureau of Municipal Research of New York City where he remained until the following October when he accepted the position of Professor of Municipalities and Public Accounting in the University of Oregon.

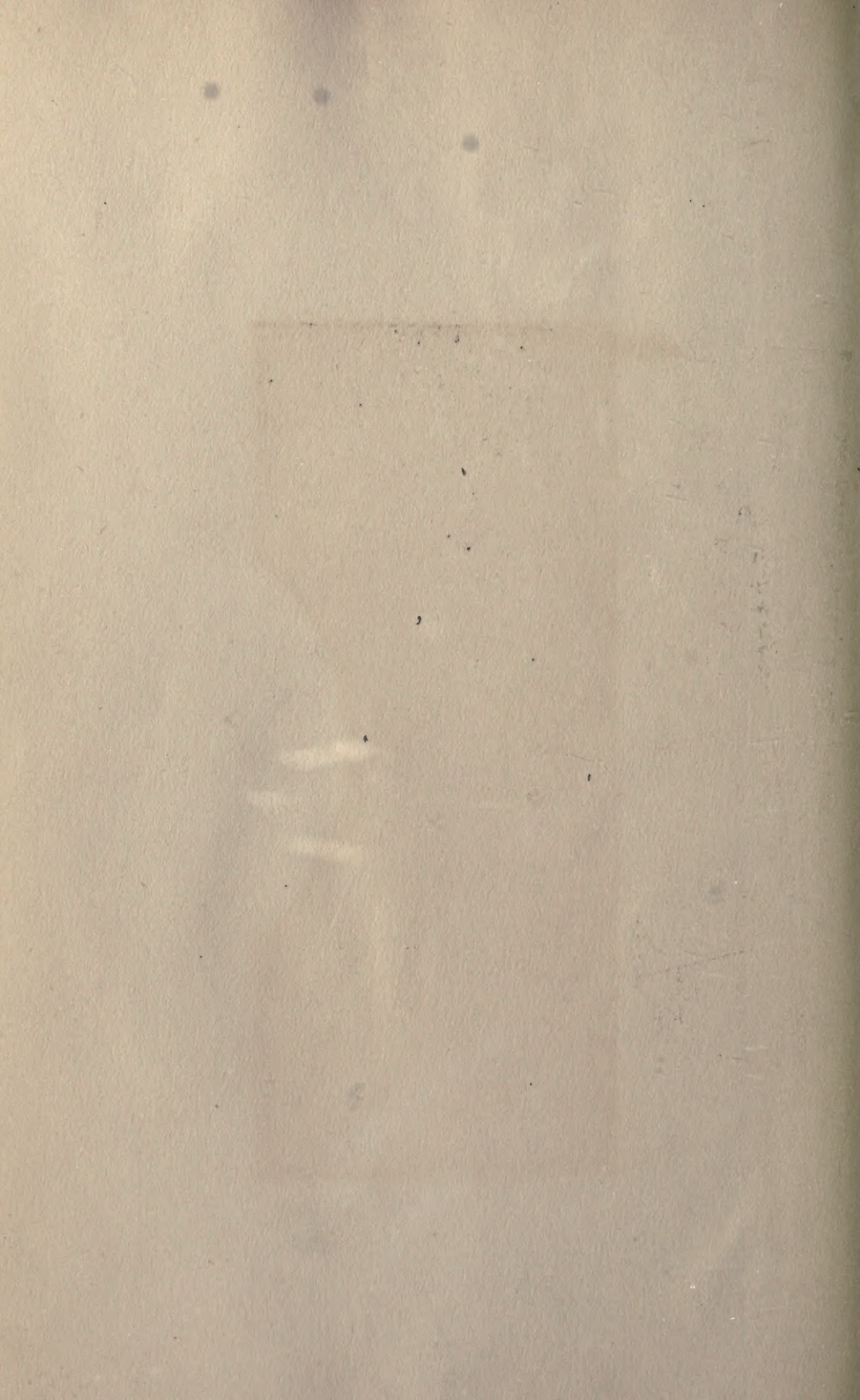












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