

been dependent upon you. As might well be expected, I earnestly believe that in no part of the United States has greater ingenuity and resourcefulness been displayed than right here in Indiana. But, as we return to our respective tasks, knowing that our state ranks first in improved highways, let's not lose sight of one of the most important factors responsible for our standing. When Elwood Haynes put together his horseless carriage in a city that now is less than an hour's journey by motor from the site of this meeting, he provided the background for the Purdue University Road School.

Fortunately the officials of this University were quick to see the need for what now has become a state institution. It took considerable foresight to establish a Road School back in 1914 at a time when self-starters and electric driving lights still were classified as added accessories and closed cars were mostly pictures we saw in catalogs.

The Road School has proved of great service to both the state and the nation during the twenty-four years that have followed its inception. Let us hope it will continue to bring together and assist city, county, and state officials, contractors, equipment men, and other persons interested in solving street and highway problems.

As I think of what Haynes started, what the Purdue Road School developed, what governmental officials made possible, and what road and bridge construction work has meant to the unemployed, I am most happy that the WPA has been, and is, able to co-operate.

## THE COUNTY ROAD BUDGET

C. A. Ketchum

Secretary, State Board of Tax Commissioners, Indianapolis

This is in many respects one of the sacred spots in the history of our commonwealth, and I envy those of you that may have had the distinct advantages of the training offered by this institution. And I admire you for your foresight in choosing as a profession something which enables you to carve your way through adversity; to create monuments of highway projects and bridges; to eliminate hazards in travel offsetting in a measure the hazards that beset us as the path of progress is travelled by faster moving vehicles. Thus, one school of thought keeps pace with another as we move onward to new heights on many fronts.

I take it that you came here to learn what is new and practicable, so that you may apply those truths to your everyday task; that 1938 may be marked by its smoothing out of some of the more perplexing problems. In this connection, I assume that I have been invited to participate in an effort to acquaint you with some of the inevitable problems of local financing in the light of my experiences as secretary of another

of those state agencies, long since created by our legislature for check and balance on the affairs of local jurisdiction, so that the time might be forestalled when 92 separate jurisdictions, unrestrained, might create inadvertently such a conflict of policy as to add color to the belief already established in the minds of some learned men that democracy and government by the people is on trial and may fail.

As I stand before you, I claim to be now as always an advocate and supporter of the principle of home rule, the right being reserved to distinguish between home rule in the interest of good government economically administered and an unlimited license to make my own rules for the administration and measurement of the degree of home rule.

There is no misunderstanding on my part as to the esteem in which the State Board of Tax Commissioners is held as an agency clothed with power to review certain official acts of local budget-making bodies. Notwithstanding all this, I still say it is a pleasure to be here.

Speaking to you as a professed friend of local self-government, my services would be negative if I failed to point out some of the things which have resulted in less local freedom and more central supervision, and to suggest ways and means of turning the tide.

#### REVIEW OF LEGISLATION

First, let me remind you that the Acts of the Legislature are the expressed wishes of the people (at least for the time being and until another representative body shall have changed the laws). Second, let me remind you that the \$1.50 tax law of today is not the first legislative attempt at a limitation of the rate on property or a limitation on the amount of expenditure.

I recommend to you a course of study including the County General Reform Act of 1899; the Budget Act of 1919, contained in the General Tax Revision of 1919, beginning with section 200 of said Act; the prescribing of budget forms and rules first instituted in 1927; the limitation on budgets in the Acts of 1931—fixing the amount of the budget at not more than a percentage of the previous year's budget; the moratorium on county-unit bond issues, passed in 1932; the tax rate limitation law of 1932; the Acts of 1933 and 1935 amending the budget law to require the gasoline tax to be budgeted by county commissioners; and the Limitation Law of 1937, about which there seems to be some dispute as to the legislative intent with respect to the budget for county highway maintenance and repair.

It is significant that in the legislative period from 1899 to 1937, there was only one instance of the legislature's changing its plan of review by taking from the department I represent

certain powers to review and make final orders in matters of local expenditure. More additional powers and duties have been added; few, if any, have been taken away.

The Acts of 1919 fixed a limitation on the rate of taxation at \$1.50 on each \$100.00 of taxable property for real and tangible and intangible personal property. The horizontal revaluation of property in the year 1919, by the State Board of Tax Commissioners, all of which was provided for in the Acts of 1919, resulted in an increase in the total assessment of property in the state at large from approximately three billion dollars to more than five billion dollars, and did much to make the limitation on the rate effective for the immediate year. This Act provided for a review of budgets and contemplated expenditures on petition of ten or more taxpayers requesting such review.

Under the terms of this Act, the State Board of Tax Commissioners in the fall of 1919 was called upon to review more than half of the budgets of the local taxing districts; and out of this situation, there grew a storm of protest on the part of local officials. The actions of the State Board of Tax Commissioners were declared to be a direct interference with local self-government and extremely bureaucratic.

The special session of the legislature in 1920, called to make some necessary corrections resulting from the war, was overwhelmed by the appeal of advocates of local self-government, and amended the Acts of 1919, taking away from the State Board of Tax Commissioners the authority to review the budgets and bond issues of local units. However, the record discloses that the budgets prepared and adopted in 1920 for expenditures in 1921 exceeded the expenditures of 1920 by some thirty-six million dollars. Whether or not this increase was a direct result of this amendment or not is a question for debate. At any rate, with little or no debate in the regular session of 1921, the original authority vested in the State Board of Tax Commissioners by the Acts of 1919 was promptly restored. As previously stated, this is the only time when the legislature has seen fit to curtail the powers of the State Board of Tax Commissioners. They have, however, from time to time, increased them.

#### THE GASOLINE TAX

Taking up the history of the gasoline tax, the record discloses that, with respect to this particular revenue, the legislature has at almost every session placed what it apparently thought was some additional restrictions upon its uses and distribution. All of this history is very clearly recited in the decree of the Court in the Bartholomew County case, the Board of Commissioners of Bartholomew County and others versus Sharp, Auditor, and others. Briefly stating it, we find that for

a number of years up to 1935, the gasoline tax was distributed to the several counties of the state as a special road fund to be used by the boards of commissioners in the construction, maintenance, or repair of any public highway or bridge. The Act of 1933, Chapter 27, was the first act requiring that the gasoline tax fund be budgeted; and this budgeting was made the duty of the county surveyor together with the board of county commissioners. It was the duty of the surveyor to make his annual report of the estimated requirements for the ensuing year and to file it with the county auditor for the use of the board of commissioners, the duty of the latter being to approve or amend such estimates, after which approval the final estimate was to be the budget of contemplated expenditures for the ensuing year. This Act did not require an appropriation to be made by the county council.

In 1935, just two years later, the legislature passed an act, Chapter 173, which provided, in substance, that the budget for the gasoline tax for county highway maintenance and repair was to be submitted to the county council for an appropriation as other budgets for county purposes.

Following the passage of this 1935 act, the State Board of Tax Commissioners was called upon to approve the expenditures for the latter half of the year 1935. Minutes of special meetings of county councils came to us from each county in the state and our Board promptly made an investigation, and then made available for expenditure the moneys remaining in the county highway fund on the day the act became effective. Since this same act made it mandatory upon each taxing district to submit to the State Board of Tax Commissioners copies of all ordinances concerning additional appropriations, without any other recourse on our part, it became our statutory duty to review all emergency appropriations before the expenditures on account thereof could be made.

Needless to say, the Act of 1935, concerning additional appropriations and conferring upon the State Board of Tax Commissioners the duty to review all such appropriations, met with protest in local taxing districts, but resulted in numerous inquiries at our office by members of the 1937 legis'ature with respect to our findings during the years 1935 and 1936.

Bills were introduced in the legislature of 1937 seeking to relieve the State Board of Tax Commissioners of the duty of reviewing additional appropriations. This and other proposals were apparently all merged into what is now referred to as the Tax-Rate Limitation Law of 1937.

#### TAX-RATE LIMITATION LAW

I have no fear of successful contradiction when I say that the Tax-Rate Limitation Law of 1937 was not the "brain child" of any state department. Our department did, how-

ever, in recognition of what it considered to be its duty, give to inquiring legislators such information as we had accumulated in the records of our department over the period of eighteen months immediately preceding the session of 1937. I believe that when the legislature learned that our department had been called upon to pass upon more than fifteen hundred additional appropriations during the year 1936, involving many millions of dollars, it must have come to the conclusion that in many districts the budget prepared for expenditure in 1936 was misnamed, and that without some restrictions, and unless some reviewing agency might be given the power to fix the maximum of expenditure for general operating expenses, the ultimate result would be an indirect repeal of the budget law itself.

It is still true as always that it is the outstanding exceptions to the general rule of practice that attract the attention of the legislature, and it takes the position it always has taken and probably always will take, that no harm can come to those who choose to follow the letter and spirit of the budget law by safeguarding against the exceptions.

We have in this state several very well-organized and competent taxpayers' organizations which keep a constant watch on the fiscal affairs of local taxing districts. If I mistake not, these agencies have the support of the taxpayers in their daily watch and, in most instances, with respect to their recommendations to the legislature. I remind you that the Tax-Rate Limitation Law of 1937 barely escaped unanimous approval in the House of Representatives. This body in my opinion was a well-organized taxpayers' group, and not in any degree the servants of any state bureau, board, or commission; but it determined that it would hold fast to the ground which had been gained in the curtailment of expenditures by the government for services rendered both in state affairs and local affairs.

Permit me to be frank enough to say that no better evidence of the value to the taxpayers can be pointed out, with respect to the advisability of budget review, than the fact that the budgets which are now in force for the year 1938 are less in total taxes levied by eleven million dollars than they were when first prepared and submitted to the local reviewing bodies. In other words, those who prepared their budgets for 1938 were unable to sell those budgets to their own local county councils, advisory boards, city councils, school boards, or local tax-adjustment boards, and this condition in my opinion will still be fresh in the minds of the legislature in 1939, if and when legislation is proposed with respect to tax limitation and budget control.

I make no plea and I shall not hereafter make any plea concerning the position of the State Board of Tax Commissioners as it affects local government. I do not seek more

power for my department. I would much prefer that we have less. However, I have undertaken to point out to you that whether we have more power or less depends upon you and your approach to, and recognition of, your responsibilities to the people whom you serve.

#### INFLUENCE OF TAXPAYERS' ORGANIZATIONS

It was, in my opinion, the well-organized taxpayers' representatives who brought about the Tax-Rate Limitation of 1932 and its amendments in 1933; they were likewise largely responsible for the moratorium on the issue of bonds for the construction of highways; they were likewise a factor in the extension of that moratorium by the legislature of 1937.

It was the men selected in your own home communities as the representatives of your people who set up the system under which we operate today. I ask you if you have the courage to poll the taxpayers of your county on the question of repeal of any of these laws which I have referred to, to the end that local government may be permitted to go its way, even though our 92 counties may elect to go in 92 different directions. I ask you if you have the courage to visit your farmers and property owners and larger taxpayers, advancing the theory to them, in an effort to secure from them their indulgence to an amendment to existing statutes, so that we may again issue bonds against property for the construction of highways and bridges. I ask you, will you go among them in an effort to persuade them to the belief that the gasoline tax has now become inadequate for the proper maintenance of the arteries of travel through and across your county, and ask their indulgence and support of an amendment to existing statutes that will enable you to place upon property a specific levy for the purpose of supplementing the revenues necessary to meet your estimate of necessary expenditures?

The legislature of 1939 will seek information on which to base its action. It will draw on the records of the State Board of Accounts; it will consult the records of the State Board of Tax Commissioners, and find that with few exceptions a larger program for 1938 was budgeted than can possibly be carried out by the funds likely to be available. It will inquire locally as to the manner in which county commissioners and county highway superintendents have proportioned the actual funds to that budget. It will be advised of the attitude of the people toward a property tax to supplement the present revenues. It will inquire with eagerness into the fiscal year of 1937 and 1938, with reference to the workings of the tax-rate limitation law.

#### BUDGETS REVIEWED

Under the terms of Chapter 119, Acts of 1937, the State Board of Tax Commissioners, during the months of October

and November of last year, were called upon to review 1,570 budgets and tax levies. Of the total number reviewed, 1,557 were certified to us on recommendation of the County Board of Tax Adjustment, 27 were appealed to us by ten or more taxpayers, and 93 were appealed by local officials.

It is significant that, as not previously in tax-limitation statutes, the State Board is given the right to increase budget items and tax rates as well as to reduce them. After this work was completed, our statistical report, now practically complete with respect to the budgets, shows that the total reductions in dollars and cents by the terms of our orders, affecting the 1,600 budgets, amounted to \$1,688,152.82. On the other hand, the total increases contained in our orders amounted to \$206,955.47, making a net reduction in appropriations by our department as compared with the appropriations fixed locally of \$1,481,197.35.

We also made some changes in rates of taxation, and with respect to this item, our reductions in terms of dollars and cents growing out of reductions in rates total approximately \$1,687,946.34, and our increases in rates result in a restored item of collections totaling \$239,139.88, the net result of which will be a net reduction by virtue of rate changes of \$1,448,806.46. I make this brief statement in an effort to show that the State Board of Tax Commissioners is just as much interested in adequate appropriations sufficient to cover necessary expenditures as it is in reducing appropriations so that there will not be unwarranted surpluses.

#### BUDGET AND COUNTY ROAD DEPARTMENT

I leave this report at this point that the remainder of my time may be consumed in a discussion of the budget for county highway maintenance and repair.

In 54 counties, the State Board of Tax Commissioners made orders changing the appropriation for county highway maintenance and repair, and in others, where the discrepancy between funds available and the original budget was not so large, we made no change. The combined effect of our order on the budgets for county highway maintenance and repair in the state as a whole is to reduce the appropriations originally requested or adopted locally by \$1,202,933.30. This was done to correspond with what we believe to be a fair estimate of the revenue available for these purposes.

I believe I should point out that under the terms of the Acts of 1937, concerning the distribution of the gasoline tax, all unexpended appropriations and balances on hand at the end of last year are now available for construction or reconstruction work. In this connection, I want to suggest that in those counties where the 1938 budget for maintenance and repair has been prepared in anticipation of balances on hand

at the end of 1937, and where these anticipated balances have been reappropriated in the maintenance program of 1938, it will now be necessary to disregard these balances in connection with maintenance work of 1938. However, they are available for appropriations by the county council to any worthy construction or reconstruction program. My point is that the maximum expenditure in the maintenance and repair program of 1938, irrespective of what may have been the budget, is to be controlled by the amount of gasoline tax which will come to the county in the four quarterly distributions of January, April, July, and October, provided of course that these distributions do not exceed the appropriation heretofore made.

### OFFICE RECORDS FOR A COUNTY ROAD DEPARTMENT

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Grateful acknowledgment is made of the very fine cooperation of the county surveyors and highway supervisors in responding to my request for information and opinions concerning office records of the county road department. Various suggestions were offered, and their trend is to the effect that better records are needed in the office and would aid the county road departments in doing their work more efficiently.

It seems that all or nearly all the county road departments are equipped with the forms and records which have been prescribed by the State Board of Accounts. These forms and records are designed for the purpose of enabling the supervisor to control his funds and operate within his budget.

These remarks are directed to the average county road departments. We have some departments which apparently have rather comprehensive and adequate records. We have other departments which have a collection of records, rather than a system of records. We have other departments which have no records.

In many counties, the records must be kept by the supervisor personally, since no provision has been made for clerical assistance. This is unfortunate, because the bookkeeping work in such cases must be done at odd moments, and as a result becomes an unpleasant task. The records prescribed, however, would give the office of the county road department adequate information concerning funds and budget, if such records are properly posted and balanced regularly with the county auditor.

### REQUISITIONS AND PURCHASE ORDERS

We have found some objection to the use of the requisitions and purchase orders. If these instruments are not used as