

**BIENNIAL REPORT OF WHITNEY
NEWTON TREASURER OF STATE
OF COLORADO FOR THE TWO
FISCAL YEARS ENDING
NOVEMBER 30, 1904**

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VARIOUS

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BIENNIAL REPORT
OF
WHITNEY NEWTON
TREASURER OF STATE
OF
COLORADO

FOR THE
Two Fiscal Years Ending November 30, 1904



TO THE GOVERNOR

DENVER, COLORADO
THE SMITH-BROOKS PRINTING CO., STATE PRINTERS
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BIENNIAL REPORT
OF THE
TREASURER OF STATE
OF
COLORADO

Denver, Colorado, December 1, 1904.

To His Excellency,
JAMES H. PEABODY,
Governor of Colorado.

Sir—The financial problems presented to this administration are familiar to you, and what I write is intended for the official records rather than to give you information.

It has been a constant struggle to imagine sufficient revenue in prospect to care for the appropriations. I say to "imagine" revenue, for there has been no real prospect at any time of a sufficient revenue to meet all the appropriations.

The former Auditor estimated that we would receive during this biennial period \$2,002,780.00 in revenue, exclusive of mill levies, for State institutions, etc. The Legislature appropriated \$2,260,397.15 against this revenue, or nearly \$260,000.00 more than the Auditor's estimate of receipts. We actually received as follows:

From various State departments, 1903.....	\$542,195.67
From various State departments, 1904.....	407,786.93
From State taxes, 1903.....	474,216.00
From State taxes, estimated, 1903; uncollected..	42,729.81
From State taxes, estimated, 1904, uncollected..	563,160.00
Total	\$2,030,088.41

The totals of the revenue estimated by the former Auditor would, therefore, be approximately correct, but analysis of these receipts shows that we received from various departments of the State, \$174,982.60 more than his estimate, and from taxes (necessarily estimating those unpaid), \$147,674.19 less than he estimated. It simply "happens" that this variation made only \$27,000.00 difference in the result. It could and would not have been surprising, considering the business depression, if the receipts from the various departments of State had fallen off instead of running over, and, had they done so, the decrease might have been \$250,000.00 from the Auditor's estimate, and brought consequent financial distress upon even the penal institutions.

As a result of these possibilities my conclusion is, that the Auditor's estimates can not be accurate, and that the Legislature, in making appropriations, should deduct from such estimates a factor of safety, and under no circumstances exceed the estimates. The members of the Legislature may satisfy their various constituents by making excess appropriations, but they store up trouble for the executive officers, who find it impossible to make the people generally, and even some of the officers of the State institutions, understand that an appropriation when made is not the same thing as placing that amount to the credit of the beneficiary of the appropriation, and, further, that if it is in excess of the revenue for the biennial period it is null and void. I am pleased to report that warrants have not been issued during the biennial period just closed, in excess of the probable revenues.

MILL LEVIES.

We have had it thoroughly impressed on our minds that the revenues for any biennial period must be used to pay the liabilities of that period. I wish, therefore, to ask your attention to the fact that the mill levies applied to the valuations of the State for 1904 will raise about \$730,000.00, which are not due and will not be collected until March and July of the year 1905. This is an asset of the State at this time, being an earning of the year 1904, but under the custom the institutions will use it only as it is paid to the State Treasurer and pay 1905 expenses herewith. While it is undesirable to be compelled to do so, I am sure there could be no objection to anticipating the receipts from this mill levy and using it in the usual way to pay for maintenance of 1904. It seems desirable that the Legislature should authorize the Auditor and Treasurer, when their judgment dictates, to issue warrants in anticipation of say 80% of this revenue.

SURPLUS REVENUE BILL.

There has been paid out, under the surplus revenue bill, \$158,929.48, and further claims have been filed in the office of the Auditor, amounting to \$53,983.62, to which sum interest at six

per cent. must be added to date of payment. There is practically no revenue to meet the deficiencies sought to be cared for by the surplus revenue bill. I think further payments of deficiencies under this bill depend almost entirely on the collection of the inheritance tax from the Stratton estate.

INTEREST ON DEPOSIT OF STATE FUNDS.

The interest collected on deposits of State funds during the biennial period has been \$42,354.46, an increase of \$12,683.88. The increase is largely owing to the growth of the Capitol Building Bonds Sinking fund. All the investment funds have increased during the period, but they have been fully invested in general revenue and capitol building warrants, the latter netting the investments funds 4-1/8% semi-annual interest.

INHERITANCE TAX.

The Inheritance tax went into effect March 22, 1902, producing a revenue to November 30, 1904, a period of thirty-two months, of \$17,606.82, including \$5,145.85 reported as collected by the county treasurers, but not paid over to the State Treasurer. The Supreme Court has decided favorably as to the legality of this tax. Twenty-nine states and three territories have some kind of an inheritance tax. The Collateral Inheritance tax in Pennsylvania has been in force since 1826. Colorado is still a young State, and the receipts under the law have not as yet been great. There is less opposition to such a law than there would be if the State were older and had more accumulated wealth. It is a law which will catch the tax dodger's estate all the more for his having escaped his duties in life, and should be a permanent and constantly increasing source of revenue. The inheritance tax on the Stratton estate when paid will amount to upwards of \$300,000.00. This would enable the State under the surplus revenue bill to take care of all deficiencies of the Thomas administration. Should the law be amended at any time, it would be advisable to have the county treasurers required to turn in their collections under the law, with their regular monthly remittances, instead of being permitted to hold the same until the first day of April and October of each year, but this slight defect in the present law is not sufficient in itself to warrant any amendment.

LIQUOR LICENSES.

The law was enacted April 4, 1901, and re-enacted March 22, 1902, at a special legislative session. The receipts under it have been \$101,350.00 for this biennial period, \$3,900.00 less than for the twenty months previous. This decrease has been entirely owing to the business depression. My predecessor stated in his biennial report there were fifteen hundred unpaid licenses, which

I estimate, from carefully checking with the United States Internal Revenue department, has been reduced to about five hundred at the present time. The county and city liquor license authorities are enjoined by the law neither to issue nor transfer a license to any applicant who fails to produce a State license. The neglect to obey this provision causes much unnecessary loss of revenue to the State, and equally as serious as the loss of revenue is the effect upon the one who obeys the law, but sees his neighbor escape payment. I am preparing a list of the names of those who have not paid the State license, to furnish the district attorneys, who are, under the law, required to prosecute the delinquents. For the more strict enforcement of the laws relating to the liquor license tax, I would recommend that the State employ a man, under the supervision of the State Treasurer, whose duty it shall be to visit all cities and towns of the State and determine from personal inspection if all persons subject to the law are complying with the same, and enforce payment or penalty to all failing to do so. I believe that the revenue of the State would be largely increased by such a personal inspection. The law was declared constitutional by the Supreme Court of 1904, in a case defended by the State Druggists' Association. I believe now that a few prosecutions and the infliction of the severe penalties under the law, together with the better general business conditions which we anticipate, will have the effect of increasing the revenues from liquor licenses to \$60,000.00 per annum.

STATE'S INDEBTEDNESS UNPROVIDED FOR.

The indebtedness of the State which should be provided for by legislative action is as follows:

First: Insurrection Certificates of Indebtedness.

Trinidad	\$113,786.65
Telluride	200,292.40
Cripple Creek	402,865.14
Lake City	8,761.57
Colorado City	22,788.96
	\$748,464.72
Estimated interest to Nov. 30, 1904.....	28,000.00
Total	\$776,464.72

The Legislature should authorize under the law an issue of \$800,000.00 (to cover all contingencies) Insurrection bonds, payable in twenty-five years with semi-annual interest at not to exceed 3-1/2% per annum. The School fund should invest \$300,000.00 in bonds, which would help make a market for the remaining \$500,000.00 and give the School fund a desirable investment under the law. Should the Legislature fail to authorize an issue

of bonds, the Board of Equalization could protect the State's credit by making necessary levies in excess of four mills for the payment of the Insurrection certificates, but it would be more burdensome than the bond issue. The Treasurer, with the approval of the Governor and Attorney General, should be given more latitude in the purchase and sale of State securities.

Second:

Outstanding warrants general revenue, 1887.....	\$130,776.71
Outstanding warrants general revenue, 1888.....	277,555.65
Outstanding warrants general revenue, 1889.....	370,654.23
Outstanding warrants general revenue, 1891.....	215.20
Outstanding warrants general revenue, 1892.....	6,153.40
Outstanding warrants general revenue, 1893.....	5,933.53
Outstanding warrants general revenue, 1894.....	32,469.50
Outstanding warrants general revenue, 1897.....	2,387.72
	\$320,775.99
Estimated interest at 6 per cent. to Nov. 30, 1904..	760,788.45
Total	\$1,587,564.44

These are generally spoken of as "excess" warrants, but the major portion are not. Up to 1889 the State had been issuing warrants for its expenditures and paying the oldest issued. The Supreme Court then made a decision that warrants should only be paid from the revenues of the year for which appropriations are made, and the result was to cut out 1887, 1888 and 1889 warrants from payment. The amount of these warrants held by the various investment funds of the State is shown in the following table:

Agricultural College	\$2,547.03
Internal Improvement, permanent	28,625.90
Internal Improvement income	256.47
Public school	463,765.77
University	27,763.87
Total	\$522,959.04

Thus the State now holds in its investment funds five-eighths of the warrants. The School fund, by the State Constitution, is "forever inviolate," and the State must sooner or later restore its impairment. The School fund has additionally saved the credit of the State and supplies the funds to-day to carry its current expenses and keep the State on a cash basis. Three hundred and four thousand dollars in warrants, say \$600,000.00, including interest, is the amount outstanding outside those owned

by the State's investments funds. I unhesitatingly recommend that the Legislature authorize the submitting to a vote of the people, at the next general election, a constitutional amendment authorizing a bond issue to care for these warrants, as well as the casual deficiency certificates of indebtedness.

Third:

There are outstanding in the aggregate \$12,490.69, with interest amounting to \$11,241.62, casual deficiency certificates of indebtedness shown in detail in the Auditor's report. These certificates should have been included in the deficiency claims cared for by the surplus revenue bill. I would recommend that a bill be enacted permitting the holders of these certificates to be similarly placed under the provisions of the surplus revenue bill. Anticipating additional revenue for the Surplus fund, the payment of outstanding warrants of the years 1891, 1892, 1893, 1894 and 1897, amounting to \$47,759.35 and interest, could be provided for in the same manner.

CAPITOL BUILDING WARRANTS.

Capitol building warrants outstanding amount to \$475,606.73, a decrease in the biennial period of \$108,111.55. Interest on Capitol building bonds will be \$10,500.00 per annum less after January 1, 1905, and interest on Capitol building warrants will be less in consequence of the reduction of the amount outstanding. The half mill levy is considered a continuous appropriation for capitol building maintenance and interest on bonds, and will, if continued, take care of the outstanding warrants. It would be policy, however, in the event that a constitutional amendment is made, to have this indebtedness also cared for by an issue of 3-1/2% bonds, as it would save the State considerable interest.

CAPITOL BUILDING BONDS.

Three hundred thousand dollars in Capitol building bonds due January 1, 1905, will be paid at maturity. The School fund holds these bonds, and will consequently have \$300,000.00 in cash to invest in Insurrection bonds when authorized by the Legislature. There is additionally \$143,761.00 to the credit of the Capitol building bonds sinking fund, which will be used together with future accumulations to pay the \$300,000.00 Capitol building bonds maturing January 1, 1907.

The following statement explains itself, and is taken from the Auditor's report for 1903-1904: