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STATE GOVERNMENT FINANCES

FOR FISCAL YEAR ENDING JUNE 30, 1925

We are presenting in this issue of the News Letter a brief summary and explanation of the receipts and disbursements of our state government for the fiscal year ending June 30, 1925, as reported by the State Auditor.

Table I presents a summary of all receipts for the last fiscal year, showing the funds to which the receipts were credited, followed by a classification of the receipts designed to show their sources.

Table II presents a summary of disbursements for the last fiscal year. The first column in table II may be considered the real operating cost of our general state government for the last fiscal year. The second column shows current expenditures from special funds, mainly to maintain our state highway system. Highway finances and certain minor funds are kept separately from the general fund. The two columns in table II under total disbursements show the disbursement transactions of the state, but in no sense does this represent the current cost of state government for the fiscal year. The great bulk of total disbursements represent non-cost expenditures such as long-term bonds for construction purposes and to retire short-term obligations, and receipts from bond issues to retire floating debt.

General Fund Receipts

The facts about our state finances that the general taxpayers are interested in are, (1) the general fund receipts of the state, and (2) the general fund expenditures of the state. Special fund receipts and expenditures do not affect the general taxpayer, since they include the receipts and expenditures of the Highway Department, and special funds for other permanent improvements, including loans to counties for school buildings.

Therefore, item 1, table I, major taxes, licenses, etc., for general purposes, is the only part of the first table that is of much concern to the taxpayers of the state. This item has to do with all taxes collected by the State Department of Revenue, the Insurance Commission, and certain minor miscellaneous taxes. The following table shows the net collections of the State Department of Revenue for the fiscal year ending June 30, 1925:

Individual income tax	\$ 973,066.45
Corporation income tax	1,160,812.76
Foreign corporation income tax	1,594,181.89
Inheritance tax	765,437.46
Schedule "B" taxes (Business)	569,694.32
Schedule "C" taxes (franchise and license)	1,085,487.51
Bus taxes	801.48
Interest on bank balances	8,630.28
Expense refunds	28.20
Total Department of Revenue	\$6,148,140.35
Total Insurance Commission	1,061,693.00
Miscellaneous	25,853.98
Total major taxes	\$7,238,687.33

In addition to the above major sources of revenue there are several minor sources credited to the general fund, as itemized in the first column of table I, first twelve items. Item 13 represents receipts from the sale of permanent improvement bonds administered from the general fund, as distinguished from bond sale receipts administered from special funds. All told, the general fund revenue receipts for the last fiscal year totaled \$8,434,204.94.

Current Expenditures

The second item that the general taxpayer of the state is interested in is the current cost of operating the general departments of the state government. Table II, first column, itemizes the current general fund expenses of the state for the last fiscal year. The second column of this table shows the current expenditures for the fiscal year from special funds, mainly for maintaining the state highway system, the money coming from gasoline and license taxes and credited to the highway fund. Thus the current general cost of

operating the state government for the last fiscal year, as shown in the first column of table II, was \$12,616,072.23. The items tell in a general way for what the money was spent. The following brief explanation of each item of current general expenditure is designed to give the student of state government a little clearer idea as to where our tax money goes.

Item	Current General Fund Expense
1. General administration This includes the support of what is generally called the Executive, Legislative, and Judicial departments of the state.	\$1,169,926.72
2. Protection of person or property Military, Adjutant General, State Guard, Corporation Commission rates, Insurance Department, tick eradication, etc.	\$ 300,588.12
3. Development and Conservation of Natural Resources Agricultural Extension, Geological and Economic Survey, etc. The State Department of Agriculture is practically self-supporting, and its fees and expenses are kept in a special fund.	\$ 263,757.75
4. Conservation of Health and Sanitation State Board of Health, State Sanatorium for Tuberculosis, State Laboratory of Hygiene, etc.	\$ 561,634.96
5. Highways Convict work in Madison county. All highway funds are kept in a special account, separate from the general fund.	\$ 54,608.63
6. Charities, Corrections and Welfare State Department of Public Welfare, care of children in institutions, care and education of blind [and deaf, state hospitals for insane, Caswell Training School, Stonewall Jackson School, State Prison, etc.	\$2,591,768.17
7. Education State public school fund, state educational institutions, commissions, etc.	\$3,957,547.74
8. Parks, Sites and Reservations Battle grounds, park commissions, etc.	\$ 7,047.19
9. Pensions, Public Printing, Miscellaneous Confederate veterans, public printing for departments, institutions, general assembly, etc.	\$1,316,590.21
10. Public Service Enterprises Ship & Water Trans. Com., Appalachian & Western N. C. Railroad survey.	\$ 2,684.00
11. Interest, Discount, and Premiums Interest on funded debt and on floating debt.	\$2,137,523.74
12. General Non-Governmental Costs Redemption of old reconstruction bonds, and educational and charitable serial bonds. A non-governmental cost disbursement for the year was the sum of about 11 million dollars derived from a bond issue to redeem debt which matured during the year. See table II, item 12, third column.	\$ 262,400.00

HOW INCOME IS SPENT

At this particular time when everyone is demanding that taxes be lowered and complaining about the excessive cost of government, which, they say, the people can no longer afford to pay, it is well to investigate the state of affairs.

From the following table taken from a graph in the American Educational Digest, we can see how our entire income is actually spent for each of the several items involved, personal, state and national, by the rates percent:

Church	Percent
Schools	3-4
Government	11-2
Crime	41-2
Investment	81-4
Waste	11
Luxuries	14
Living Costs	22
Miscellaneous	241-2
	131-2

Excluding the personal item of actual living costs, it is rather upsetting to find that three of the most important social items are found at the bottom of the scale.

That portion of our income which crime costs us is more than the church, the schools and the government combined. The suppression of crime is necessary. It is also wise to provide adequately for old age. However, the comparatively large percentage lost through waste cannot be lightly set aside—14 percent of waste as compared with 6-8-4 percent for government, schools and church should not be accepted calmly.—The Tenn. Educational Bulletin.

13. Federal Trust and Revolving Funds	\$1,169,926.72	\$ 554,755.98	\$1,163,210.11	\$ 1,310,676.06
Expenditures under this heading do not affect the general fund account. Expenditures here are from special funds such as federal deposits for agricultural education and extension, the state school building revolving fund, the state literary fund, etc. The disbursements do not come from tax receipts. Nearly 11 million dollars loaned to counties for building school houses. This will be repaid, and reloaned.	300,588.12	224,116.69	300,588.12	700,116.69
Development and conservation of natural resources	263,757.75	473,315.21	263,757.75	718,296.31
Conservation of health and sanitation	561,634.96	684,152.63	684,152.63	120,087.48
Highways	54,608.63	9,477,681.52	54,608.63	43,745,916.52
Charities, corrections and welfare	2,591,763.17	127,961.16	2,592,879.12	1,066,488.23
Education	3,957,547.74	3,995,351.35	3,995,351.35	2,701,000.00
Parks, sites, and reservations	7,047.19	7,047.19	7,047.19	7,047.19
Pensions, public printing, and miscellaneous	1,316,590.21	1,316,590.21	1,316,590.21	1,316,590.21
Public service enterprises	2,684.00	2,684.00	2,684.00	2,684.00
Interest, discount and premiums	2,137,523.74	2,393,913.09	2,393,913.09	2,046,766.25
General non-governmental costs	262,400.00	11,285,812.09	11,285,812.09	2,086,952.90
*Federal trust and revolving funds	1,169,926.72	62,828.31	1,163,210.11	11,298,066.17
Total all disbursements	12,616,072.23	10,920,658.87	24,060,594.29	65,794,316.61

Percent Distribution

As has already been seen, the current general cost of operating our state government for the fiscal year ending June 30, 1925, was \$12,616,072.23. This was the cost involved in supporting the general activities of the state government for last year, exclusive of special activities the cost of which was provided for by special revenue sources. In other words the general taxpayer is interested in the current general fund expenditures of the state, the fund that must be provided for by income, inheritance, franchise, license, and business taxes, and by earnings of the general departments which are credited to the general fund. This expenditure of \$12,616,072.23 for general state government activities was distributed as follows. (Current special fund expenditures are not included.)

Purpose	Percent of total
1. General Administration	9.20
2. Protection of person and property	2.80
3. Development and conservation of natural resources	2.09
4. Conservation of health and sanitation	4.40
5. Highways	0.40
6. Charities, corrections, and welfare	20.50
7. Education	31.30
8. Parks, sites, and reservations	0.05
9. Pensions, printing, miscellaneous	10.40
10. Public service enterprises	0.02
11. Interest, discount, and premiums	16.90
12. General non-governmental costs	2.80

—S. H. H., Jr.

TABLE I—CLASSIFICATION OF RECEIPTS

SOURCES	FUND CREDITED	
	General Fund	Special Fund
1. Major Taxes, Licenses, Etc., For General Purposes	\$ 7,238,687.33	.....
2. General Administration	131,953.59	.....
3. Protection to Person and Property	475,000.00	\$723,586.44
4. Development and Conservation of Natural Resources	.....	462,888.47
5. Conservation of Health and Sanitation	122,517.67	.....
6. Highways	8,333.13	36,240,985.10
7. Charities, Corrections and Welfare	6,540.73	540,056.17
8. Education	37,803.61	.....
9. Parks, Sites, and Reservations	.....	.....
10. Pensions, Public Printing and Music	17,260.32	.....
11. Public Service Enterprises	263,100.00	.....
12. Interest, Discount, and Premiums	595,770.57	2,613,061.37
13. Misc. Non-Revenue Receipts	21,062,931.00	4,517,313.29
14. Federal Trust and Revolving Funds	.....	(Federal fund) 11,339,377.85 \$496,331.62
Total all Receipts	\$29,960,197.95	56,436,618.69 496,331.62

The above cash receipts may be classified as follows:

- a. General Fund Revenue Receipts (Revenue, Insurance Departments, Food and Oil Inspection, dividends on Railroad stock, interest, etc.) \$ 8,434,204.94
- b. Special Fund Revenue Receipts (Auto license and gas taxes, agricultural fees, etc.) \$11,191,755.30
- c. General Fund Refund of Expense \$ 23,113.73
- d. General Fund Non-Revenue Receipts (Mainly permanent improvement bonds, public schools, etc.) \$21,497,879.28
- e. Special Fund Non-Revenue Receipts (Highway construction bonds, renewal of notes payable, and federal funds for agriculture, education, etc.) \$45,741,195.01

TABLE II—CLASSIFICATION OF DISBURSEMENTS

Items	CURRENT EXPENSES		TOTAL DISBURSEMENTS	
	Current General Fund Expense	Current Special Fund	From General Fund	From Special Fund
1. General administration	\$1,169,926.72	\$ 554,755.98	\$1,163,210.11	\$ 1,310,676.06
2. Protection of person and property	300,588.12	224,116.69	300,588.12	700,116.69
3. Development and conservation of natural resources	263,757.75	473,315.21	263,757.75	718,296.31
4. Conservation of health and sanitation	561,634.96	684,152.63	684,152.63	120,087.48
5. Highways	54,608.63	9,477,681.52	54,608.63	43,745,916.52
6. Charities, corrections and welfare	2,591,763.17	127,961.16	2,592,879.12	1,066,488.23
7. Education	3,957,547.74	3,995,351.35	3,995,351.35	2,701,000.00
8. Parks, sites, and reservations	7,047.19	7,047.19	7,047.19	7,047.19
9. Pensions, public printing, and miscellaneous	1,316,590.21	1,316,590.21	1,316,590.21	1,316,590.21
10. Public service enterprises	2,684.00	2,684.00	2,684.00	2,684.00
11. Interest, discount and premiums	2,137,523.74	2,393,913.09	2,393,913.09	2,046,766.25
12. General non-governmental costs	262,400.00	11,285,812.09	11,285,812.09	2,086,952.90
13.*Federal trust and revolving funds	1,169,926.72	62,828.31	1,163,210.11	11,298,066.17
Total all disbursements	12,616,072.23	10,920,658.87	24,060,594.29	65,794,316.61

*Total from federal funds \$496,360.60, not included above

Note: The taxpayer is interested mainly in the first column, the Current General Fund Expense of the state. This is practically the cost of operating the state government in so far as it affects the taxpayers. The second column expenditures come from special sources, mainly gasoline and auto taxes, fees collected by the Department of Agriculture, etc. The third and fourth columns include the first and second columns plus all expenditures from bond sales for highways, buildings, to redeem floating debt, etc. These last two columns do not represent the current cost of government for the year ending June 30, 1925, but merely total disbursements, cost and non-cost.

The disbursement of the state for last year may be classified as follows:

- a. Current General Fund Expense (This is practically the cost of operating the state government for the last fiscal year, exclusive of the Highway Department, and certain other expenditures provided for by special funds.) \$12,616,072.23
- b. Current Special Fund Expense (Maintenance of highways mainly, Department of Agriculture, etc., very little of which is paid by the general taxpayer.) \$10,920,658.87
- c. Outlay from Bond Sales \$20,831,228.69 (Highway construction, and buildings.)
- d. Refund of general fund revenue collected in error \$ 26,695.45
- e. General fund non-cost disbursements (Floating debt redemption bonds redeemed, sinking fund bond redemption, etc., are non-cost disbursements.) \$11,417,826.58
- f. Special fund non-cost disbursements (Special school building fund loaned to counties, bond issues to retire short-term loans, etc.) \$34,538,789.65
- g. From federal funds \$ 496,360.60 (Money deposited by the federal government to be spent for special purposes, as agricultural education, vocational education, agricultural extension work, etc.)