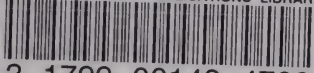


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Report

on a Survey of the Office of
Governor of the State
of Colorado



Report No. I



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

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State Health Administration

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Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,

Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,

Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,

Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,

Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage to the children of the State of untold millions of dollars. They are of incalculable

value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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A Report on a Survey of the Office of Governor of the State of Colorado

I. ORGANIZATION AND GENERAL DUTIES

The Governor is by the constitution the chief executive of the state, and as such the head of the executive and administrative departments of the government. He is elected by the people for a term of two years and is eligible for re-election. Both the constitution and statutes confer upon him various functions and duties, some of which, however, are not of an executive nature. The more important of these functions and duties will be referred to in this report.

The Governor.....	\$5,000
Chief Executive of the State.	
Private Secretary.....	\$1,500
Performs such duties as may be assigned by the Governor, attends to confidential and other correspondence.	
Executive Clerk.....	\$1,200
Is in general charge of the office, performs stenographic work, makes out official papers, requisitions, reports, etc.	
Stenographer	\$1,200
Performs general office work, stenographic work, letter writing and general correspondence; substitutes for the private secretary as occasion demands.	
Messenger	\$1,200
Answers telephone and performs such duties as are assigned, acts as bodyguard for the Governor.	
State Agent.....	\$1,800
Enforces the prohibition laws in Denver.	
State Agent.....	\$1,200
Enforces the prohibition laws throughout the state.	

According to a resolution adopted by the board of Civil Service Commissioners, June 23, 1916, the employes of the Governor's office, who took office under civil service regulations prior to April 10, 1915, are in the classified service, but by the provisions of the civil service act all employes of the Governor's office are exempt. The only persons affected by the resolution are the executive clerk and the stenographer.

1. Finances.

The Governor's office renders no public service for which any fees are collected and the only moneys passing through the office are the remittances from the United States Treasurer, which are turned immediately over to the State Treasurer to the credit of the proper funds.

All expenditures are met with moneys appropriated by the legislature. The appropriations for the biennial period 1915-1916 were as follows:

Governor's salary.....	\$10,000
Private Secretary's salary.....	3,000
Clerk's salary.....	2,400
Stenographer's salary.....	2,400
Messenger's salary.....	2,400
Fund for official and semi-official business.....	6,200
Law enforcement fund.....	5,000

\$31,000

This amount exceeds that for the previous period by \$5,000 due to the prohibition act and the establishment of a fund for its enforcement in this state.

The \$6,200 for official and semi-official purposes may be expended as directed by the Governor without any account being given as to the purposes to which it is put.

Although the statutes¹ direct the General Assembly to appropriate annually the sum of \$5,000 to a liquor law enforcement fund in control of the Governor, only \$5,000 was appropriated for the biennial period. Under the provisions of this act the two state agents, mentioned on the preceding page, are employed.

II. THE LEGISLATIVE POWERS OF THE GOVERNMENT

1. Constitutional Provisions.

"The Governor shall at the commencement of each session and from time to time, by message, give to the general assembly information of the condition of the state and shall recommend such measures as he shall deem expedient." (C. IV, 8).

The Governor may convene the general assembly on extraordinary occasions, and may convene the Senate in extraordinary session for the transaction of executive business. (C. IV, 9).

The Governor may adjourn the assembly when the two houses cannot agree on the time. (C. IV, 10).

The Governor has a veto power over all bills passed by the general assembly, but must return his objection to the general assembly with every vetoed bill. Bills can be passed over his veto by a two-thirds majority of each house. If it is not acted upon by the Governor within ten days, being either approved or vetoed, it becomes a law without his approval. In case the general assembly adjourns preventing its return, the vetoed bill must be filed, with objections, with the Secretary of State within thirty days, or it becomes a law. (C. IV, 11).

The Governor is empowered to approve or disapprove of any item or items in any bill appropriating money. Disapproved items may be passed over his veto by two-thirds majority of each house. (C. IV, 12).

The veto power does not extend to bills initiated by or referred to the people. (C. V, 1).

Every resolution, order or vote to which the concurrence of both houses is necessary must be submitted to the Governor for approval or veto. It may be passed over his veto by a two-thirds majority of each house. (C. V, 39).

The provisions of state constitutions are at the root of much of the irresponsible and invisible government which burdens the American people. We have created a chief executive for our states on the theory of the separation of powers, and perhaps, no other people has so completely duped itself into believing that it has entirely separated the executive and the legislative branches of the government. Thus we require senatorial sanction of executive appointments even to minor offices, and we allow the legislature to prepare and formulate the plans for conducting the government, both of which are essentially executive functions. Again, we have almost entirely neglected the important legislative function of interpellation, i. e., questioning executive officials before the houses of the legislature on the conduct and affairs of their offices. It is through the vestment of this function in their representatives, its judicious exercise, and the reservation in themselves of the right of recall, and not through legislative encroachment upon the executive powers, that the people should safeguard themselves against irresponsible government.

The executive veto, as it exists under present conditions, "makes the governor responsible for legislation as well as for administration; and the denial of the right to the governor to formulate measures of administrative importance, to introduce and defend them, makes the legislature responsible for administration as well as legislation."² It might be pointed out that the veto power over appro-

(1) L. '15, Ch. 98, Sec. 23.

(2) F. A. Cleveland, Director of the New York Bureau of Municipal Research in "An Appraisal of The Constitution and Government of New York." p. 75.

priations may be made inoperative as to salaries, etc., by special acts of the legislature, such as by providing for salaries and expenses in acts creating departments.

2. Bills, Resolutions and Memorials Enacted by the Legislature.

Below is submitted a table showing the number of bills, resolutions and joint memorials considered by the House and Senate in the sessions of 1913 and 1915, and the number thereof passed and enrolled for the same years.

	House		Senate		Total		Passed and Enrolled	
	1913	1915	1913	1915	1913	1915	1913	1915
Bills	741	616	545	466	1286	1082	166	181
Joint Resolutions.....	23	16	23	8	46	24	5	5
Joint Memorials.....	5	1	7	6	12	7		3

When it is remembered that a legislative session covers a period of approximately four months and that the membership of the house and senate changes on an average of 77 per cent and 43 per cent respectively each session, the difficulty of giving proper consideration to all the bills acted upon by the legislature, and of definitely establishing responsibility for the acts passed, will be more thoroughly appreciated. The people have, however, sought to place responsibility upon some single head and look to the Governor for the general conduct and guidance of the state, and the time is probably not far distant when the responsibility for legislation will be centered in the chief executive. This is the only remedy for irresponsible and invisible government yet proposed by experts in the field of political science and government.

The plans generally recommended provide for the introduction of bills, administrative in nature, by the executive branch of the government and their submission to the legislature for approval. If the bills are of vital importance and fail to obtain the approval of the legislature, they are to be referred to the people at a special election. The number of measures thus submitted to the legislature must of necessity be relatively small, but will always include as the most important measure a state budget. The houses of the legislature are not, however, by this plan to be deprived of the right to introducing legislation, but such bills as they may introduce are to be limited to subjects of legislation and not to include administration.

In the United Kingdom, where a similar system has been employed in conjunction with the cabinet form of government since the beginning of the nineteenth century, the number of bills considered by the Parliament in the regular sessions in 1913 and 1914 were less than one hundred while under our form of government there were considered by the houses of Congress during the same years close to ten thousand different bills.

It is not urged or recommended that such a radical and complete change be made in the form and theory of government now in operation in Colorado, but the attention of the Survey Committee of State Affairs is called to this point. It is, however, needless to say that such a change would entail a complete revision of the State Constitution.

III. THE EXECUTIVE POWERS OF THE GOVERNOR

The Governor, as chief executive of the state government, should be in close touch with the work of the various administrative departments. His relation to these departments will be considered in relation to (1) membership on boards and commissions; (2) power of appointing and removing state and local officials; (3) control over departments, boards, etc.; (4) control and supervision of finances; (5) purchasing supplies; (6) power over state lands; (7) extraditions, requisitions and rewards; (8) pardons, reprieves, commutations and paroles; (9) enforcement of the liquor laws; and (10) other duties.

1. Boards and Commissions on Which the Governor Serves.

Most of the boards and commissions upon which the Governor serves are composed, ex-officio, of elective officers of the state. Certain boards consist of the Governor and other ex-officio officers and such other members as the Governor may

appoint. The minimum frequency with which these boards and commissions are required, by statute, to meet varies greatly; monthly, quarterly, semi-annually and annually. The number of members, exclusive of the Governor, varies from two to nine.

The Governor is not a regular attendant of the meetings of all these boards and commissions, but is required to be present at meetings of the Board of Equalization, the Auditing Board, the Board of Capitol Managers, the Board of Agriculture, and the State Board of Canvassers. He also frequently attends the board meetings of the Board of Land Commissioners and the Military Board. Other boards he attends but infrequently on special occasions. There is nothing in the laws or in the nature of duties performed to indicate why the Governor is designated a member of some boards and not of others.

The following table shows the boards and commissions of which the Governor is by law a member, and shows, also, other particulars relating to such boards and commissions.

TABLE I
BOARDS AND COMMISSIONS ON WHICH THE GOVERNOR SERVES

Name	Constitutional or Statutory	Members Exclusive of Governor	How Constituted	Frequency of Change	Frequency of Meetings	Ex-officio Members
Auditing Board	M. A. S., '12, 6830	4	Ex-officio (elected)	Biennially	At least monthly	Gov. (Ch.), Sec. State, Auditor, Treas., At. Gen. Governor.
Board of Charities and Corrections	M. A. S., '12, 603	6	Apptd. by Governor	2 Biennially	At least quarterly	
Board of Directors, Bureau of Child and Animal Protection	M. A. S., '12, 6883	2	Ex-officio (elected)	Biennially	At least yearly	Gov. (Ch.), At. Gen., Supt. Pub. Inst'n.
Board of Commissioners of State Debt	M. A. S., '12, 553	3	Ex-officio (elected)	Biennially	At least yearly	Gov., Sec. State, Treas., Auditor.
Board of Equalization	C. X, 15	4	Ex-officio (elected)	Biennially	At least yearly	Gov. (Ch.), Sec. State, Treas., Auditor, At. Gen.
Board of Land Commissioners	M. A. S., '12, 5786	3	Apptd. by Governor	1 Biennially	At least monthly	Governor (President).
Board of Pardons	M. A. S., '12, 2169	5	Apptd. by Governor	2 Biennially	At least monthly	Gov. (Ch.), Sec. Board of Char. and Cor.
Commission on Prison Labor	M. A. S., '12, 5579	6	Ex-officio	Biennially	At least yearly	Gov. (Ch.), Bd of Cor. (3), Wardens Pen., Reform, Sec. Bd Char. and Cor.
Commission to Publish Supreme Court Records	M. A. S., '12, 696	2	Ex-officio	Biennially	At least yearly	Gov., Sec. State, At. Gen.
Military Board	L., '15, Ch. 122	1	Ex-officio and apptd. by Governor	Biennially	At least yearly	Gov., Adjt. Gen., Judge Advocate
Board of Agriculture	M. A. S., '12, 55	9	Apptd. by Governor	2 Biennially	At least 2 yearly	Gov., Pres. Agri. Col.
Board of Canvassers	M. A. S., '12, 2305-2471	5	Ex-officio	Biennially	After primary and gen. elections	Gov. (Ch.), Sec. State, Auditor, Treas., At. Gen.
Geological Survey Board	M. A. S., '12, 6891	3	Ex-officio		At least yearly	Gov. (Ch.), Pres'ts of Univ., School of Mines, Agri. College.
Board of Immigration	M. A. S., '12, 3461	3	Apptd. by Governor	1 Biennially	At least monthly	Gov. (Ch.)
Board of Capitol Managers	M. A. S., '12, 561	4	Apptd. by Governor	When vacant	At least monthly	Gov. (Ch.)
Board of Control of Industrial School for Girls	M. A. S., '12, 3492	5	Apptd. by Governor	1 Annually	At least monthly	Gov. (Ch.)

General Functions and Duties of These Boards and Commissions.

1. Auditing Board: Approves all vouchers and requisitions drawn upon the general incidental fund, and audits all vouchers drawn against the state funds, with but few exceptions.
2. Board of Charities and Corrections: Investigates and supervises the management of all the public correctional and eleemosynary institutions of the state.
3. Board of Directors of Bureau of Child and Animal Protection: Enforces the laws for, and supervises the protection of children and animals to ensure them humane treatment.
4. Board of Commissioners of the State Debt: Supervises the issue and redemption of all issues of state bonds.
5. Board of Equalization: Adjusts, equalizes, raises and lowers the valuation of real and personal property of the several counties of the state, and the valuations of any item or items of the various classes of such property; but it has no power of original assessment.
6. Board of Land Commissioners: Controls and manages the state lands.
7. Board of Pardons: Investigates applications for, and controls and supervises the granting of, pardons and reprieves.
8. Commission on Prison Labor: Supervises and regulates employment of convicts according to law.
9. Commission to Publish Supreme Court Records: Lets contracts and supervises the publishing of Supreme Court records and reports.
10. Military Board: Advises the Governor on all military matters of the state.
11. State Board of Agriculture: Controls and supervises the management of agricultural institutions and colleges.
12. State Board of Canvassers: Canvasses the vote at state primary and general elections.
13. State Geological Survey, Advisory Board: Advises and outlines the work of the State Geologist.
14. State Board of Immigration: Advertises the resources of the state with a view to securing settlement through immigration.
15. State Board of Capitol Managers: Supervises the construction of the capitol building and state museum, and manages and maintains those buildings.
16. Board of Control of Industrial School for Girls: Controls and manages the girls' correctional institution.

The Governor, as chief executive of the state and responsible for efficient results of operation of the executive branch of the government, should be ex-officio member of all boards and commissions of the state. This is a right which is manifestly a prerequisite to the assumption of responsibility for results of administration of state activities. It should be exercised as the Governor deems necessary, and supplemented by such reports or other means of control as the law may confer on the Governor to protect his responsibility.

2. The Governor's Power to Appoint and Remove.

a. Appointing Power.

It is a usual provision in American state constitutions and statutes to give the Governor, as chief executive of the state, a broad power of appointment. This extends not only to the chief officials in charge of executive and administrative departments and state institutions, but also in many cases, even to subordinate officials serving under those heads.

The Constitution of Colorado provides that the Governor shall nominate and, by and with the consent of the Senate, appoint all officers whose offices are established by the Constitution, or which may be created by law, and whose appointment or election is not otherwise provided for. In case of a vacancy, when the senate is not in session, the Governor may fill such vacancy by appointment subject to confirmation by the Senate at the next session. (C. IV, 6).

It is also provided in the article above referred to that the Governor may fill by appointment, vacancies in the offices of Auditor, Treasurer, Secretary of State, Attorney General and Superintendent of Public Instruction, all of which, are elective offices.

The manner of appointment to statutory offices is, as a rule, set forth in the statute creating each department or institution, and hence, is subject to frequent change.

There is a blanket provision in the statutes which provides that all vacancies in any state or county office, and in the Supreme and District Courts, unless otherwise provided for by law, shall be filled by appointment by the Governor until the next general election. (M. A. S. '12, 2525).

Another statute provides that the Governor may fill vacancies in the Board of Regents of the University of Colorado (an elective board, created by the constitution) without the consent of the Senate. (M. A. S. '12, 7669).

The following tables present a tabular summary of the different methods of gubernatorial appointment at present in force.

TABLE II
OFFICIALS APPOINTED BY THE GOVERNOR WITHOUT THE CONSENT OF
THE SENATE

Name	Number	Frequency
Auditing Committee, Land Board's books (2).....	3	2 Annually
Commission to examine accounts of Treasurer (2)...	3	2 Annually
Board of Accountancy.....	3	1 Annually
Board of Barber Examiners.....	3	1 Annually
Board of Library Commissioners.....	5	1 Annually
Board of Nurse Examiners.....	5	1 Annually
Board of Optometric Examiners.....	5	1 Annually
Board of Stock Inspection Commissioners.....	9	3 Annually
State Racing Commission.....	5	1 Annually
Board of Architects Examiners.....	5	2 or 3 Biennially
Board of Embalming Examiners.....	5	2 or 3 Biennially
Board of Medical Examiners.....	9	3 Biennially
Board of Pharmacy.....	3	1 Biennially
Civil Service Commission.....	3	3 Biennially
Colorado Tax Commission (1).....	3	1 Biennially
Board of Control, Home for Depend. & Neg. Children.....	5	1 or 2 Biennially
Board of Control, Ind. Workshop for the Blind.....	3	1 Biennially
Military Board.....	3	3 Biennially
State Board of Pardons.....	4	2 Biennially
State Engineer.....	1	1 Biennially
State Reformatory Surgeon (3).....	1	1 Biennially
State Penitentiary Surgeon, Chaplain (2).....	2	2 Biennially
Chief Coal Mine Inspector.....	1	1 Quadriennially
Examiners of Coal Mine Inspectors.....	1	1 Quadriennially
Commissioner of Insurance.....	1	1 Quadriennially
State Highway Commissioner.....	1	1 Quadriennially
Notaries Public (5).....	1 or more in each county	4-year term
Public Trustees.....	6	4-year term
Highway Advisory Board.....	5	At will
Water Commissioners.....	70	At will
Veterinary Examiners.....	3	At will
Officers of State Militia.....		When vacant
Normal School Examining Board.....	1	When vacant
District Judges (2).....		When vacant
Commissioners of Deeds.....	49 or more	As required
County Commissioners (2).....		When vacant
State Oil Inspectors (3).....	2	When vacant
Insanity Commission for Convicts (2).....	3	As required
Supreme Justice to hold District Court (2).....		As necessary
Persons to seal books of State Treasurer (2).....	3	Death or resig.
Board of Capitol Managers.....	5	When vacant
Traveling Library Commission.....	5	1 or 2 Biennially

(For notes see Table III, p. 16.)

TABLE III

OFFICIALS APPOINTED BY THE GOVERNOR BY AND WITH THE ADVICE AND CONSENT OF THE SENATE

Name	Number	Frequency
Board of Agriculture	8	2 Biennially
Board of Charities and Corrections.....	6	2 Biennially
Board of Com., Home & Train. Sch'l for Mental Def.	3	1 Biennially
Board of Corrections	3	1 Biennially
Board of Immigration	3	1 Biennially
Commissioner of Public Printing.....	1	1 Biennially
Commission on Uniform Legislation.....	3	1 Biennially
Industrial Commission	3	1 Biennially
Industrial School for Girls, Board of Control of.....	5	1 Annually
Industrial School for Boys, Board of Control of.....	3	1 Biennially
Public Utilities Commission.....	3	1 Biennially
State Board of Land Commissioners.....	3	1 Biennially
State Board of Dental Examiners.....	5	5 Biennially
Commissioner of Mines.....	1	1 Quadriennially
State and Deputy Boiler Inspectors (3).....	3	3 Biennially
State Board of Health.....	9	3 Biennially
Trustees for School for Deaf and Blind.....	5	1 or 2 Biennially
Trustees, State Normal School.....	6	2 Biennially
Warden State Penitentiary.....	1	1 Biennially
Game and Fish Commissioner (3).....	1	1 Quadriennially
State Bank Commissioner.....	1	1 Quadriennially
Trustees, School of Mines.....	5	5 Quadriennially
Commissioners, Soldiers' and Sailors' Home.....	3	3 Quadriennially
Commissioner of Census.....	1	1 Decennially
Irrigation Division Engineers (3).....	5	At will
Boards of Public Works in cities of over 10,000.....	3	By request
Wardens, State Reformatory.....	1	1 Biennially

(1) By Governor and Treasurer.

(2) Tenure more or less temporary.

(3) Under civil service. Heads of departments and chief deputies are, under the present civil service law, not in the classified service, except such persons occupying these positions who took office upon passing competitive examinations under the old act repealed in 1915. All other employes except such as are specifically exempted and also one stenographer in each department are now under the classified service.

(4) Water commissioners are appointed from lists submitted by the county commissioners.

(5) The Governor commissions about 1,600 notaries annually.

Certain facts may be emphasized as pointing out the lack of uniformity, consistency and co-ordination existing in the present method of appointment by the Governor.

1. All appointments of officers on examining boards are made by the Governor without the consent of the Senate, with the exception of the Board of Dental Examiners, who are appointed by the Governor with the consent of the Senate. There appears to be no reason for this exception to the rule in the case of examining boards.
2. The State Bank Commissioner, the Game and Fish Commissioner and the Irrigation Division Engineers are appointed by the Governor with the approval of the Senate, while the Chief Coal Mine Inspector, Commissioner of Mines, Highway Commissioner and the State Engineer are appointed by the Governor alone. Here again no sufficient distinction can be made to warrant these differences.
3. Whereas the State Engineer is appointed by the Governor alone, the five Irrigation Division Engineers serving under him are appointed by the Governor with the advice and consent of the Senate.
4. All members of boards in control of institutions, except in the case of the Home for Dependent and Neglected Children and the Industrial Work Shop for the Blind, are appointed by the Governor by and with the advice and consent of the Senate.
5. The members of the Board of Corrections in charge of the penitentiary, the reformatory and the insane asylum, together with the wardens of the two former institutions are appointed by the Governor with the approval of the Senate, whereas the Board of Corrections selects the superintendent of the insane asylum.

6. The members of the Public Utilities Commission and the Industrial Commission are appointed by the Governor with the advice and consent of the Senate, the Tax Commissioners by the Governor and Treasurer, and the Civil Service Commissioners by the Governor alone.
7. The Chief Coal Mine Inspector, the Commissioner of Mines and the Boiler Inspector are all officials charged with the health, safety and comfort of labor. The first is appointed from a certified list by the Governor alone, the second at the Governor's own discretion, and the third by the Governor with the consent of the Senate. While the first and second appoint their own assistants, the Deputy Boiler Inspectors are appointed in the same way as their chief.
8. Commissioners of Deeds and Notaries Public are appointed by the Governor for terms of four years. The former are appointed by the Governor in such states and foreign countries as necessary. There is no limit set upon the number of these officials that may be appointed, but a fee is collected for each license granted.

From the foregoing it will be apparent that there is a great need of reform in the methods of appointment to office in the state government. The system of making appointments conflicts with centralized and efficient control. The civil service laws conflict with appointments, and appointments in certain cases have been made without regard to civil service provisions. The civil service law as it now stands is in a chaotic condition and of little value to the State or to the State employe. Any proposed plan for the reorganization of any department or departments should take note of the inconsistencies here pointed out in the present power of appointment exercised by the Governor in order that uniformity, consistency and correlation may be secured.

(b) The Governor's Power of Removal.

The Constitution of Colorado provides that the Governor may remove any officials whose offices are established by the constitution or whom he may appoint by law, either with or without the consent of the Senate, for incompetency, neglect of duty or malfeasance in office. (C. IV, 6.) In addition to this broad constitutional provision, there are several sections in the statutes which provide for removal in certain cases. Thus the Governor may remove officers or employes who fail or refuse to make out and submit to him the reports required by law within the specified time. (M. A. S. '12, 2708c.) The Governor can also remove the county assessors in case they do not carry out the provisions of law relating to assessments. (M. A. S. '12, 6346.) In case of indictment charging the Treasurer with a misdemeanor, the Governor may suspend that official. (M. A. S. '12, 2769.)

The civil service law of 1915 places all employes of the State "except the heads and chief deputies of such departments and institutions, janitors, common laborers, officers and employes of the General Assembly, judges of courts of record, clerks of courts of record, members of boards or commissions appointed by the Governor, employes of the Governor's office, appointees to fill vacancies in elective offices, deputies of elective officers now or hereafter designated by law, officers and instructors in public schools and educational institutions not reformatory, penal, or charitable in character, the professional assistants of the attorney general, attorneys-at-law, attorneys for boards and commissions, one stenographer for each judge of the supreme court, one stenographer for each judge of the courts of appeals, and stenographers and reporters of courts of record, and one stenographer for the head of each department," under the classified service subject to removal only for incompetency, inefficiency, neglect, or violation of the provisions of the law.

Such heads of departments, their chief deputies, etc., who are now holding office on the strength of a competitive examination are still under the classified service, but by the peculiar provisions of this law, the classified service is made to apply to the person occupying the office rather than to the office itself. Where such an official has been once removed the new appointee is not in the classified service.

3. The Governor's Control Over Departments, Boards, Etc.

As a general rule the Governor's control over departments other than through control over appointments, finances and reports is negligible except in the case of the department of Game and Fish and the militia.

The Governor's control over the appointments, expenditures and certain classes of permits of the Game and Fish department has made the department somewhat of a political stamping ground. One reason for this may be found in the fact that the department's activities extend to all parts of the State, and local political pressure has been brought to bear in the matter of appointments to positions as chief and deputy game wardens, etc., regardless of the fitness of such appointees. Instead of allowing the head of the department free hand in selecting qualified persons as his employes and assistants, local politicians working through the Governor's office have forced appointments which have worked to the detriment of the department and at the cost of the State. The Game and Fish Commissioner has complained that this method of appointment is one of the chief obstacles to efficiency and economy. Subordinate appointments should not be in the Governor's hands. If it is desirable that the Governor exercise effective control over a given department, such control should be exercised through the head of the department and should not extend to all of its employes and activities where it may tend to degrade into a political patronage. The power of issuing licenses and permits of certain kinds relating to the feeding of wild game, permits to collect birds and eggs and to conduct private game farms, contracts for spawn, etc., is vested in the Governor. There is no advantage to the State by imposing this perfunctory and clerical duty upon the chief executive. Permits should be granted by the Game Commissioner alone, who is in a better position to know whether or not such permits should be granted.

4. Reports Rendered to the Governor.

The Governor, as head of the executive branch of the government, is naturally the chief to whom all officials in charge of executive offices should be required to report. The constitution and the statutes contain numerous sections establishing the Governor's functions and duties in regard to such reports.

a. Constitutional and Statutory Provisions Relating to Reports.

Officers of executive departments and of all public institutions of the State are required at least twenty days preceding the regular session of the General Assembly to make a full and complete report of their actions to the Governor, who shall transmit the same to the General Assembly. (C. IV, 17.) The statutes provide that these reports, whether made to the Governor or legislature, shall be deposited with the Governor on or before November 15th next preceding the session of the General Assembly. (M. A. S. '12, 5298.) The Governor shall transmit all reports, or copies of the same, received by him from the officers of the State to the General Assembly at the commencement of each regular session. (M. A. S. '12, 2706.)

The Governor may require, in writing, and upon oath, information from the officers of the executive department upon any subject relating to the duties of their respective offices. He may also require information, at any time, under oath and in writing, from all officers and managers of State institutions, upon any subject relating to the condition and management and expense of their respective offices and institutions. (C. IV, 8.) The statutes supplement this section to the effect that every appointed officer and employe of any department, board, bureau, commission or office under the State shall, upon request of the Governor, make a report of all transactions, duties performed and moneys collected and disbursed and any other matter or thing concerning the duties and conduct of such department, bureau, etc. (M. A. S. '12, 2708b.) A refusal to make such report upon request is made a misdemeanor.

An account shall be kept by the officers of the executive departments, and all public institutions of the State, of all moneys received by them severally from all sources, and for every service performed, and of all moneys disbursed by them severally, and semi-annual reports thereof shall be made to the Governor under oath. (C. IV, 16.)

No annual or biennial report of any officer, board, commission, commissioner, board of regents or board of trustees shall be printed at the expense of the State until the Governor has designated in writing on such report how much thereof and how many copies thereof shall be printed. (L. '15, Ch. 124.)

The constitution provided that the State Treasurer report quarterly to the Governor on the condition of every fund, where the money is deposited and the number and amount of every warrant received and paid from every such fund.

The Governor shall cause such reports to be published in at least one newspaper printed at the seat of the government, and otherwise as the General Assembly may require. (C. X, 12.)

The Supreme Court is also required to report to the Governor, in writing, on or before the first of each year, to be transmitted by him to the General Assembly, together with his message, such defects and omissions in the constitution and statutes as they may find to exist, together with suitable bills to remedy the same. (C. VI, 27.)

The Board of County Commissioners is required to report to the Secretary of State the number, name, age, etc., of all persons maintained or aided by the county each year, and the Secretary of State shall submit the same to the Governor. (M. A. S. '12, 1345.)

b. Nature and Contents of Reports Rendered to the Governor.

The word "report" as interpreted by the Supreme Court in the case of *Gillette vs. Peabody*, 75 Pac. 18, decided January 11, 1914, means "an account or statement of the results of examination or inquiry made by request or direction." In the same case the court also held that court reports were not such reports as were contemplated by the constitution.

All reports of State officers and departments are placed in the second of the seven classes into which State printing is divided by law. The law also places certain requirements and limitations upon the physical make-up of these reports. Section 5866, M. A. S., 1912, provides "the reports of the executive officers, pamphlets, and all other books and reports, shall be printed on a good quality of book paper, the body of the book to be in solid long primer type. Tabular work shall be set in nonpareil. The printed pages shall be at least twenty-five (25) picas wide by forty-five (45) picas long, including running title and foot slug."

Practically every state department makes an annual or biennial printed report to the Governor. These reports in the last biennial period varied from seven pages to over 600 pages in size. There is no uniformity in contents. The law, however, establishes a minimum sized sheet to be employed. The only limitations placed by law upon these departments are such as limit the number or cost of reports in certain cases, and the number of pages which they may contain in others. The size of the reports is now limited to 300 pages and in only a few instances has this limitation been exceeded.

The contents of some of these reports are open to criticism. The annual report of the Board of Health, for example, issued in 1916, of which 5,000 copies were printed, cost \$878.00. There were 233 pages in the report, 120 pages of which were used in reprinting a compilation of laws relating to the promotion of sanitation and health. These laws have no place in an annual report. Each law relating to a special subject should be printed separately in pamphlet form for circulation. The rules and regulations of the board comprised 85 pages, and the report on the conditions of the department 25 pages. The latter item is the only one which contains information which would be of any real value to the Governor or to the state legislature in determining the needs of the department from a review of its work.

The biennial report of the State Engineer, published in two parts at a cost of \$1,968.66, presents in twenty-six pages in Part I, a general report on the work of the office, interstate water suits and financial condition. The rest of the material in Part I consists of statistical data, such as detailed reports of division engineers and water commissioners, seepage investigations, Carey Act projects and drainage investigations. Part II is devoted entirely to hydrographic data showing the daily flow of water at eight or nine different points in the Arkansas, Grand, Laramie, Rio Grande, San Juan, South Platte, Yampa and White River basins. The greater part of the data published in Part I of the report could have been dispensed with as superfluous matter. The data published in Part II should be published in a separate bulletin for general circulation.

TABLE IV

PARTIAL LIST OF REPORTS OF EXECUTIVE DEPARTMENTS, SHOWING THEIR GENERAL CHARACTER

DEPARTMENT	Frequency	Total number of Pages	Number of pages devoted to superfluous matter (Estimate)	Number of pages in which information could have been presented (Estimate)	Half-tone cuts	Cost	Number	REMARKS
1. Civil Service Commission.....	Biennial, 1913-14.....	162	82	80	..	\$ 371.65	250	
2. State Engineer.....	Biennial, 1913-14, Pt. I.....	262	111	152	..	1968.66	1250	Should be a bulletin
3. State Engineer.....	Biennial, 1913-14, Pt. II.....	350	205	28	..	Inc. in above	5000	Reprint of laws
4. Board of Health.....	Annual, 1915.....	233	18	26	..	..	..	Typewritten sufficient
5. State Entomologist.....	Annual, 1915.....	44	12	..	..	48.25	..	
6. Board of Barber Examiners.....	Biennial, 1913-14.....	12	..	40	..	..	..
7. Historical and Natural History Society	Biennial, 1913-14.....	40	46	24	..	..	..
8. Soldiers' and Sailors' Home.....	Biennial, 1913-14.....	70	24	24	8	176.13	1000	
9. Game and Fish Commissioner.....	Biennial, 1913-14.....	48	24	24	8	90.49	500	
10. Secretary of State.....	Biennial, 1913-14.....	45	..	45	..	13.67	250	Not sufficient
11. Bureau of Mines.....	Biennial, 1913-14.....	7	156	48	24	1179.05	1500	
12. Inspector of Coal Mines.....	Annual, 1915.....	204	..	80	..	338.87	1500	Superfluous
13. State Auditing Board.....	Biennial, 1913-14.....	80	92	80	..	269.97	750	
14. Insurance Commissioner.....	Annual, 1915.....	396	284	114	..	1349.81	1000	Has been suppressed
15. Attorney General.....	Biennial, 1913-14.....	154	104	136	2	811.87	2000	
16. Bureau of Labor Statistics.....	Biennial, 1913-14.....	240	..	..	..	298.34	700	
17. Board of Land Commissioners.....	Biennial, 1913-14.....	84	104	150	..	400.41	1000	
18. Public Utilities Commission.....	Biennial, 1913-14.....	254	..	35	4	688.40	2000	Typewritten sufficient
19. Superintendent Public Instruction.....	Biennial, 1913-14.....	90	200	9	..	356.77	1500	
20. Board of Pharmacy.....	Annual, 1915.....	209	22	140	..	655.79	1000	
21. Tax Commission.....	Annual, 1915.....	162	12	84	8	249.81	250	
22. Board of Penitentiary Commissioners.....	Biennial, 1913-14.....	96	..	..	..	..	..

Reports marked thus (*) were comprised chiefly of reprints of laws.

The reports of the Barber Examiners, Board of Pharmacy and other examining boards should be submitted only in typewritten form the same as the last annual reports of the Board of Nurse Examiners and the State Boiler Inspector. So much only of such reports as is of permanent value should be ordered printed. Any laws relating to regulation of these professions should be printed in pamphlet form in such quantities as may be needed by the various boards. This would avoid duplication in printing and the setting up of the same acts in different reports. An example of this duplication is the Narcotic Drugs Act, which is printed at length in the report of the Board of Pharmacy and of the Board of Health. The same is true of the prohibition laws, which are published in pamphlet form by the Secretary of State and appear also in complete form in the report of the Board of Pharmacy. Other duplications of a similar nature appear in this latter report. In addition to these defects the report of the Board of Pharmacy contained 109 pages devoted entirely to the detailed proceedings of the twenty-sixth annual meeting of the Colorado Pharmacal Association, material which is of no use to the Governor or to the state legislature, nor does it concern the people as a whole. Nevertheless, it was printed at state expense.

The Insurance Commissioner has devoted a whole page to each abstract from the annual statements of each fire and marine insurance company, mutual fire insurance company, life insurance company, assessment insurance company, fidelity, casualty and accident insurance company and each fraternal insurance company doing business in the state. In all, 341 pages are thus employed. All these statistics could easily have been printed in tabular form in less than sixty pages and have presented exactly the same information. The commissioner, however, contends that since he receives \$50.00 from each company for printing its statement he can well afford to devote a whole page to this work.

In the report of the Superintendent of Public Instruction, statistical tables requiring forty-six pages could easily have been set on three insert sheets and five pages, to better advantage. Insert sheets, however, under the present law would take the same rate as can be charged for each section of sixteen pages. This law should be changed.

The report of the Bureau of Labor Statistics is notably defective in its presentation of statistics and extravagant use of space. Labor statistics should be issued separately and not in a report on the affairs of the department. The report of 1913-14 devoted about one-third of its 250 pages to an attack on another state department. This material has no place in any report issued by a department of the State to the Governor and legislature. Circulation of this report, which cost \$811.00, was suppressed by the legislature and the 2,000 copies lie in the sub-basement of the Capitol.

The Bureau of Mines, a bureau whose chief function is the preservation of the health, safety, and the comfort of labor, is by law required to report on the condition of the metal mining industry, on the geology of Colorado, on altitudes of peaks, towns, passes, etc. Much of this material would have to be reprinted year after year and is entirely foreign to the work of the department. Such data should be subject matter for special bulletins issued by the State Geologist.

The report of the State Auditing Board simply presents a list of approved voucher requisitions drawn upon certain department funds. The contents are of no value for purposes of report.

Many full page half-tone engravings appear as embellishments in various reports. The use of half-tone cuts in annual or biennial reports should be closely supervised to avoid unnecessary expense for such illustrations.

The special quarterly report by the Treasurer, made in conformity to Article X, Section 12, of the Constitution is submitted in typewritten form. These reports are ordered printed in a Denver paper of general circulation thus keeping the public informed of the financial condition of the State at frequent intervals.

The Supreme Court appears not to have complied in recent years with the duty of reporting defects in the constitution and laws and of submitting bills to correct these defects as provided by Section 27 of Article IV of the Constitution. American courts in general do not look upon this duty as judicial, but consider it rather of a legislative nature and, therefore, not within their sphere of activity. It is true that the office of Attorney General was created to give opinions on the validity of legislation, whereas an opinion of the court is obtainable only through the introduction of a test case.

The statutory provision that requires county commissioners to report annually to the Secretary of State for transmission in a compiled form to the Governor the names, ages, etc., of all poor persons maintained or aided by each county should be amended to require such reports to be made to the Board of Charities and Corrections and by that board submitted to the Governor.

The original of all reports from officials in charge of executive and administrative offices are filed in the Governor's office. In addition to these original copies, copies of every printed report are also preserved for reference.

There is no uniformity in the requirements concerning the frequency of making reports and the periods covered therein. All officers of executive departments and all public institutions of the State are required by Article IV, Section 17, at least twenty days preceding the regular session of the General Assembly, to make full and complete reports of their actions to the Governor, who shall transmit the same to the General Assembly. The statutes have set November 15th preceding the session of the legislature as the date for submitting the reports referred to in the constitution. Inasmuch as reports are required to be submitted to the Governor by November 15th, the closing periods of the reports vary in proportion to the amount of matter necessary to compile and the date on which it must be ready for the Governor. Further, the fiscal period does not end until November 30th, fifteen days after the reports are by law required to be in the hands of the Governor.

The General Assembly recognized the defects in the system of preparing and publishing reports and the need of some method of supervision and control. To this end it provided in 1915 that no report shall be printed until the Governor has designated in writing how much and how many copies of each report shall be printed. The reports, however, do not reach the Governor until about November 15th, and this gives him but forty-five days during which to examine them, to determine how much and how many copies shall be printed, and to receive them back from the press in time for the opening of the session of the General Assembly. With the present staff of assistants it is impossible for the Governor to give the necessary study and attention to these reports. This law, although recognizing the evil, falls short of curing it, and only adds additional duties to the already overburdened staff of the Governor's office.

It is a matter of common knowledge that department reports transmitted by the Governor to the legislature each biennial period are rarely utilized or read by the members of the House and Senate. Concerning this question, a biennial report of a former Secretary of State contains the following:

"During the early days of the Eighteenth General Assembly, in order to see if the members were informing themselves on the condition of the various departments, I made inquiry of a number of senators and representatives asking them if they had read any of the biennial reports. In every instance a negative answer was received, generally with the additional statement that they had no time to read all the biennial reports of the various departments. I take this as a demonstration of the fact that there is something wrong with the present law requiring these reports to be made, when those for whom they are especially intended do not read them.

"I am inclined to think that a quarterly report made to the Governor, of the important transactions of an executive officer or department of state would be better than the present system."

Aside from the fact that the biennial reports contain a mass of miscellaneous material and data, considerable of which is not in a form to be of any practical value in shaping legislation or on which to base a judgment as to the financial needs of departments, there is another consideration operating to show the futility of sending department reports to the legislature, which is the influx of new members into the legislature each session. It is manifestly impossible for these new members to analyze and assimilate the information contained in all the reports presented to them and at the same time familiarize themselves with their new duties in the short period of a legislative session.

In view of the foregoing pertaining to reports, it is here suggested that the constitutional provision requiring biennial reports to be submitted to the legislature should be amended to leave this question discretionary with the Governor. If the proposed changes in preparing a state budget are adopted as outlined in a separate report on a state budget, the legislature will be sup-

plied with all the data pertaining to governmental activities which may be found necessary for its purposes or which can be utilized in shaping the financial policy for a fiscal period.

The work of supervision and control over the printing and contents of reports should be made efficient and should remain always under the surveillance of the Governor. The present staff in the Governor's office is inadequate for this work. It is recommended, therefore, that a division be established in the Governor's office (as a part of the work of the efficiency commissioner recommended in a separate report on budget procedure), which shall have in charge the preparation of all material and data contained in reports and bulletins submitted to the Governor. This division should also be entrusted with the duty of supervising the compilation of statistical data, and its statistician should be at the service of such departments as have need of an expert in this field to supervise the collection, presentation and compilation of the data.

There are a number of departments which have need of an expert statistician, among which are included the Industrial Commission, the Board of Immigration Commissioners, the Board of Land Commissioners and the State Engineer. No single department, however, has enough work of a statistical nature to necessitate employing an expert statistician as a permanent member on the staff of the department. This proposed division in control of the supervision of reports, bulletins and statistics would answer the various demands for expert services at a minimum of cost and at the same time relieve the clerks in certain departments from attempting to perform duties for which they are not fitted. One chief and one assistant statistician who are learned in the science of statistics would probably be a sufficient force in charge of such a proposed division to meet immediate needs.

It is a custom of the Governor to use the information submitted to him in these reports in the preparation of his message to the General Assembly, outlining therein the financial needs of the various departments, institutions, etc. The contents of most of the reports are such as to make them ill adapted for such a purpose. The semi-annual reports on the finances of the several departments required to be made by the executive officers to the Governor (C. Art. IV, Sec. 16) are not made. Under the present conditions even the best report falls short of presenting the information needed for drawing up a budget. Receipts and expenditures are not properly classified, nor presented in sufficient detail. They do not show the uses and purposes to which certain receipts have been applied, what actually has been accomplished, and what was expected to have been accomplished during the next period, how much to be expended in salaries, for supplies, equipment, etc., and the sources from which it is proposed to draw the necessary funds. Reports, to be of use in drawing up a budget, must be uniform, must give the same information concerning like facts in order to make them comparable, and must show past and present undertakings, their costs and results and the proposals of future undertakings, with estimates of costs. (For further particulars on this question see separate report on state finances and budget procedure.)

c. Bulletins Issued by Departments.

Bulletins issued by heads of executive departments are chiefly confined to reprints of laws on statute books. Nearly every department of any consequence issues such pamphlets from time to time. A study of these bulletins shows that no central executive control whatever is exercised over their publication. Each department publishes whatever is thought suitable without regard to existing publications containing the same data. Thus the Board of Health in its annual report for 1915, the Labor Commissioner in his compiled Labor Laws of Colorado, 1915, and the Secretary of State in his compiled Corporation Laws, 1911, have each printed the factory inspection laws of the State. The compiled laws issued by the Bureau of Mines largely duplicate part of the corporation laws which are printed by the Secretary of State. The compiled labor laws issued by the Deputy Labor Commissioner include in part some of the sections of the corporation laws published by the Secretary of State.

A bulletin of compiled Labor Laws of Colorado, issued by the Deputy Labor Commissioner in 1915 includes a coal mine inspection law and other laws which had either been repealed or rendered inoperative prior to the time of publication of the bulletin.

Each reprint of a law in a different pamphlet printed in varying sizes requires an entire resetting of type and consequently additional proofreading, all of

which necessarily adds to the cost of printing these laws. To avoid this difficulty and expense all laws necessary to be printed for the information of the public should be printed separately in leaflet form, under the direction of a purchasing department and the supervision of the proposed division of statistics, in such quantities as needed for the publication of the session laws and for departments which now circulate the laws relating to the activities of their departments. Under such direct supervision, duplications in the issuing and printing of these bulletins and the compilations of laws would be avoided and it would be unnecessary to reprint a bulletin whenever an amendment is made to any laws contained therein.

5. Control and Supervision of Finances.

a. Constitutional and Statutory Provisions.

"He (the Governor) shall also send to the general assembly a statement with vouchers, of the expenditures of all moneys belonging to the state and paid out by him." (C. IV, 8). This provision is not complied with and would need a legal interpretation as to what vouchers are contemplated in the constitution.

"He shall also, at the commencement of each session, present estimates of the amount of money required to be raised by taxation for all purposes of the state." (C. IV, 8).

The Treasurer is required to render a quarterly report to the Governor on the condition of each fund, showing receipts and disbursements and "the number and amount of each warrant paid therefrom during that quarter," together with a statement showing the custody of state funds. These reports must be ordered printed in a Denver paper. (C. X, 12.)

"The Governor shall have power to disapprove of any item or items of any bill making appropriations of money embracing distinct items, and the part or parts of bills approved shall be law, and the item or items disapproved shall be void," except where repassed by two-thirds majority of both houses. (C. IV, '12.)

The Superintendent of Public Instruction may, with the approval and consent of the Governor and Attorney General, order the payment from the "Permanent School Emergency or Call Fund" to provide necessary school facilities in said public school district. (M. A. S. '12, 6614.)

The Governor is also authorized and empowered to receive from the treasury department of the United States as he shall see fit to draw the five per cent of the net proceeds of the sales of the public lands to which this State is or shall be entitled, pursuant to the Act of Congress approved March 3, 1875. (M. A. S., '12, 2708.)

The provision requiring the Governor to present to the General Assembly estimates of "money required to be raised by taxation for all purposes of the state" is not complied with by the Governor. There is no doubt but that this provision is broad enough to permit the Governor to submit a budget to the General Assembly. It may be pointed out that its scope is limited to moneys *required to be raised by taxation*, but the term *taxation* as interpreted by the courts in its broadest sense, which must have here been contemplated, is quite elastic and inclusive. This view is further sustained by the indicated purpose for which this money is to be raised, i. e., *for all purposes of the state*.

The constitutional provision (IV, sec. 16) requiring a semi-annual report by all departments of receipts and disbursements is not enforced.

The Treasurer, in compliance with the constitutional requirement, presents his quarterly report to the Governor, but the number and amount of each warrant paid from each fund during each quarter is omitted. Compliance in full with the law would add nothing to the value of the report. It is advisable that the clause here referred to be restricted so as not to require such an involved report to the Governor, and thus make the present procedure a complete compliance with the constitutional requirements.

b. The Veto Power of the Governor.

The Governor's veto power over any item or items in the appropriation bills is not as comprehensive as the language of Article IV, section 12, of the constitution would indicate. It does not apply to regular statutory salaries and expenses if appropriations therefor have been made by the General Assembly. Thus in

1915 the Governor attempted to veto the appropriations for salaries and expenses of the Inspector of Steam Boilers and his deputies, and for the salaries of a superintendent and an assistant superintendent of a Colorado Free Employment Office. The veto failed of its purpose, however, because the salaries and expenses were provided for in the acts creating those officials. The custom of establishing salaries and traveling expenses in the statutes creating a department, other than to establish the salary of the head of the departments, should be discontinued. It impedes the free operation of executive control and it tends also toward inefficiency, because in many cases such statutory expense allowances are insufficient to permit of continuous operation of an office in the performance of its duties. This is well illustrated by the operation of the office of Boiler Inspector during 1915. Active work was carried on during a period of ten months when the statutory expense allowance for the year became exhausted. The salaries of the chief and the two deputies, however, continued, although they discontinued all work of their offices for the balance of the year. Other cases of similar nature have also occurred.

The statutory provision (2707a, M. A. S.), empowering the Governor to suspend the operation of boards, commissions and bureaus when the funds become inadequate for the payment of salaries and expenses is similarly restricted and limited by the same provisions which limit his veto power over appropriations. Statutory salaries and expense allowances prevent supervision of the departments by the Governor and limit the application of this method of control to those boards, departments, etc., that derive their funds from general or special appropriation bills.

c. Vouchers Which Require the Governor's Signature.

The statutes require the Governor's signature to the vouchers of fourteen separate departments, whose salary payrolls alone comprise over 160 names, not inclusive of the militia, whose salary and expense vouchers he is also required to sign. In addition, the Governor's signature is also required on the vouchers for warrants drawn against certain special funds such as the "Permanent School Emergency or Call Fund."

The purpose of requiring the Governor to sign the vouchers of so many different departments evidently was to place a certain responsibility upon the Governor for the efficient expenditure of the funds of those departments. It is manifestly impossible, however, for the Governor, with his other duties, to satisfy himself in the case of each voucher signed by him, that the expenditure is a proper and just one. Naturally, he must depend largely if not entirely upon the signature of the head of the department whose voucher the Governor is required to approve.

Needless to say, it is a gratuitous imposition of labor to require the Governor to sign each salary voucher of the employes of fourteen departments, boards, commissions, etc., besides the vouchers of the employes of his own department. The most of the employes whose salary vouchers the Governor signs, are employed regularly the year round, and the expense vouchers of the departments in question cover expenses the great majority of which are ordinary and for current operation. Under an efficient system of budget and auditing control it would be unnecessary for the Governor to sign the vouchers of other departments. Practically this work has resolved itself merely to a clerical duty, one which the chief executive from time to time has complained of as a useless waste of the Governor's time.

Following is a list of these vouchers:

1. Insurance Commissioner—all vouchers.
2. Colorado State Board of Immigration—all vouchers.
3. Game and Fish Commissioner—all vouchers.
4. Bank Commissioner—all vouchers.
5. Bureau of Mines—all vouchers.
6. Coal Mine Inspector—all vouchers.
7. Oil Inspector—all vouchers.
8. Auditing Board—(There being five members on this board, three of whom are a quorum, the Governor does not usually sign vouchers passed by this board.)
9. Boiler Inspector—all vouchers.

10. Governor's office—all vouchers, including those drawn upon the funds for the enforcement of the prohibition laws.
11. State Board of Capitol Managers—all vouchers.
12. Commissioner of Public Printing—all vouchers for salaries.
13. State Board of Land Commissioners—all vouchers.
14. Survey Committee of State Affairs—all vouchers.
15. Colorado National Guard—all vouchers.
16. Permanent School Emergency or Call Fund—all vouchers.
17. Funds for special purposes—as provided for in the appropriation acts.

The average total number of vouchers signed by the Governor in a fiscal year is not readily ascertainable, but it is estimated in the Governor's office that the average total number approximates 9,000, which is said to be a conservative figure and does not include the vouchers it becomes necessary for him to sign when the militia is in the field.

State Debt and Institutional Indebtedness.

d. State Debt and Institutional Indebtedness.

The Governor is a member of the Board of Commissioners of the State debt, a board created by the referred act of 1883, which provided for a bond issue for the building of the State Capitol. The Governor is a member also of a committee composed of the Governor, Treasurer and Secretary of State, designated in the acts authorizing the issue of State bonds to meet the expenses of insurrections, casual deficiencies, etc.

The Governor is a member of an auditing board composed of the Governor, Secretary of State, Treasurer, Attorney General and State Auditor, designated in certain acts authorizing the issue of insurrection and refunding bonds, to pass upon the claims paid by such bonds. Further, the Governor, with the Attorney General, determines the form of State bonds.

In relation to state institutions the Governor is given power, in case of emergency, to authorize the contraction of such indebtedness as in his judgment shall be absolutely necessary for the maintenance and support of the institution, until such time as the General Assembly shall meet. (M. A. S., '12, 6912.)

6. Purchasing Supplies for the State.

Constitutional and Statutory Provisions.

"All stationery, printing, paper and fuel used in the legislative and other departments of the government, shall be furnished; and the printing and binding and distributing of the laws, journals, department reports, and other printing and binding; and the repairing and furnishing the halls and rooms used for the meeting of the General Assembly and its committees, shall be performed under contract; to be given to the lowest responsible bidder, below such maximum price and under such regulations as may be prescribed by law. No member of officer of any department of the government shall be in any way interested in any such contract; and all such contracts shall be subject to the approval of the Governor and State Treasurer." (C. V, 29.)

In addition to this constitutional provision the statutes provide that the Governor, Secretary of State and the Attorney General shall constitute a committee to make contracts for the publication of records of the Supreme Court. (M. A. S., '12, 1542.)

The law creating the office of Inspector of Coal Mines provides that the head of the department may make purchases of supplies, etc., where the expenditure is less than \$25.00, on his own responsibility, but if it exceeds this sum the vouchers must be signed by the Governor. (Laws 1913, Ch. 56.)

The Governor, the State Treasurer and the Secretary of State are members of a committee to designate a daily newspaper published in Denver, for publication of legal notices, advertising, etc., of the Supreme Court, of departments, etc. (M. A. S., 4490.)

In a separate report on a central purchasing department for the State there is covered in some detail the faults and weaknesses in the present system of

purchasing supplies, equipment, etc., for and by departments, boards, institutions, etc. With the adoption of the recommendations contained in that report the Governor should be relieved of the constitutional and statutory duties outlined above concerning the purchasing function. Under the operation of a central purchasing department, the designating of a State newspaper and the publication of notices, etc., in newspapers would be contracted for on a competitive basis by the central purchasing department.

7. Power Over State Lands.

The Governor's power over State lands is exercised in the following manner:

1. He appoints the members of the State Board of Land Commissioners with the consent of the Senate. (M. A. S., 5786.)
2. He must execute good and sufficient deeds for all State lands sold according to law. (M. A. S., '12, 5792.)
3. All patents to State lands must be signed by the Governor, attested by the Secretary of State and countersigned by the Register of the Land Board. (M. A. S., '12, 5812.)

(See separate report on the State Board of Land Commissioners for further details under this heading.)

8. Extradition, Requisitions and Rewards.

Upon requisition of the Governor of another state, the Governor shall issue his warrants under the seal of the State to apprehend the fugitive to any sheriff, coroner or constable of any county of the state, or other person whom the executive may think fit to entrust with the execution of the process. (M. A. S., '12, 3080.)

"Whenever the executive of this state shall demand a fugitive from justice from the executive of any other state or territory, he shall issue his warrant under the seal of the state, to some messenger, commanding him to receive said fugitive and convey him to the proper county where offense was committed." (M. A. S., '12, 3081.)

The Governor may offer a reward, not exceeding two hundred dollars, for the apprehension and delivery of any person charged with or convicted of treason, murder, etc., who has broken prison, escaped or fled from justice. (M. A. S., '12, 3088.)

9. Pardons, Reprieves, Commutations and Paroles.

As the chief executive officer, the Governor in most of the states of the Union has been entrusted with the exercise of the pardoning power. In some states this power is very broad, but in Colorado it has been limited by certain requirements.

Constitutional and Statutory Provisions.

"The Governor shall have power to grant reprieves, commutations and pardons after convictions, for all offenses except treason, and except in cases of impeachment, subject to such regulations as may be prescribed by law relative to the manner of applying for pardons, but he shall in every case where he may exercise this power, send to the General Assembly, at its first session, thereafter, a transcript of the petition, all proceedings and the reason for his action." (C. IV, 7.)

By statute the Governor has authority, under his own rules and regulations, to issue paroles to convicts except such as have committed assault with a deadly weapon upon any officer, employe or convict of the penitentiary. (M. A. S., '12, 5488.)

Under these provisions the Governor will grant during a biennial period, one or two pardons and reprieves, from forty to sixty commutations and about 700 paroles and revocations. Copies of all these papers are kept on file in the

office. A report upon all pardons, reprieves and commutations granted by the Governor during each biennial period is made to the General Assembly at the opening of the regular session.

10. Enforcement of the Liquor Laws.

The enforcement of the constitutional and statutory provisions relating to the sale of intoxicating liquors has by statute been vested in the Governor. (Laws 1915, ch. 63.)

To carry out the provisions of this act the Governor has appointed State agents to enforce the prohibition laws in Denver and throughout the State. All liquors sold to or by, or found to be in the possession of persons contrary to law, are seized. At first such seizures were promptly destroyed, but the constitutionality of this procedure in certain cases was made subject of suit, so that while the subject is pending the confiscated liquor is being stored in the Capitol.

11. Other Duties of the Governor.

There are many and varied duties imposed upon the Governor which cannot well be classified, but relate in general to his office as chief executive. Some of these are as follows:

1. He may issue writs of election to fill vacancies in either house. (C. V., 29.)
2. The Governor must canvass the votes at primary and general elections. (M. A. S., '12, 1017.)
3. He must certify to the list of presidential electors. (M. A. S., '12, 1103.)
4. He shall approve the bond of the Deputy Inspector of Building and Loan Associations. (M. A. S., '12, 511.)
5. The Governor, with the consent of the Attorney General, may appoint counsel to defend the State in civil cases. (M. A. S., '12, 2704.)
6. The Governor, Auditor and Secretary of State, or any two of them, may classify cities. (M. A. S., '12, 7241.)
7. The Governor may prohibit the importation of diseased stock into the State. (M. A. S., '12, 7059.)
8. The Governor shall approve all rules and regulations of the Civil Service Commission. (Laws 1915, ch. 51.)
9. He may proclaim holidays and issue proclamations. (M. A. S., '12, 3371.)
10. He may grant detective licenses to persons, firms and corporations. (M. A. S., '12, 2208.)

IV. SUMMARY OF FINDINGS

This report on the office of the Governor of the State of Colorado has been purposely restricted in certain particulars, in order to avoid duplication of material contained in a separate report on state finances and budget procedure. The latter report covers in some detail the powers and duties of the Governor with respect to budget making and responsibility for financial legislation. Hence that report may be read with interest in connection with the data contained in the foregoing pages, which data are mostly concerned with those powers and duties of the Governor not discussed in other reports by the Survey Committee.

The findings, therefore, as a result of the present study of the office of the Governor, may be summarized as follows:

- a. There is overlapping of functions and powers as between the legislature and Governor. Responsibility for financial legislation and executive control, with respect to the preparation of a budget and the making of appointments, is divided where the best interests of the State would demand the centralization of this responsibility.
- b. The veto powers of the Governor over appropriation bills is negated with respect to those appropriations which have previously been provided for

(NOTE—The comments included above under a, b and c, are covered more in detail in the separate report on State Finances and Budget Procedure.)

in acts creating departments, boards, etc. In several cases in recent years this curtailment of the veto power over appropriations has interfered with the freedom of action of the Governor where he has deemed his veto power necessary.

c. The large percentage of new and inexperienced members of the legislature and the volume of bills presented each session to that body would seem to demand a change in the method of providing for financial measures and in the control over the executive branch of the government.

d. The power of appointing administrative officers and employes of the State is shared by the Governor and Senate where such power should be in the Governor alone, who, as chief executive, is responsible for results. Further, the Governor appoints subordinate employes in some departments, whereas such employes should be under civil service regulations or appointed by the head of the department, who is best qualified to select his subordinates, inasmuch as he is directly responsible for the results of the operation of his department, and may, therefore, be held to a stricter accountability and responsibility.

e. Moreover, the present division of responsibility for appointments as between the Governor, Senate and department heads, as referred to above, is destructive of efficient administrative control, particularly in such cases as in the State Engineer's department, and the Governor by and with the advice and consent of the Senate appoints division engineers.

f. Concerning the publication of annual and biennial reports of departments, boards, etc., rendered to the Governor, there is shown to exist considerable duplication of data in reports of different departments and boards; also, there is considerable data published at State expense which is unnecessary or out of place in annual or biennial reports. The editing and printing of reports lacks centralized direction and control.

g. It is difficult for a central authority, such as the Governor or the legislature, to utilize to the best advantage the information printed in biennial reports owing to the practically unlimited freedom of administrative heads to print anything and everything and to the great diversity in the manner of presenting the financial and statistical data in reports.

h. The staff in the Governor's office is inadequate in technical experience or size to perform the duty of editing reports submitted to the Governor for approval before printing.

i. The legislature admittedly does not read the biennial reports submitted to it by the Governor, and it would find great difficulty in doing so under present conditions without an interpreter. As a basis for executive or legislative judgment in determining the financial needs of departments and institutions, at the time of enacting appropriation bills, the biennial reports of departments, boards, institutions, etc., are almost valueless.

j. The same comments as made above with respect to reports may be made concerning bulletins issued by departments and bureaus.

k. There is an unnecessary volume of work devolving on the Governor in connection with the signing of salary and expense vouchers of different departments. It is absurd to require the Governor to sign the monthly salary vouchers of clerks, janitors, etc., when one monthly payroll sheet for each department or board, signed by the head of the department or board, and verified by civil service or other independent authority, would be all that is necessary for auditing purposes.

l. The approving by the Governor and Treasurer of contracts for certain supplies and repair work, the duty of making contracts for publishing the records of the Supreme Court (a duty shared jointly with the Secretary of State and Attorney General), and the duty of designating a State newspaper for publication of official notices (a duty shared jointly with the Secretary of State and Treasurer), should be conferred on a central purchasing department for the State government, a department recommended in a separate report on purchasing.

V. RECOMMENDATIONS

There should be a clear line of demarkation between the function of the Governor and of the legislature with respect to financial legislation, and also with respect to appointments to the executive branch of the government. (See

separate report on State Finances and Budget Procedure for recommendations on budget making and control of financial legislation and of departments.)

All administrative offices of the executive branch of the government now appointed by the Governor by and with the advice and consent of the Senate, should be appointed by the Governor alone. All subordinate employes now appointed by the Governor alone, or appointed by him by and with the advice and consent of the Senate, should be either under civil service rules and regulations or appointed by the respective administrative officers.

The compilation of statistics and other data for department reports to be rendered to the Governor, and the editing of all reports for publication, should be under the immediate direction of a statistical expert in the Governor's office, who in turn should be under the immediate direction of the budget and efficiency commissioner recommended in the report on State Finances and Budget Procedure.

The printing of biennial reports and the sending of such reports to the legislature should be matters to be decided by the Governor, unless special request for the reports of any department is made on the Governor by the legislature.

The Governor should be relieved of the duty of signing salary and expense vouchers of all those departments which by law are required to have their vouchers approved by the Governor. All vouchers now signed by the Governor, with the exception of those for his own department, should be approved by the heads of the respective departments and boards and by them transmitted to the State Auditor for audit and settlement. This recommendation is in line with recommendations made in separate reports on the State Auditing Board, the State Auditor, and on the study of State Finances and Budget Procedure.

The recommendations made in a separate report on State purchasing methods provide for a central purchasing department. The establishment of such a department should provide also for assuming the duties, outlined in the preceding pages, conferred by law on the Governor and other officials with respect to contracts for supplies, repair work, and publication of laws and notices.

Report

on a Survey of the Office of Secretary of State and on Public Control of Corporations

INCLUDING

PUBLIC UTILITIES COMMISSION, STATE BANK COMMISSIONER,
DEPARTMENT OF INSURANCE, BUREAU OF BUILDING AND
LOAN ASSOCIATIONS, GENERAL CORPORATION
LICENSING AND CONTROL, COMMISSION
MERCHANT INSPECTORS, ORE
BUYER'S INSPECTOR.



Report No. II



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

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C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

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State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,
State Home for Dependent and Neglected Children,
Industrial School for Girls,
State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Survey of the Office of Secretary of State

I. CONSTITUTIONAL AND STATUTORY REFERENCES

The Secretary of State is declared by the constitution of the state to be an executive officer of the state. By statute (2709, M. A. S.) he is required to perform all the duties which may be required of him by law, to have charge of and keep all the acts and resolutions of the territorial legislature and of the General Assembly of the state, and the enrolled copy of the constitution of the state. Also, all bonds, books, records, maps, registers and papers of a public character which now are, or may hereafter, be deposited, are to be kept in his office.

In addition to the above general provisions of law, the Secretary of State is required by statute to perform many specific acts and duties of a varied class and description. For a clearer understanding of the many activities conferred by statute on the Secretary of State, the following classification thereof in summary form is submitted:

Keeper of Records and the Great Seal.

- a. Oaths of office are filed in office of Secretary of State by officers of executive departments, judges of supreme and district courts, and district attorneys. (Art. 12, Sec. 9c.)
- b. Acts of the General Assembly and enrolled copy of constitution are kept by Secretary of State. (2709, M. A. S.)
- c. Bonds, books, records, maps, registers and papers of a public character, deposited in his office, are kept by the secretary. (2709, M. A. S.)
- d. Census papers are filed in the office of the Secretary of State. (599, M. A. S.)
- e. Annual reports of district attorneys, concerning fees and disposition thereof, are filed with the Secretary of State. (2923, M. A. S.)

Concerning Elections and Registration.

- a. County clerks are notified by the Secretary of State concerning the calling of general elections. (2271, M. A. S.)
- b. Registry books and blanks for registrars of elections are prepared and furnished by the Secretary of State. (2334, M. A. S.)
- c. Poll books, tally lists, etc., are furnished by the Secretary of State to judges of elections and county clerks, together with printed instructions. (2518, M. A. S.)
- d. Secretary of State is required to record and publish statements of state board of canvassers. (2476, M. A. S.)
- e. Secretary of State notifies county clerks of the election of certain officers, members of congress, and of general assembly. (2271-72, M. A. S.)
- f. Secretary of State is required to furnish both houses of assembly with list of members and their districts, in accordance with the returns in his office.
- g. Secretary of State prepares a list of the presidential and vice-presidential electors and furnishes each elector with a certificate. (2477-8, M. A. S.)

Certification and Supervision of Corporations and Business Concerns.

- a. Building and Loan Associations are required to file sworn statements of their affairs annually with the Secretary of State. Secretary of State acts, also, as attorney for associations to acknowledge processes, etc. (507-8, M. A. S.)

- b. Corporations are formed or permitted to do business in the State of Colorado by filing with the Secretary of State certificates or other evidence of incorporation. (980, M. A. S.)
- c. Trade marks, labels, etc., for protection in the use thereof, are recorded in the office of the Secretary of State.
- d. Emblems, badges, etc., of Loyal Legion, G. A. R., or secret societies, are registered in the office of the Secretary of State. (Ch. 50, R. S.)
- e. Corporations doing business in the State of Colorado are required to file with the Secretary of State annual reports, amendments to articles of incorporation, increase or decrease of capital stock, etc., and any other changes affecting corporation matters, required to be recorded in the office of the Secretary of State.
- f. Produce commission merchants doing business in this state are required to be licensed by the Secretary of State, and to file bond with the secretary, who also may investigate the books, records and business reputation of such commission merchants whenever he deems it necessary to do so.
- g. The sale of convict-made goods is regulated by license issued by the Secretary of State. (958, M. A. S.)
- h. The business of milling, sampling, concentrating, purchasing, etc., ores, concentrates, etc., is regulated by license issued by the Secretary of State.

License and Registration of Motor Vehicles.

- a. All motor vehicles are required to be registered with the Secretary of State.

Purchasing Supplies and Printing and Providing for Official Advertising.

- a. The Secretary of State, the Governor, and the State Treasurer designate a state paper for publication of legal notices, etc. (4490, M. A. S.)
- b. Awards for advertising in a state paper are to be made by the Secretary of State in the presence of the Governor and State Treasurer. (4493-94, M. A. S.)
- c. The Secretary of State is required to place in the hands of the person authorized to do the public printing, the reports required by law to be rendered to the Governor or legislature by officers, and to superintend the printing thereof. (5298, M. A. S.)
- d. The senate and house journals are published and distributed under the direction of the Secretary of State, and he is required to do the indexing thereof. (3329-31, M. A. S.)
- e. The printing of the revised statutes, etc. (7001-2, M. A. S.), and session laws, and the distribution thereof (L. 1913, Ch. 145-146) is done through the Secretary of State.
- f. Office supplies and printing for certain departments, boards, etc., are purchased or contracted for by the Secretary of State. (2718, M. A. S.)
- g. The Secretary of State is the general purchasing agent for the supreme court. (2722, M. A. S.)
- h. The Secretary of State, the Governor, and Attorney General, let contract for publishing reports of the supreme court. (1542, M. A. S.) The Secretary of State advertises for bids for the above printing and is required to purchase and distribute the reports. (1543-5-6, M. A. S.)

Control of Public Property.

- a. The Governor, Auditor, and Secretary of State form a committee for the condemnation of useless personal property, and the secretary is required to advertise the sale of such property. (315-16, M. A. S.)
- b. The Secretary of State has the charge, care and custody of public property where no other provision is made. (2710, M. A. S.)

Boards of which the Secretary of State is a Member.

- a. State Board of Equalization. (Art. 10, Sec. 15c.)
- b. State Board of Canvassers. (2305-2471, M. A. S.)
- c. Board of Commissioners of State Debt. (553, M. A. S.)
- d. State Commission on Prison Labor. (5579, M. A. S.)
- e. State Board of Education. (Art. IX, Sec. 1, Const. 6575, M. A. S.)
- f. State Auditing Board. (6830-31, M. A. S.)

Labor Statistics, Employment Agencies, Factory Inspection.

- a. The Secretary of State is ex-officio Commissioner of Labor Statistics. Appoints a deputy labor commissioner. (532, M. A. S.)
- b. The commissioner (ex-officio) appoints superintendents and assistants for free employment agencies and has the licensing and supervision of private employment agencies. (Ch. 52, M. A. S.)
- c. Secretary of State appoints four deputy factory inspectors.

Miscellaneous Duties of Secretary of State.

- a. The secretary is required to select and notify one member of senate and two members of house of representatives to examine and verify, six days before the commencement of each regular session of the general assembly, the accounts of the auditor and treasurer. (2792, M. A. S.)
- b. In case of death or resignation of the State Treasurer, the Secretary of State, with two persons appointed by the Governor, is required to seal up and secure all moneys, papers and other things in the treasury supposed to belong to the state (2795, M. A. S.); also to furnish list of such sealed packages, etc., to sureties and representatives of the late treasurer (2796, M. A. S.), and a copy of said list is required to be filed in the secretary's office. (2797, M. A. S.)
- c. The Board of Commissioners of each county is required to report annually to the Secretary of State, the number of poor persons and statistics relating thereto, and the Secretary of State is required to tabulate the reports of the several counties and present the tabulations to the Governor. (1345, M. A. S.)
- d. The Secretary of State, under the direction of the state board of agriculture, is required to prepare and furnish blank forms to county clerks for delivery to county assessors for the collection of agricultural statistics. The Secretary of State is further required to have printed a compilation of such statistics. (125, M. A. S.)
- e. Commissions issued by the Governor are countersigned and a record thereof kept by the Secretary of State. (2711, M. A. S.)
- f. Proclamations are issued by secretary concerning changes of county lines. (1270, M. A. S.)
- g. Constitutional amendments, etc., are published by the Secretary of State. (3532g, M. A. S.)
- h. Certificates for rent due for buildings or property used by the State are issued by the Secretary of State. (2716, M. A. S.)
- i. Deeds and patents for sale of public lands are attested by the Secretary of State.
- j. Classification of cities is made by the Governor, Auditor, and Secretary of State. (7241, M. A. S.)
- k. On authorization of the Governor, the Secretary of State is required to issue license to private detectives and keep a register thereof. (2209-10-14, M. A. S.)
- l. The Secretary of State is required to make full and complete report of all affairs of his office to the Governor. (Art. 4, Sec. 17c, M. A. S.)

- m. Provide rooms, furniture, supplies and printing for various departments, boards, commissions and offices. (760, 2722, 3465, 3844, 3860, 5640, 6819, 7012, M. A. S.)

II. ORGANIZATION AND DUTIES OF EMPLOYEES

The data submitted below concerning the titles, duties, etc., of employes of the office of the Secretary of State is a summary of information furnished by the employes of that office with the approval of the Secretary of State. The data has not been verified in detail, but it will serve to indicate the duties assigned to the several employes. The titles of employes, as furnished and listed in this report, are not the same in all cases as those listed in the appropriation act for the present biennial period. The difference is caused, largely, by a use by the employes, of titles descriptive of the work performed, and by a looseness in the observance of the civil service regulations.

The organization units under which the employes have been assembled below is, in the main, in accordance with existing divisional units. In certain cases, however, in the absence of definite divisional classification, it has been necessary for the purpose of this report, to set up other divisional units. In several cases, also, where the chief duties of certain employes seemed to justify placing them under certain divisions, such employes have been so placed.

General Office.

Secretary of State.....	\$4,000
Duties as outlined above.	
Deputy Secretary of State.....	\$2,500
Assists and represents the Secretary of State in his official duties.	
Chief Clerk and Auditor.....	\$1,800
Supervises and directs the work of all divisions of the office of Secretary of State and represents the office in the absence of the secretary and the deputy.	
Bookkeeper and Requisition Clerk.....	\$1,800
Prepares salary vouchers and pay rolls, and vouchers for purchases made from the general incidental fund; keeps the general ledger and accounts; receives from cashier all collections and handles transactions concerning deposits of cash with State Treasurer; handles the purchasing of office supplies and printing for certain departments included in the general incidental fund; sundry other duties.	
Clerk, Cashier and Accountant.....	\$1,500
Receives all flat tax fees and fees for filing annual reports, incorporation papers, bonds, etc.; receives all collections on account of sales of copies of laws; keeps cash book, and inventory record of law books for sale, and of revenue stamps sold and charged; acts as assistant information and filing clerk, motor vehicle registration clerk, and bookkeeper.	
Chief Clerk and Stenographer.....	\$1,200
Takes dictation from the various divisions of the secretary's department; has charge of the execution of articles of incorporation, certificates of paid-up stock, amendments, etc.; makes copies of indexes, and files corporation documents, makes list of defunct corporations for publication in newspapers and lists of delinquent corporations for district attorneys; makes out vouchers and biennial report.	
Assistant Document Clerk.....	\$1,200
Assistant to the bookkeeper and requisition clerk.	
Clerk and Stenographer.....	\$1,200
Makes certified copies of corporation papers, house and senate bills, etc.; makes notary, magistracy and other certificates;	

detective, ore buyers and other licenses; takes dictation; files and indexes letters; copies list of defunct and delinquent corporations; makes out vouchers and biennial report.

Stenographer\$1,200

Takes dictation; makes letter-press copies, and files and indexes letters; makes certified copies of corporation papers; makes certificates of notary, magistracy, etc.; makes out vouchers; copies list of defunct and delinquent corporations; makes out licenses, etc.

Voucher Clerk and Stenographer.....\$1,200

Takes dictation; makes letter-press copies, and files and indexes letters, makes certified copies of corporation papers; makes certificates of notary and other certificates; makes out vouchers, licenses, etc.

Clerk and Stenographer.....\$1,200

Takes dictation; makes letter-press copies and files and indexes letters; makes certified copies of corporation papers; makes notary and other certificates, licenses, vouchers, and list of defunct corporations, etc.

Messenger and Assistant Clerk.....\$900

Waits upon public, receives and accounts for express and other packages and letters; keeps a record of house and senate journals and session laws; general messenger duties, etc.

Corporation Department.

Information Clerk.....\$1,500

Approves or rejects all corporation documents for filing; calculates the cost of such filings; makes orders for all certified copies of documents and certificates; and answers general correspondence.

Filing Clerk.....\$1,800

Indexes and files in vaults all corporation papers and reports, executive orders, proclamations, and other official documents which originate or are filed and indexed in the office of the Secretary of State; compares and mails all commissions; gives general information to public concerning all filings in the office.

Flat Tax Department.

Cashier\$1,800

Supervises and directs the work of the flat tax department.

Assistant Cashier.....\$1,200

Issues receipts for corporation flat tax payments; computes amounts of taxes due and posts collections to flat tax indexes or registers; keeps cash book and issues monthly statements thereof to bookkeeper; assists in preparation of lists of defunct and delinquent corporations; indexes new corporations in flat tax registers, and performs various other duties.

Computer\$1,200

Audits accounts; issues receipts for flat tax payments, etc.; performs general clerical work in connection with corporation matters, etc.

Computer\$1,200

Issues receipts for flat tax payments and for filing corporation reports; compiles lists of defunct and delinquent corporations; inspects annual reports filed by corporations; general clerical work.

Computer	\$1,200
Computes amount of flat tax due and delinquent, and prepares statements thereof; receives payments of taxes and issues receipts therefor; examines annual reports from corporations, collects fees for filing such reports, and issues receipts; prepares list of defunct corporations; assists in posting payments to flat tax registers; issues forms and permits, etc., relating to intoxicating liquors and keeps records thereof; performs other miscellaneous duties.	
Computer	\$1,200
Makes entries of cash receipts and of new corporations and amendments in the flat tax registers; prepares lists of defunct and delinquent corporations; checks taxes due, and assists in sending out forms for corporations to render annual reports; general clerical work.	
Computer	\$1,200
Performs general clerical, bookkeeping, computing and filing work, has charge of the clerical work relating to the issuing of blanks, the checking of reports, and the keeping of records concerning the sale of liquor in the state.	

Recording Department.

Chief Recording Clerk.....	\$1,200
Records in bound registers verbatim copies of all domestic incorporation papers, amendments, dissolutions, etc.; also fraternal emblems and architects' licenses; chief proof-reading clerk of certified copies of documents, etc.	
Chief Comparing Clerk.....	\$1,200
Records domestic incorporation papers, amendments, emblems, licenses, etc.; compares certified copies of incorporation and other documents.	
Assistant Comparing Clerk.....	\$1,200
Assists in the recording and comparing of all domestic incorporation papers, amendments, etc.; and proof-reads certified copies of documents.	
Assistant Comparing Clerk.....	\$1,200
Records domestic incorporation papers, amendments, etc.; and assists in comparing certified copies of documents.	
Assistant Comparing Clerk.....	\$1,200
Records domestic incorporation papers, amendments, etc., and assists in comparing certified copies of documents.	

Motor Vehicle Department.

Motor Vehicle Clerk and Cashier.....	\$1,500
Takes acknowledgments of licenses issued for Denver County; checks reports of registrations in other counties of the state; issues licenses and keeps record thereof; takes acknowledgments in general for the Secretary of State's office; furnishes motor vehicle license supplies to other counties, etc.	
Assistant Motor Vehicle Clerk.....	\$1,200
Issues motor vehicle licenses for Denver County and keeps record thereof; checks reports of registrations in other counties, and keeps registers thereof; furnishes motor vehicle license supplies to other counties and keeps accounts with each county relating to motor vehicle collections and license supplies.	
Chief Document Clerk.....	\$1,200
Receives, files and checks motor vehicle registration lists of licenses issued in all counties outside of Denver; assists clerk and	

cashier in issuing licenses for Denver County; binds, files and certifies to the number of names of initiative petitions; takes annual inventory of office of Secretary of State, and other duties as assigned.

Assistant Document Clerk.....\$1,200
Duties same as outlined above for the chief document clerk.

Stenographer and Clerk.....\$1,200
Makes typewritten lists of all automobile owners and dealers in the state; assists in the indexing of motor vehicle registers; makes certified copies of incorporation papers; makes semi-annual classified lists of various automobiles in use in the state.

State Automobile Inspectors, two at \$1,500 each.....\$3,000
Engaged in enforcing the motor vehicle law, locating stolen cars, etc.

Trade Inspection Department.

Commission Merchant Inspectors, two at \$1,200.....\$2,400
Required to see that commission merchants have state license and have filed necessary bond, and that they are complying with the commission merchants law; inspect state and interstate shipments of fruit, vegetables, grain, etc.

State Ore Buyer Inspector.....\$1,500
Visits buyers of gold and silver ores, amalgams, gold dust, etc., to see that they have licenses and have filed bond; makes effort to prevent high-grading.

Bureau of Labor Statistics.

For personnel and duties relating to labor statistics, employment agencies, and factory inspection, see separate report thereon by the Survey Committee.

III. METHODS AND PROCEDURE RELATING TO CERTAIN FUNCTIONS, WITH COMMENT AND SUGGESTIONS

Certification and Supervision of Corporations.

There are two main classes of corporations, as follows:

- a. Domestic Corporations.
- b. Foreign Corporations.

Domestic Corporations may be, in turn, divided into two classes, such as:

- a. Those incorporated for profit.
- b. Those not incorporated for profit.

The former class, or those corporations incorporated for profit, will be discussed in this report. The latter class offer no particular administrative problems requiring discussion at this time.

Domestic Corporations for Profit.

Corporations may be formed under the provisions of the act of 1877, entitled "An Act to Provide for the Formation of Corporations." According to the terms of this act no corporation, association or society, for any purpose authorized by this act, shall be formed under any other act. Banks, insurance companies, building and loan associations, etc., are incorporated under special laws, and will be treated in other sections of this report.

Three or more persons desiring to form a company for the purpose of carrying on any lawful business, may make, sign and acknowledge before some officer competent to take the acknowledgement of deeds, certificates in writing in which shall be stated:

1. The corporate name of said company.
2. The objects for which the company shall be created.
3. The amount of capital stock of said company.
4. The term of its existence, not to exceed twenty years, except as hereinafter provided, save and except to make perpetual corporations insuring lives of individuals, which have been heretofore or may be hereafter organized under the laws of Colorado.
5. The number of shares of which the said stock shall consist.
6. The number of directors or trustees of said company, and
7. The names*of those who shall manage the affairs of such company for the first year of its existence.
8. And the name of the town or place, and the county, in which the principal office of the company shall be kept.
9. And the name of the county or counties in which the principal business shall be carried on; and they shall make as many such certificates, as may be necessary, so as to file one in the office of the recorder of deeds in each of such counties and one in the office of the Secretary of State; and when any company shall be created under the laws of this state for the purpose of carrying on part of its business beyond the limits thereof, such certificate shall state that fact and shall, also, state the name of the town and county in this state in which the principal office of said company shall be kept, and shall state the name of the county in which the principal business of such company is to be carried on within this state.

When the certificate referred to above has been received by the Secretary of State, it is carefully examined to see whether it has been filled out in accordance with the law. The examination does not go beyond the strict compliance with the form of the law as outlined in the certificate. The name of the corporation is carefully checked against the index registers to determine whether the name is available. The objects for which the company shall be created are carefully read over to see that they are specific and contain no ambiguity, and are for a lawful purpose.

If the name is available, the object lawful and clearly stated, and the other provisions of law complied with, the cost of incorporation is calculated and received and certificate of authority is issued. The corporation then is permitted to engage in the business for which it was incorporated for the period authorized, usually twenty years.

It will be noticed that the interrogatory power of the Secretary of State is limited to determining merely whether the persons desiring to incorporate have properly filled out the certificate of incorporation. There is no provision in the act of 1877 requiring the persons desiring to incorporate first to secure subscriptions to the full amount of their authorized capital stock and then to certify that at least fifty per cent thereof has been paid in in cash or property, before certificate of authority to do business may be issued to them. Such requirements are in the Illinois and South Carolina laws and are deemed a safeguard to investors.

It is stated on reliable authority that many fake corporations have been organized in the past in Colorado, resulting in injury to legitimate corporations in financing their enterprises. If there were provisions in the law similar to those in the Illinois and South Carolina, with respect to supervision of corporation organization prior to the issuing of certificates of authority to do business, and such provisions were enforced, Colorado would be taking its place with the advanced states of the Union in an effort to place corporation business on a legitimate basis. Naturally, mere interrogatory power, and control of subscription lists prior to incorporation, will not prevent speculative promotion, fake corporations, or stock watering.

The regulation of reserves and disposition of profits are among the principal controlling factors in restrictive legislation as affecting such matters. Such legislation to be effective, however, would require supervision of all corporations similar to that exercised over banks, insurance companies, etc. This is probably too advanced a scheme of corporation regulation at this time. But liberal interrogatory powers with statutory requirements respecting subscription lists, etc., as referred to above, would permit of closer control over corporations permitted to do business in this state.

The corporation law of the states of Illinois and South Carolina requires persons desiring to incorporate first to make application to the Secretary of State before they may solicit subscriptions to capital stock. According to the Illinois law, the secretary may propound such interrogatories as he may deem necessary to ascertain the true object, upon the filing of any statement to obtain permission to incorporate. This interrogatory power is evidently granted to the Secretary of State with the object of preventing the promotion of fraudulent companies.

If the object for which a corporation is proposed to be organized is clearly and definitely stated, and lawful, etc., the Secretary of State issues to the persons presenting the application a license as commissioners to open books for subscription to the capital stock. The capital stock must be fully subscribed before the commissioners may call a meeting of subscribers for election of officers and for action on other business coming before the meeting. When the organization is completed the commissioners are required to make a full report of their proceedings, including the following:

- a. A copy of the notice to subscribers advising them of the meeting.
- b. A copy of the subscription list.
- c. A statement of the amount of the capital, not less than one-half actually paid in.
- d. The amount of capital not paid in and the disposition made of the stock subscribed and not paid in.
- e. Value, appraised by commissioners, of any portion of capital paid in property.
- f. Names of directors or managers and their terms of office.

While, as pointed out in a report by the Efficiency and Economy Committee of Illinois, the evident intent of the corporation law of that state was to protect investors and guard against abuse of the privileges of the corporation law, yet it is stated in the report that no test has ever been made of the right or authority of the Secretary of State to refuse a charter to a corporation that has issued stock for over-valued property, or to prevent stock watering. In other words, although the Illinois law provides for protection of legitimate investors, in practice it appears to have accomplished little more than if the law were no different from the corporation laws of most of the other states of the union.

This is not the fault of the law, however. The expense of enforcing an effective supervision over the affairs of all corporations seems to be the deterrent factor. In the case of banks, insurance companies, etc., the cost of governmental supervision and control over the activities of such corporations is of secondary consideration. The cost seems to be justified in these cases. Yet it is really the corporations which pay the cost of supervision and control. Banks pay for each examination by state examiners, and insurance companies pay or contribute to the cost of examinations in the fees, etc., paid to the office of the Commissioner of Insurance.

Similar provision in corporation laws could be made concerning examination of other classes of corporations and the fees to be paid therefor. It would not be necessary to have a very large examining staff for the purpose of enforcing the law, for the reason that the mere fact that examiners were available for the purpose of making direct examinations of all corporation affairs would have the moral effect of preventing illegal practices. Again, examinations could be confined largely to those corporations about which there is suspicion of intent to evade the law or to commit infractions thereof.

The corporation law of the state of Minnesota confers on the Governor the right, at any time, to call on the Attorney General to make examination of the affairs and condition of any corporation and to report such examination to the

Governor, who is required to transmit the report to the legislature. A legislative committee also may examine corporations. The evident intent and purpose of the general laws of every state concerning corporations is to provide that only lawful and honest corporations shall be permitted to do business in a state, and to supervise and regulate their affairs thereafter.

The efforts of Illinois and South Carolina to control corporation affairs are an acknowledgment of the obligation of the state to see that the corporations created by them are bona fide at time of their creation and that they continue such during their corporate existence, so far as compliance with the law is concerned. The general corporation law of Colorado should be modeled after those of Illinois and South Carolina, concerning the supervisory and regulative provisions, but efforts should be made also to enforce the law in all its provisions by direct examination of banks, insurance companies, building and loan associations, etc.

In this connection, reference is here made to a newspaper report of a recent meeting of the National Association of Attorneys General, composed of the law officers of the various states, including Colorado. The report is as follows and is founded on a brief filed with the United States Supreme Court in the Ohio "blue sky" case. It will be noted that in its closing paragraphs it emphasizes the importance of administrative control, and of inspection and supervision of corporations, thus supporting the views on this question previously outlined herein.

"Believing that it is of the utmost importance to the public welfare that the various states shall have the right to enact this sort of legislation, the National Association of Attorneys General appointed a committee to prepare the brief, which says in part:

"Speaking generally, the evil in connection with the sale of stocks and bonds has gradually been increasing for the last twenty years. Commencing with beautifully engraved certificates, representing stock that was about to pay fabulous dividends upon mythical gold mines in California and Alaska, literary silver mines in Colorado and visionary oil wells in Texas and Oklahoma, the evil spread until corporations were being formed in almost every state in the union for the express purpose of issuing worthless stock to be sold to a large class of people throughout the United States who by thrift or inheritance had a small sum of cash, but whose lack of knowledge of business made them an easy victim for men who were skilled in the art of deception.

"It was not, then, merely the evils of so-called visionary oil wells, gold mines and copper mines that had to be combated, but the sale of worthless stock and bonds in innumerable domestic corporations organized to defraud the public and which deceived even capable business men by reason of the connection of prominent men in the state or community who, for one consideration or another, had permitted the use of their names in connection with the promotion of such corporations.

"The corporation laws of almost every state in the union are such as to facilitate the organization of corporations for the purpose of defrauding the public. The result was that the evil grew until almost a universal demand was voiced in every state in the union looking to the correction of the evil.

"The whole question, then, resolves itself into this: The states either have, or have not, the sovereign power to protect their citizens against fraud and deception in the sale of stocks, bonds and other securities. If the states have this power, it can only be exercised by some form of administrative law. Some form of inspection and supervision, some form of administrative law alone will suffice to accomplish the purpose.

"The genius of the age is preventive. Surely this court cannot say that the only power the states have to protect their citizens against fraud and imposition in the sale of stocks, bonds and other certificates is the punishment of an occasional offender under the criminal laws of the state."

In the general assembly of 1913 a bill was introduced and passed for the regulation and supervision of corporations, but was vetoed by the Governor because of its conflict in parts with certain acts passed by the same assembly regulating public utility and insurance companies. This vetoed measure, as the Governor stated, had many excellent features needed in this state. They were virtually in line with the general recommendations made in this report for the effective control of corporations of all kinds doing business in the state. The results of the present

survey of state affairs should be of material assistance in formulating a new measure for control and supervision of corporations.

Foreign Corporations.

Every company incorporated under the laws of any foreign state or kingdom or state or territory of the United States, desiring to do business within this state must file in the office of the Secretary of State a copy of its charter of incorporation, or a copy of certificate and of the general incorporation law of such foreign state. It must also, before authorized or permitted to do any business in the state, make and file a certificate, signed by the president and secretary of the corporation, duly acknowledged, with the Secretary of State, and in the office of the recorder of deeds of the county in which such business is carried on, designating (a) the principal place of business in the state, and (b) an authorized agent or agents in the state residing at the principal place of business. Foreign corporations admitted in accordance with these provisions are subject to all the liabilities, restrictions and duties imposed upon corporations of like character organized under the general laws of the state, and shall have no other or greater powers.

Foreign corporations are required to pay a larger fee upon the filing of certificate of incorporation, articles of association, or charter, than is paid by domestic corporations. The latter pay \$20.00 if the capital stock does not exceed \$50,000 and 20 cents on each \$1,000 in excess thereof. They also pay 20 cents on each \$1,000 of the amount of each subsequent increase of capital stock. Foreign corporations pay \$30.00 if the capital stock does not exceed \$50,000 and 30 cents on each \$1,000 in excess of \$50,000 on that proportion of such excess of stock as is represented by its corporate capital, property and assets employed and located in Colorado, and a like fee of 30 cents on each \$1,000 of that proportion of the amount of subsequent increase of stock as represented by the corporate capital, property and assets employed and located in Colorado. Such corporations are required to make a sworn statement of the entire amount of their capital and that proportion thereof which is represented by the corporate property, capital and assets employed and located in Colorado.

As is the case of domestic corporations, the law relating to filing of foreign corporation papers gives the Secretary of State little interrogatory power beyond seeing that the filings are made in accordance with the form of the law, before issuing a license to do business in the state.

Whether all foreign corporations doing business in the state have filed with the Secretary of State, certificates of incorporation, articles, or charter as required by the law, the secretary's office cannot say. It makes no effort, also, to go beyond the jurat of the amount of corporate capital employed and located in Colorado. It is claimed in the office of the Secretary of State that there is reason to believe that a corps of investigators attached to the office for outside investigations of these questions would materially increase the receipts from corporations, both domestic and foreign.

In a biennial report of the Secretary of State (1909-1910) attention is called to the failure of many foreign corporations doing business in the state to comply with the laws of the state, and a recommendation is made to require, by statute, that county assessors make report of all corporations doing business in their respective counties. This recommendation was never adopted. It is probably the most economical and effective procedure that could be devised for locating corporations which have failed to file with the Secretary of State. It would impose very little extra labor on the part of the county assessors, as the corporations doing business in their counties could be determined in connection with the preparation of the assessment rolls.

Annual Reports.

According to the provisions of the general law relating to annual reports, adopted in 1911, every corporation, joint stock company or association incorporated by or under any general or special law of this state, or of any foreign state or kingdom, or of any state or territory of the United States, shall, within sixty days next after the first day of January in each year, make and file an annual report in the office of the Secretary of State.

In 1913 and 1915, by acts of the general assembly, banks and insurance companies were excluded from the operation of the general law of 1911, outlined in the foregoing. Such corporations now render reports to the state bank commissioner and the commissioner of insurance respectively, and not to the Secretary of State.

The general law of 1911 concerning annual reports, and the amendment thereof of 1913, concerning defunct corporations, were the result of a condition of affairs in the office of the Secretary of State, with respect to corporation reports and inactive corporations, which were becoming intolerable. The defunct and moribund corporations act of 1913, provides that:

“If any corporation has, or shall hereafter fail, for a period of three years to pay the annual state corporate license tax, and other fees required by law, or to make any report the statutes require, the secretary of state shall prepare a list of such corporations and shall publish the same in this state in a newspaper of general circulation in the county where the principal office of the company is located, for one issue. And upon said publication being completed, a proof of publication being filed thereof with the secretary of state by such newspaper, said corporations shall thereupon be deemed defunct and inoperative and no longer competent to transact business within the state of Colorado; and the secretary of state shall make proper notations in red ink opposite the name of such corporation in the index books, indicating the status of such defunct and inoperative corporations.

“Provided, that any such defunct corporations upon the payment of all such delinquent taxes and fees and an additional fee of five dollars for a certificate of reinstatement, shall thereupon become reinstated, revived and operative.”

The effect of the passage of the statute of 1911, relating to annual reports of corporations, is given in the report of the Secretary of State for the biennial period ended November 30, 1912. The act did not become effective until January 1, 1912. A comparison between the number of reports filed in 1911 and 1912, and the amount of collections for the two years is given in the report as follows:

Year	Number of Reports Filed	Fees Therefor
1912	7569	\$30,990
1911	3362	14,177
Gain	4207	\$16,813

Owing to insufficient clerical help, it is stated, no data was furnished the district attorneys as required by law, to institute proceedings against those corporations which had failed during the year 1912 to file reports.

A further advantage of the act concerning annual reports is obtained from the fact that by enforcing the filing of reports, corporations are compelled to pay all delinquent flat taxes as a prerequisite to the filing of the reports.

Writing of the operations of the defunct and moribund corporations act of 1913, the Secretary of State in his biennial report for the period ended November 30, 1914, states that “14,384 corporations in 1913, and 458 corporations in 1914 were advertised as defunct for failure to comply with certain corporation laws for a period of three years. In 1913, the names of 2,488 corporations, and in 1914 3,693 corporations were certified to the district attorneys of the state, as provided for in the act, for failure to file their annual reports.” Four hundred and eighty-nine of the defunct corporations were reinstated during 1913 and 1914 on payment of delinquent taxes and the filing of reports.

The provisions of the law declaring defunct and inoperative corporations which fail for three years to comply with the law is effective at least in weeding out dead corporations and in establishing the number of live corporations in the state each year. This is particularly important as having a bearing on estimates of revenue to be raised each biennial period to meet the expenditures of the state. The law, however, should be made even more effective and weed out each year, instead of waiting three years to do so, all corporations which fail to file reports within sixty days after January first of each year.

Illinois has such a statute concerning the filing of annual reports by corporations. The statute provides that failure to file the annual report within the period allowed is prima facie evidence that the corporations delinquent in this respect are out of business and have forfeited their charters. Certain decisions of the Supreme Court have considerably nullified this provision of law, however, owing to the wording of the law.

The penalty in Colorado of not less than \$1,000 as a fine and the making of the officers and directors of delinquent corporations liable for all debts of such corporations, is said to be looked upon as an abortive attempt to enforce the law with respect to filing of reports and payment of taxes. No action by a district attorney has ever been started in any court to recover the penalty of \$1,000 since the law has been in effect. The certified list of delinquent corporations is annually submitted to district attorneys. As a result of some publicity in the newspapers concerning such lists, a number of delinquent corporations included therein have hastened to file their reports.

Such delinquent corporations, including some declared defunct in accordance with law, have been reinstated by the Secretary of State on the payment of delinquent taxes and fees, filing of report, and in the case of defunct corporations, the payment of the additional fee of \$5.00 for a certificate of reinstatement. No attempt is made by the Secretary to collect the penalty of \$1,000 in the case of those corporations which are merely delinquent and subsequently comply with the law. Whether the Secretary of State has the right to collect such penalty is in doubt. The act says it shall be recovered before a court of competent jurisdiction. District attorneys, charged with the recovery of the penalty of \$1,000 have only indirectly made any attempt to recover the penalty.

While the mere fact that there is such a penalty in the statutes for failure to file an annual report has worked considerable improvement in the compliance with the law, as shown previously herein, yet there are at the time of writing this report, over 2,100 delinquent and defunct corporations listed to be sent to the district attorneys, or to be published in the newspapers, according to the status of the corporations concerned. The list is made up as follows:

	Number Delinquent	Number Defunct
Domestic	1,268	728
Foreign	72	62
Totals	1,340	790

If the general law were amended, as suggested above, to declare defunct and inoperative all corporations which fail to file annual reports within the sixty days after the first day of January in each year, the same results that are now obtained from the operation of the present law could be secured under the proposed change with the additional advantage, undoubtedly, of considerably reducing the number of corporations declared delinquent each year.

Considerable clerical labor is required in the preparation of the delinquent and defunct lists each year. This work must be done very carefully and cannot admit of error. Any saving in the volume of names of corporations included in these lists will to that extent reduce the clerical work of the Secretary of State's office. The clerical cost is a factor which should not be overlooked in any consideration of the merits of a three-year or a one-year defunct act. As stated by a previous Secretary of State in his biennial report, "many corporations doing business in this state are merely playing 'possum; but before the interested parties would permit their organizations to be suspended and declared inoperative, and no longer competent to transact business in Colorado, they would come in and square themselves on the books of this office."

Contents of Annual Reports.

The general law relating to annual reports specifies the detail in which such reports shall be rendered for certain classes of corporations as follows:

- First. The names of its officers and their several places of residence, together with the street or business address of such officer.
- Second. The names of its directors or trustees and their several places of residence, together with the street or business address of such director or trustee.
- Third. The amount of its capital stock as fixed and determined by its articles of incorporation and amendments thereto; together with (if a foreign corporation) the portion of said capital stock represented by its corporate capital, property and assets located and employed in the State of Colorado. And if it appear by any annual report so

filed that the corporate capital, property and assets located and employed in the State of Colorado shall exceed the amount mentioned in its sworn statement at the time of the original filing in the office of the Secretary of State, then said corporation shall pay to the Secretary of State and Secretary of State is authorized to collect thirty cents on each and every one thousand dollars of such excess, and in default of said payment the certificate of authority issued to said corporation shall be revoked.

- Fourth. The proportion of said capital stock actually paid in.
- Fifth. Setting forth how the same was paid, whether in cash, by the purchase of property, or otherwise.
- Sixth. The amount of the indebtedness of said corporation at the date of filing of said report.
- Seventh. Setting forth whether or not it is engaged in the active operation of its business within the State of Colorado.
- Eighth. Such other information as will show with reasonable fullness and certainty the condition of its real and personal property, and the financial condition of such corporation, joint stock company or association at the date of filing report.

And if such corporation be a mining corporation, engaged in mining, or mining and milling of precious metals, in addition to the requirements above set forth, such mining corporation shall also set forth:

- First. The amount of its properties within this state, and where the same are located.
- Second. Whether or not the same are held under letters patent of the United States, and if so what amount thereof.
- Third. Whether or not the same are held by possessory right on the public domain, setting forth the amount thereof.
- Fourth. Also stating in general terms the amount of work done thereon and improvements made thereon since the time of filing the last annual report.

And if such corporation shall be a railroad or other corporation engaged in the transportation of freight, passengers, or other public service, in addition to the matters herein required to be set forth, said corporation shall also state:

- First. The number of miles of track owned and operated by it within this state, and the estimated cash value thereof.
- Second. The number of miles of track leased or in any other way controlled and operated by it within this state, and the estimated cash value thereof.
- Third. The amount of rolling stock of all descriptions owned and operated by it within the limits of this state, and the estimated cash value thereof.
- Fourth. The amount of rolling stock of all descriptions leased and operated by it within the limits of this state, and the estimated cash value thereof.
- Fifth. The amount, together with the estimated cash value thereof, of all its real and personal property, outside of its trackage and rolling stock.
- Sixth. Its franchises, from whom held, together with its estimated cash value thereof.

And if such corporation be a telegraph or telephone company, in addition to the matters herein required to be set forth by such corporation, it shall also set forth:

- First. The number of miles of wire owned and operated by it within the state, and the estimated cash value thereof.
- Second. The number of miles of wire leased and operated by it, together with the estimated cash value thereof.
- Third. The number of offices operated by it within this state, together with the estimated cash value of the equipment of the same.
- Fourth. The estimated cash value of its real and personal property, outside of its owned and leased lines, offices and equipment.

And if such corporation shall be engaged in the business of coal mining, in addition to the matters hereinbefore required to be set forth, it shall state:

- First. The number and location of the different mines owned and operated by it within this state.
- Second. The number and location of the different mines leased and operated by it within this state.
- Third. The number of men actually employed by it at the date of filing said report.
- Fourth. The estimated cash value of the machinery, improvements and general equipments of the different mines owned, leased and operated by it.
- Fifth. The amount of development and improvement done by it upon all of its said property since the filing of its previous annual report.
- Sixth. The acreage of lands owned and leased, but which has not been developed.

And if such corporation be a canal, ditch, power or other corporation engaged in supplying water for irrigation, domestic, mining or power purposes, in addition to the matters hereinbefore required to be set forth in such annual report, such canal, ditch, power or other corporation shall set forth:

- First. The number of miles of canal and ditch owned and operated by it.
- Second. The number of miles of canal and ditch leased and operated by it.
- Third. The number of miles of flume, pipe or other conduit, owned and operated by it, or leased and operated by it.
- Fourth. The amount of its real and personal property, outside of its ditches, canals, flumes or pipe lines.
- Fifth. The number of acres watered by it.

Which report in each case shall be signed by the president and be verified by the oath of the president and secretary of said company under its corporate seal.

And if any such corporation, joint stock company or association shall fail, refuse or omit to file the annual report aforesaid, and to pay the fee prescribed therefor, within the time above prescribed, all the officers and directors of said corporation shall be jointly and severally and individually liable for all debts of such corporation, joint stock company or association that shall be contracted during the year next preceding the time when such report should by this section have been made and filed and until such report shall be made and filed.

And as a further penalty for such failure, refusal or omission of the president and secretary of such corporation, joint stock company or association to comply

with the conditions of this law, they shall be subject to a fine of not less than one thousand dollars to be recovered before any court of competent jurisdiction; and it is hereby made the duty of the Secretary of State immediately after the expiration of sixty days from the first day of each January to report the fact to the district attorney having jurisdiction of the county in which the business of such corporation is located, and the district attorney shall, as soon thereafter as is practicable institute proceedings to recover the fine herein provided for, which shall go into the revenue fund of the county in which the cause shall accrue; in addition to which penalty on and after the going into effect of this act, no corporation, as above defined, which shall fail to comply with this act, can maintain any suit or action, either legal or equitable, in any of the courts of this state upon any demand, whether arising out of contract or tort.

It is a very desirable thing to regulate and to exercise some sort of control over corporations. The information contained in reports, if furnished in proper form, may facilitate this regulation and control. Not all the annual reports, however, filed with the Secretary of State, are submitted in all the details required by law. Further, it is stated in the office of the Secretary of State that the examination of annual reports is confined largely to seeing that the reports are signed by the proper officers of the corporations and that the notary certificate on each report is properly sealed and signed.

Aside from the question of administrative control over corporations, as exercised through examination of annual reports, such reports are said to have another purpose, which probably is the fundamental one, in requiring annual reports to be filed, and explains the small attention now given to their contents, viz.; the filing of annual reports by corporations automatically indicates the existence of active corporations and provides for their taxation. In the light of actual conditions, therefore, it would seem desirable to revise the form of annual reports required of corporations under the general law, eliminating most of the detail now required by law. As a matter of fact, the affairs of building and loan associations, railroads and other public service utilities are under the direct supervision and scrutiny of other departments of state government, and yet these corporations are required to render reports to the Secretary of State. If the affairs of all corporations were subject to a similar scrutiny as that given to public service corporations, banks, etc., the need of detailed reports would be apparent and result in some control, but it is somewhat absurd to require building and loan associations, railroads, etc., to report details relating to financial and other data when such details in more reliable form are available in other departments of the government.

Collection of Flat Tax and Fees.

A very excellent change inaugurated with January first of this year in administrative methods of expediting the collection and recording of fees for filing annual reports, is the plan of sending each year blank forms of reports to corporations on which to render their annual reports to the Secretary of State. Each report form sent out contains the name of the corporation to which it is sent, the folio page of the book in which registered, and the amount of the fee due. This information is filled in during the year at any time prior to sending out the reports.

Another change worthy of note, but which is, in effect, the restoring of a previous practice, is the sending of annual notice to corporations liable for taxes. Annual notices to corporations were suspended about 1912, but experience since then justifies the readoption of the notices.

A notice, or form of bill, is now sent by the flat tax department to corporations on or before the first day of January of each year. This notice is printed in such way that the date, flat tax book and folio number, name of corporation, and the taxes due may be filled in in ink or by typewriter, usually the former. The corporation is advised, by printed instructions on the form, to return the notice with remittance, and also to indicate on the notice to whom the receipt is to be sent. When the remittances and reports under this plan of mailing notices and blank report forms to corporations are received in the office of the Secretary of State, the rush and delay of previous years in issuing receipts for such collections are entirely missing. The method, however, of handling remittances and of issuing receipts is open to criticism from an administrative and efficiency standpoint.

There is a cashier (called clerk, cashier, and accountant) in the office of the Secretary of State whose chief duty is the receiving and recording of moneys turned into the office for flat tax, filing fees, etc. Under the present system, however, moneys received on account of the flat tax, filing of reports, etc., may be received first by the clerks in the flat tax department. If such collections are received through the mail, they are received by the chief clerk and handed to the

chief of the flat tax department. The clerks in that department verify the collections and issue receipts therefor in duplicate. The original receipt, together with the checks or cash, are then taken by the clerks of the flat tax department to the cashier's desk. The latter stamps "paid" on the original receipts, gives them to the persons making the payments and records the transactions in his cash book.

Each day's cash receipts, with a deposit slip, are turned over to the bookkeeper and requisition clerk by the cashier. The bookkeeper (usually the deputy secretary of state) deposits the cash in a bank and at the same time draws a check thereon signed by the Secretary of State, for deposit with the State Treasurer. Thus the actual cash received in the office of the Secretary of State may pass through the hands of from four to five different persons before it is finally deposited in bank. It should be understood that there is no question raised here as to the purpose or intention of any of the persons concerned in these cash transactions. It is the system only that is commented on and which should be changed in such way as will permit all flat tax and other collections (exclusive of motor vehicle licenses) to be received by the cashier direct.

To accomplish this end, the following plan is suggested. This plan will not only facilitate the payment of all moneys direct to the cashier, but it will at the same time eliminate the work of the flat tax department in the writing of receipts. Briefly, the plan simply comprehends the combination in one form of a tax notice and receipt. In other words, the notice will be a tax bill, issued in triplicate by carbon process. One copy will go to the corporations and the other two copies will be filed with the cashier. The form should be so designed that the copy sent to corporations will be an exact copy of the copies filed with the cashier, with the exception that the former will have printed across its face, or a legible water mark, to the effect that the tax bill is not a receipt, but a tax notice.

Under this plan, when a corporation sends or brings its remittance to the office of the Secretary of State, all such remittances should go direct to the cashier. The latter will take out of his pending file his duplicate and triplicate tax bills, stamp one of them paid and give or send it to the person making the payment. The other file copy may then be used to post up the cashier's cash book, after which it may be placed in a permanent file, or, after having been posted, it may be turned over to the flat tax department as the document for crediting the corporation account in the flat tax registers.

The plan proposed is in line with similar methods in use in tax collecting departments in various states and municipalities of the country. It will smooth the present office procedure in the flat tax and other departments of the Secretary of State, and, to a considerable extent, reduce clerical work. The one writing of a tax notice produces at the same time a tax bill and receipt. The cash book now kept in the flat tax department will also be unnecessary. This cash book may conveniently be combined in purpose with the cash book kept by the cashier.

Trade Inspection Service.

The only field service employed by the Secretary of State in direct inspection or investigation of corporations or other forms of business enterprises, is that comprehended in the act regulating merchants engaged in commission business (farm produce), and in the act regulating the business of milling, sampling, etc., ores, concentrates and amalgams.

The number of inspectors and a brief synopsis of their duties is given in the organization table in the front part of this report. The value or efficiency of this field service is not brought into question here. The only points possible to be raised at this time are the administrative problem relating to control and supervision of the inspectors and the method of payment. There has been no regular system established in the Secretary of State's office directing and supervising the work of the field inspectors. The inspectors have not been accustomed or required to render daily or other periodic reports of their activities, stating how they have utilized their time each day, and what results they have accomplished.

This field service, it must be stated, is still new, the acts relating thereto having been passed only in 1915. Sufficient time, however, has elapsed since the appointment of the inspectors to introduce a system of administrative control over their work. Inspectors confer from time to time with the Secretary of State concerning such matters as require his attention, but these conferences should be supplemental with a system of formal records and reports which will permit of an administrative judgment as to the service rendered by inspectors.

The funds from which are paid the salaries and other expenses of these inspectors require mention here. In the appropriation act for the biennial period of 1915-1916 provision was made for a "commission merchant inspector" at a yearly salary of \$1,000 for 1915 and \$1,500 for 1916, and also for "expenses for inspec-

tions," \$750 per annum for the two years of the period. Owing, undoubtedly, to the large territory to be covered in the work of supervising the produce commission business in the state, two inspectors were appointed early in 1915, although the appropriation act provided for one inspector only.

With respect to the salary and expenses of the state ore buyer inspector, these are paid from license moneys received by the Secretary of State under the operation of the act regulating ore buying. According to the provisions of this act, the Secretary of State is permitted to defray the expenses arising out of the act from moneys received from licenses thereunder, and to turn over the balance of such moneys to the state treasurer at the end of every six months.

In 1913 an act concerning state funds and providing for the custody, management, etc., of such funds, was passed and approved. This act, in short, required all departments and institutions deriving moneys from fees, taxes, penalties, licenses, permits, etc., to deposit such moneys with the state treasurer and to draw upon such funds only by vouchers and warrants, certified and approved by the proper officers. This was good legislation and established a standard and uniform method of handling moneys received from sources other than from appropriations, and of expending such moneys. The act of 1915, regulating ore buying, etc., completely reverses the wise provisions of the state funds act of 1913, and gives the Secretary of State the right to expend without audit moneys received from licenses issued under the act, and to retain all such moneys for six months without, meanwhile, making any report thereof to the state auditor or to the state treasurer, the central accounting and financial officers of the state. There is no especial reason for excepting the operations of this act from the provisions of the state fund act of 1913. There is no question but that the funds will be properly expended, but it is such legislation which disrupts organization. The salaries and expenses of the commission merchant inspectors and of the state ore buyer inspector should be provided for by appropriation, and all moneys received under the provisions of the acts requiring such inspections, should be deposited with the state treasurer daily.

Motor Vehicle Department.

The volume of work in this department is constantly increasing with each year. This is to be expected. As the state develops, or increases in population, there is a proportionate increase in motor vehicle licenses. This increase in business is indicated in the following statement of receipts:

Fiscal Year	Amount Collected
1913 }	\$60,833
1914 }	
1915 }	80,047
1916 (six months) }	

The expense of operating this department is not so easily ascertained. According to information furnished by the Secretary of State relating to the employes in his office and their duties, as is given in the organization table in the first part of this report, there are three clerks and two inspectors who give practically the whole of their time to the motor vehicle department. The chief and the assistant document clerk also devote a large part of their time to this department.

According to the appropriation act for the biennial period 1915-1916, there are three clerks provided for in the motor vehicle department. The two document clerks, also, are provided for in the appropriation act. In addition to these clerks engaged wholly or largely in the motor vehicle department, for whom appropriation was made, there are four other clerks and the two motor vehicle inspectors whose salaries are paid from receipts from motor vehicle licenses. The inspectors are engaged wholly in motor vehicle inspection work, while the four latter clerks are not engaged in any work in connection with this department.

This practice of charging to motor vehicle receipts the salaries of clerks who are not directly engaged in the motor vehicle department is justified on the ground that five clerks engaged wholly or part time on motor vehicle licenses and records are paid from appropriations and that, in fact, all the clerks in the office of the Secretary of State may be employed in any department or division thereof as the work is assigned to them or as the need arises.

The act of 1913 concerning state funds and providing for the custody, management, etc., of such funds, expressly provides that all collections derived from fees, taxes, licenses, etc., shall be deposited with the state treasurer and drawn upon only by duly approved voucher and warrant. The motor vehicle act comes under the terms of the state funds act referred to. Under the obligation of meeting necessary expenses of the motor vehicle department, which were not entirely covered by appropriations, the Secretary of State, by confirming opinion of the attorney general, is compelled to deduct such expenses, including salaries, from receipts from motor vehicle licenses, before such receipts are turned into the state treasury. The receipts so turned in are divided in equal proportions between the state and the counties which co-operated in the issuing of motor vehicle licenses.

Under efficient administration and budget planning, the necessity of resorting to methods in contradistinction to law would be practically eliminated in the carrying out of work programs or in the carrying on of the business activities of the state. The deviation from statutory or other requirements in any particular case usually results in a chain of irregular practices. In the present instance, the salaries and expenses deducted by the Secretary of State from motor vehicle licenses are not pre-audited by the state auditor or the state auditing board, and the employes so paid do not appear on the payrolls submitted to the civil service commission with the other employes of the Secretary of State's office. Further, such expenses being deducted in this way without voucher and warrant drawn in the formal manner authorized by law, they are not recorded in the books of the state auditor.

Provision should be made by appropriation by the next legislature, for the necessary salaries and expenses of operating the motor vehicle department, and all moneys received from motor vehicle licenses should be deposited daily with the state treasurer, as required by law.

Purchase of Supplies.

By statute (2718, M. A. S., L. 79) the Secretary of State is required to advertise for bids, and, with the approval of the governor and the state treasurer, to award a contract or contracts for furnishing the necessary furniture, stationery, fuel, light and other articles required by the legislature and executive departments of the state, and the supreme court, for each biennial period. By subsequent enactment (L. 1903; Ch. 134, M. A. S.) the office of commissioner of public printing was created, which has the direction and supervision of public printing of the State of Colorado. This includes stationery, blank books, etc.

The board of capitol managers, also, appears to have the duty by law of furnishing the legislative and executive departments with furniture, fuel and light. The act creating the board provides that the board shall continue in existence "until the entire completion and furnishing of said capitol building, and shall announce by proper proclamation the same as accepted by and through the said board on behalf of the state," whereupon "the said board shall cease to exist" (561, M. A. S.; Laws, 1897). The board, however, has never issued the proclamation referred to and hence continues to supply furniture, fuel and light to the capitol building offices, and also to the offices of the state museum building.

Thus the Secretary of State, with the approval of the Governor and the Treasurer, confines himself to contracting only for office supplies for the legislative and executive departments and the Supreme Court, and to contracting, with the approval of the Governor and the Attorney General, for the printing of supreme court reports. Concerning the printing of supreme court reports, the last contract therefor was awarded in August, 1911, and extends for a period of ten years thereafter. Recent legislation, however, (Act of 1915, "Concerning Public Printing and Contracts therefor") providing that "no claim or account for public printing shall be audited or paid unless the same has been ordered by the commissioner of public printing," will probably result in the transfer to the commissioner of public printing of the duty of contracting for the printing of supreme court reports, although there is some doubt as to the force of the act in question inasmuch as it makes no mention therein of repealing other acts in conflict therewith.

Office supplies have been, for convenience in bidding divided into two classes, viz.:

- a. General office supplies.
- b. Typewriting supplies.

The contract for each of these two classes of supplies is awarded as a whole for a period of two years beginning with the first day of January of a regular session year of the general assembly. A schedule of each class of supplies is prepared

in the office of the Secretary of State. Bids are opened by the Secretary of State in the presence of the Attorney General and the State Treasurer. Award is made by the Secretary of State with the approval of the Governor and State Treasurer.

According to the minutes of the meetings of the Secretary of State, Attorney General, and the State Treasurer in December, 1914, on the opening of bids for the supplies contracts for the present biennial period, the bids received at that date were turned over to the bookkeeper of the Secretary of State's office and the commissioner of public printing, as a committee to decide the lowest responsible bidder. This committee reported on December 23, 1914, the two firms which in its judgment were "as a whole" the lowest bidders for the office supplies and the typewriting supplies schedules respectively. The contracts were then awarded to the said two firms in the manner required by law.

On inquiry it is learned that there is little or no attempt made in the awarding of bids for office and typewriting supplies to observe the requirement of law that "the maximum price to be paid for any articles purchased under such contract or contracts shall not exceed the current wholesale prices for such articles in the city of Denver on the day of opening the bids." It is a matter of common knowledge, verified by records, that the state pays more for its office supplies than is paid by private concerns in Denver. Further, the practice of awarding a contract for supplies as a whole for two years is an inefficient and reckless way of doing business. It would require a very thorough knowledge of market conditions and other facts for any person to enter into a contract for any article of supplies, on prices to remain unchanged for two years. A dealer or manufacturer taking such a contract would be compelled to quote maximum prices, at least, to protect himself over the period of the contract.

The Secretary of State's office has not this expert knowledge relating to market conditions, neither can it determine which supplies included in the schedules will be required in the two years of the life of a contract. Awarding a contract as a whole, containing many hundreds of different items, permits a dealer familiar with the situation to bid low prices on those articles on the schedules for which there is no demand and high prices on those articles which are in current use and demand.

The value or amount of supplies purchased by the Secretary of State for other departments for a biennial period could not be determined at this time without a costly analysis of many accounts, as the item of supplies is only one of several items which may be charged to many lump-sum appropriation accounts, and there is no card or other record kept in the Secretary of State's office giving any data or total figures on the subject. Such information is of fundamental importance to any purchasing officer. It is only with a tabulated and classified record of previous operations, i. e., the kinds of supplies purchased, the quantity of each, and the unit prices and total cost, that one may know the approximate needs of the present and of the future.

It is suggested, therefore, that the duties now devolving by law on the Secretary of State relating to the purchase of supplies should be transferred to a central purchasing department, the creation and establishment of which department are recommended in another section of this report. With the establishment of a central purchasing department that department should not only take over the purchasing function for the state, but it should assume, also, those duties now performed by the Secretary of State, relating to the following:

- a. The advertising for a state newspaper in which to do official advertising. (4492, M. A. S.)
- b. The designation of a printer to print the reports of the supreme court. (1541, M. A. S.)
- c. The advertising for proposals for printing supreme court reports, awarding of contracts, etc. (1543, M. A. S.)
- d. The procuring or furnishing of office equipment, supplies, etc., specified in the various statutes.

The changes suggested in the foregoing will require certain changes, also, in the appropriation act, with respect to the funds provided for supplies.

IV. SUMMARY OF FINDINGS AND RECOMMENDATIONS

1. Summary of Findings.

a. General Corporations.

The Secretary of State has very little interrogatory power, or supervision of general corporation organization prior to the issue of certificates of authority to do business in this state. The power of the Secretary of State over persons desiring to incorporate is practically restricted to seeing that articles of incorporation are submitted to him in the form required by law.

The general corporation law is defective in that it gives the Secretary of State practically no control over general corporations doing business in the state.

The Secretary of State has no independent means of determining whether all foreign corporations doing business in the state have complied with the provisions of the general corporation law. Past experience of the Secretary of State shows that such corporations have not always complied with the law.

b. Annual Reports.

The provision of the general corporation law giving corporations three years in which to be delinquent in filing their annual reports before such corporations will be declared defunct and inoperative is too liberal and permits corporations to "play 'possum," to be in business three years and then quit, owing the state for taxes and probably getting away with stockholders' funds besides. It also makes difficult a correct estimate of the revenues from flat taxes at budget making time.

District attorneys have failed to prosecute under the delinquent corporation act. The fine of \$1,000 is an abortive attempt to regulate the filing of annual reports.

There is a considerable amount of clerical labor involved in the preparation each year of delinquent lists for district attorneys. This work requires great care and does not admit of error. There are 1,340 corporations delinquent for failure to file reports before March, 1916, and 790 to be declared defunct for failure in March, 1916, to file reports for three years prior thereto.

c. Contents of Corporation Reports.

The reports filed with the Secretary of State are incomplete to give effective control over corporations.

The contents of reports are never examined by the Secretary of State beyond seeing that they are properly signed and sworn to.

d. Flat Tax Receipts.

There is considerable improvement in the system of collecting flat taxes, but there is unnecessary clerical labor in making out separate tax notices and tax receipts.

Flat tax collections under the present system pass through too many hands in the Secretary of State's office before they are finally deposited with the state treasurer. This is entirely due to the system of issuing tax receipts.

e. Commission Merchant and Ore Buyers Inspectors.

There is loose administrative control over the inspectors operating under the provisions of the commission merchant and ore buyers acts. These inspectors make no written daily or other periodic reports of their activities or of what they have accomplished, and they visit the Secretary's office only at infrequent times.

(The use by the Secretary of State of the license money received under the operation of the ore buyers act has already been referred to in a preceding summary relating to the auditor of state.)

f. Motor Vehicle License Money.

The manner of using the money received by the Secretary of State from the sale of motor vehicle licenses is irregular. In a measure this is due to the failure of the legislature to provide an appropriation for pur-

chasing auto tags, and for incurring certain other expenses in connection with motor vehicle licensing, such as the salary and expenses of inspectors. The salaries of several clerks, however, are paid from motor vehicle license money, which appears to be an unjustified use of the funds.

g. Purchasing Supplies, Equipment and Printing.

There is confusion in the laws concerning the right and duty of the Secretary of State to purchase supplies and equipment for various state departments and offices. The board of capitol managers also appears to have the right and duty of purchasing supplies and equipment for the same state departments and offices. The Secretary of State confines himself, however, to the purchasing of office supplies and certain printing only.

Concerning the purchasing of the latter items the Secretary of State has not the records or the information to handle this function to the best interests of the state.

h. General Duties of the Secretary of State.

The office of Secretary of State seems to be a dumping ground for activities or duties which cannot be placed in some other office. Those activities suggested to be transferred from the Secretary of State are shown below under "Summary of Recommendations."

2. Summary of Recommendations.

Below are given those recommendations only which relate to the activities of the Secretary of State and which are separate and distinct from those activities which have to do with the public control of corporations. For the latter class of activities see a subsequent section herein relating entirely to the function of public control of corporations.

Changes Requiring Legislative Action.

The ore buyers act should be amended to provide that license money received thereunder shall be deposited daily with the state treasurer. (This will require provision in the general appropriation bill for the salaries and expenses of the inspectors appointed under the act. This proposed amendment is suggested also in the summary of recommendations herein relating to the Auditor of State.

The duty now conferred by law on the Secretary of State of purchasing or procuring office supplies and equipment for certain departments and offices (see various statutes relating thereto in the detailed report on Secretary of State), should be conferred instead on a central purchasing department, the creation of which department is proposed in a separate report thereon. Coincident with the proposed change, it is suggested that the said central purchasing department should take over from the Secretary of State the following duties.

- a. The advertising for a state newspaper in which to do official advertising. (4492, M. A. S.)
- b. The designation of a printer to print the reports of the supreme court. (1541, M. A. S.)
- c. The advertising for proposals for printing supreme court reports, awarding of contracts, etc. (1543, M. A. S.)

The creation of a central purchasing department, as referred to above, will require a change in the handling of the "contingent and incidental fund." This fund, however, is referred to in more detail in connection with the summary herein on the State Auditing Board.

The following miscellaneous duties conferred by statute on the Secretary of State should be transferred to the departments designated below:

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|---|---|
| <ul style="list-style-type: none"> a. The compilation, etc., of agricultural statistics (125, M. A. S.) b. The tabulation, etc., of statistics relating to poor persons (1345, M. A. S.) c. The filing of reports of district attorneys (2923, M. A. S.) d. The charge, care and custody of state property (2710, M. A. S.) e. The examination, etc., of unserviceable personal property of the state (315-316, M. A. S.) f. The issuing of certificates of rent due, etc. (2716, M. A. S.) g. The procuring of rooms for various departments and offices (See various statutes relating to this duty in detailed report on Secretary of State.) | <p>Should be transferred to:</p> <ul style="list-style-type: none"> State Board of Agriculture. State Board of Charities and Corrections. Auditor of State. Board of Capitol Managers and their successors. |
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Change Not Requiring Legislative Action.

There should be an appropriation provided from general revenue for the Secretary of State for meeting the necessary salaries and expenses incurred under the operation of the motor vehicle license act.

Report

on Public Control of Corporations

INCLUDING

Public Utilities Commission, State Bank Commissioner,
Department of Insurance, Bureau of Building and
Loan Associations, General Corporation
Licensing and Control, Commission
Merchant Inspectors, Ore
Buyer's Inspector.

Public Control of Corporations

I. SUMMARY OF FINDINGS

The accompanying reports on the State Bank Commissioner, Commissioner of Insurance, Bureau of Building and Loan Associations, and Public Utilities Commission, are submitted here not in the sense of a survey or complete study of the operations and activities of those departments or offices, but rather with the object of showing merely the related functions of each as a basis for the recommendation that such related activities be consolidated in some form in one department with similar activities carried on in the office of the Secretary of State.

Questions relating to the adequacy of the present laws in providing control and supervision of banks, insurance companies, etc., are not raised here for lack of time to study such questions. The annual and other reports, however, of the departments concerned usually contain references to such matters.

It is not proposed in any consolidation scheme outlined herein to consolidate the supervision and control of banking and insurance business, for example, under one commissioner, but instead it is intended that the present bank and insurance departments shall be operated as at present under the immediate direction and control of a commissioner of each department, that all the departments and activities relating to corporation control shall be consolidated in one main department, at the head of which will be a board directly responsible to the Governor, the several commissioners in immediate charge of each group of corporations to be responsible to this board instead of each being responsible directly to the Governor.

Through this scheme of consolidation the function of regulation and control of corporations in the State of Colorado would be brought together in one main department, thus eliminating any duplication of records and clerical work such as now exists in the regulation and control of corporations. It may be said here that such duplication of records and clerical work in the regulation and control of corporations exists and is confined practically in the Secretary of State's office, owing to the fact, as shown in the survey report on the Secretary of State's office, that articles of incorporation, copies of by-laws, amendments thereto, annual reports, etc., are required by law to be filed with the Secretary of State (excepting annual reports of insurance companies and banks), while such documents are also required by law to be filed with other departments having a supervisory control over certain classes of corporations.

Building and loan associations and railroad companies, for example, file reports with the Secretary of State and also with the Bureau of Building and Loan Associations and the Public Utilities Commission respectively. Banks and insurance companies file articles of incorporation, copies of by-laws, and amendments thereto, with the Secretary of State and also with the Bank Commissioner and the Insurance Commissioner respectively. Records and files of such documents are thus duplicated in the offices mentioned.

It has happened in the past (and may happen again) that certificates of authority to certain corporations to do business in this state have been issued by one department having supervision of such corporations without any record of such authorizations having been made with the Secretary of State as required by law. The biennial report of the Secretary of State (1913-1914) calls attention to this fact, and states that several thousand dollars were lost to the state in past years through this error; \$9,000 in fees were collected, the report says, from those corporations which were found not registered in the Secretary of State's office but which were registered in another department.

Concerning the precedent established in or proposed by other states for the centralization of public control of corporations of all kinds, Virginia and North Carolina are among the advanced states in this respect. Concerning these two states the report of the Efficiency and Economy Committee of Illinois for 1915 has the following:

"Virginia Corporation Commission.

"The Virginia Corporation Commission was created by the State Constitution of 1902. It consists of three members appointed by the Governor, subject to confirmation by the general assembly in joint session, for terms of six years, one member retiring every second year. The constitution provides that this commission is the department of government for the creation, visitation, supervision, regulation and con-

trol of corporations chartered by or doing business in the state. The constitution further provides, in considerable detail, for the authority of the commission over transportation and transmission companies, including the power to prescribe rates; and for the administrative procedure before the commission and for judicial review of its decisions. By the constitution and statutes, the commission is also made a board of tax assessors for certain classes of transportation and transmission companies.

"It is further provided by the Constitution of 1902 that banking and other bureaus may be established within the department of the state corporation commission. In 1906 a bureau of insurance was established under the supervision and control of the corporation commission; but the commissioner of insurance is elected by the general assembly for a term of four years. This bureau issues licenses and certificates of authority to insurance, guaranty, trust and insurance companies; it receives reports of fires, and makes investigations into the causes of fires.

"Since 1907 the corporation commission has received financial statements from the state banking institutions. In 1910 the commission was given power to appoint a bank examiner and assistants, who make at least an annual inspection of state banking institutions, and of national banks which are state depositories."

"North Carolina Corporation Commission.

"This commission is constituted as a court of record of three commissioners, elected for six years, one at each biennial election. It selects its own chairman and appoints a clerk and other assistants. The commission has general supervision over transportation, telegraph and telephone companies, all public and private banks, all loan and trust companies, and all building and loan associations. It has power to prescribe rates of transportation and transmission companies and appoints bank examiners.

"Under other acts, the Corporation Commission is also created a board of State Tax Commissioners and a State Board of Equalization, with general supervision of the system of taxation throughout the state, and also assesses corporations for taxation."

The Efficiency and Economy Committee of Illinois in its report of 1915 proposed a department of trade and commerce with bureaus thereunder of general corporations, banking, insurance, public utilities, and other related activities. As that report suggests, "all records relating to individual corporations and to particular classes of corporation should be housed in the same quarters, saving space and facilitating the work of those wishing to consult the same. Moreover, division of authority necessitates two groups of experts, those who look up the corporations and corporation law at the time of incorporation, and those who are entrusted with the work of supervision after incorporation."

The consolidation and centralization of related activities are usually the first steps proposed by efficiency and economy commissions or similar bodies in those states where reorganization of state business has been undertaken or suggested. The Efficiency and Economy Commission of Minnesota, in a preliminary report of 1914, proposed a department of labor and commerce including therein, among other related activities, the supervision and enforcement of banking and insurance business.

In a report on a critical review of the constitution and government of the state of New York, the Bureau of Municipal Research of New York in 1915 discusses, among other subjects, the organization for the regulation of banking and insurance, and comments on the weaknesses and defects of having a separate and independent department in control of each of these classes of corporations. The consolidation of departments having the same functions and activities has been actively pressed and considerable legislation enacted thereon in the state of

New Jersey.

From the data submitted, therefore, relating to banking, insurance, building and loan associations, and public utilities, it will be seen that the function of each is public control and regulation of a certain class or group of corporations. This control and regulation is established by special statutes for each class or

group of corporations mentioned. There are, however, many other classes of corporations created by or permitted to do business in the state, which are governed by the general corporation law but over which there is little or no control exercised by the state. The consensus of opinion of persons in position to judge is that the same control should be exercised over general corporations that is exercised over special classes of corporations.

The Secretary of State is the officer authorized to issue certificates of incorporation to domestic, and certificates of admission to foreign, general corporations, upon the compliance by the latter with certain provisions of the general corporation law. The weaknesses in the general corporation law as providing effective control of general corporations, the desirability of such control, and the attitude on this question of the national association of attorneys general of the various states of the Union, have been pointed out in the separate report on the office of Secretary of State. The centralization of the function of regulation and supervision of corporations, both general and special, should, however, be the first step in any plan providing for an effective control of all corporations. This would be merely a recognition of a business principle of bringing together, wherever possible, under one policy and program all activities which are alike in their purpose and ultimate results.

II. RECOMMENDATIONS CONCERNING PUBLIC CONTROL OF CORPORATIONS

In the separate report on a survey of the office of the Secretary of State, recommendations are made concerning the need for change in the laws relating to general corporations. A summary of those recommendations is as follows:

a. Changes Requiring Legislative Action.

1. The general corporation laws should be amended to provide for effective control over the issuing of charters to corporations to do business in this state, and to provide for adequate control over corporations doing business in the state.
2. The general corporation laws should be amended to regulate the disposition of funds of general corporations in the same manner (or similar thereto) that funds of special classes of corporations are regulated in special laws thereon.
3. County assessors should be required by law to make report to the proper department of all corporations doing business in their respective counties.
4. The provisions of the general law relating to defunct corporations should be amended to provide that corporations shall be declared defunct when they fail to file an annual report within sixty days after January first of each year.
5. Corporations which are regulated by special statutes, such as railroads, building and loan associations, etc., should not be required to submit annual reports to the Secretary of State.

b. Change Not Requiring Legislative Action.

1. The present form of notice to corporations of flat taxes due, and the form of receipt issued for flat taxes paid, should be combined in one form and issued at the same time in as many copies as needed to facilitate the collection of flat taxes.

Concerning the centralization of public control of corporations, the following recommendations are made:

a. Changes Requiring Legislative Action.

1. The granting of charters, recording of corporation documents, amendments, etc., and the regulation and supervision of corporations should be centralized under one authority and control.

2. To make effective this centralization of authority and control of related subjects, the following departments, bureaus and activities should be consolidated as organization units under one main organization or department:
 - a. Public Utilities Commission:
(This includes the function of supervision and control of public utilities as a division in the proposed department, the public utilities commission, however, to be the executive board in control of the whole department, as suggested below.)
 - b. Commissioner of Banking;
 - c. Department of Insurance;
 - d. Bureau of Building and Loan Associations;
(Now under the supervision of the Auditor of State.)
 - e. General Corporation Licensing and Control;
(Functions now exercised by the Secretary of State in the corporation, flat tax, and recording and indexing divisions of his office.)
 - f. Commission Merchant Inspectors;
(Now under the supervision of the Secretary of State)
 - g. Ore Buyers' Inspector;
(Now under the supervision of the Secretary of State.)
3. The Public Utilities Commission should be designated the central authority in charge of the new department. The Public Utilities Commission would continue to exercise the same powers over the public utilities now conferred on it, and in addition have supervision and direction of the work of regulation of banking, insurance, building and loan associations and the other related subjects. This change would avoid the creation of a new board and at the same time bring to the management of the function of public control of all corporations an organization already developed to assume executive supervision thereof.
4. The administrative heads in immediate charge of public utilities of banking, insurance companies, and of the other divisions in the new department, should be placed in the civil service, together with all other employes under the supervision of the board in executive control of the department.

With the adoption of the changes suggested above, it should be possible, also, to provide for a reorganization of the personnel or staff of employes thus brought together under one central authority. In the data submitted on the Commissioner of Banking and the Bureau of Building and Loan Associations, reference is made to the lack of sufficient examining force properly to handle the work of examining banks, loan companies, and building and loan associations. The centralization of the public control of corporations may still make necessary the employment of an additional examiner of banks, but the centralized authority may make examiners available for banks, building and loan associations, and insurance companies, whereas under the existing organizations there is no co-operation between these separate departments.

Briefly summarized, the advantages of the proposed changes are as follows:

- a. There will be one central authority and control over all corporations doing business in the state;
- b. There will be one general policy and program of action for all corporations;
- c. The Governor, as the chief executive of the state, will have one department reporting to him concerning public control of corporations instead of five as at present;
- d. All the records and data relating to public control of corporations will be centralized on one department;

- e. The proposed changes will make possible the fullest co-operation of employes in the exercise of this authority and control;
- f. Duplication of work of filing, recording, issuing certificates of incorporation, etc., will be practically eliminated;
- g. The employes engaged in field examinations or in inspection work may be utilized with greater efficiency;
- h. Corporations and the public in general will have one central department to deal with in connection with the public control of corporations, and corporations will avoid the necessity of filing reports and other documents with different departments, and, also, in the case of certain corporations, of paying for filings in each department;
- i. The administrative heads in immediate supervision of the staffs of employes engaged in regulating general corporations, banks, insurance companies, etc., will be appointed under civil service regulations, thus providing for securing continuity of service and more effective administration.

Article XV., Sec. 7, of the state constitution provides that "no railroad or other transportation company in existence at the time of the adoption of the constitution shall have the benefit of any future legislation without first filing in the office of the secretary of state an acceptance of the provisions of this constitution, in binding form." This section of the constitution, however, will, it is believed, have no bearing on the proposed statutory changes recommended in this summary.

III. STATE BANK COMMISSIONER

The present act concerning banks and banking was enacted and approved in 1913. By the terms of this act, control and supervision of state banks is conferred on a State Bank Commissioner.

The bank commissioner is appointed by the Governor, by and with the consent of the Senate. He shall have had at least five years' experience as a banker and shall receive a salary of \$3,600 per annum. The commissioner shall appoint a chief deputy at a salary of \$2,400 per annum, and such other deputies as may be necessary, not exceeding one deputy for every sixty banks, or major fraction thereof, at a salary of \$1,800 per annum.

The commissioner and his deputies shall furnish surety company bonds in the sum of \$10,000. The commissioner may employ, also, a clerk and a stenographer at a salary not to exceed \$1,080 each per annum. He may appoint also a special deputy and such other assistants and legal counsel as may be necessary and fix their compensation, in liquidating the affairs of any bank, all expenses of such liquidation to be paid out of the assets of said bank.

The present organization of the State Bank Commissioner's department, paid from state funds, is as follows:

State Bank Commissioner.....	\$3,600
Chief Deputy.....	2,400
Deputies (two), each.....	1,800
Clerk	1,080
Stenographer	1,080

No state bank may be incorporated to do business in this state without the approval of the bank commissioner, unless a board consisting of the Governor, Attorney-General and State Treasurer, to whom is referred by the commissioner his reasons for refusing to authorize a bank to do business, orders the commissioner, after a hearing, to issue the authority.

Articles or certificates of incorporation, copies of by-laws, amendments to certificates of incorporation, reports and other statements concerning banks are required to be filed with the bank commissioner. Certificates of incorporation, and amendments thereto, are required to be filed, also, with the Secretary of State and with the clerk and recorder of the county in which the corporation is doing business.

The bank commissioner shall, at least twice each year, and as often as he deems advisable, examine all the books, records, papers, assets and liabilities of every kind and character owned by or relating to every bank, and shall keep himself fully informed as to the financial condition and business methods thereof, and shall make and file in his office a correct report in detail disclosing the results of such examination.

Every bank examined by the bank commissioner having total resources of the following amount shall pay the following fees for each examination:

- a. \$100,000 or less, \$25.00;
- b. More than \$100,000 and less than \$200,000, \$35.00;
- c. \$200,000 and less than \$300,000, \$50.00;
- d. \$300,000 and less than \$500,000, \$65.00;
- e. \$500,000 and less than \$1,000,000, \$90.00;
- f. \$1,000,000 and over, \$90.00, and in addition thereto a fee of 3 cents for each \$1,000 of such resources in excess of \$1,000,000.

No bank shall be required to pay for more than four examinations each year, unless such examination be made at the request of said bank.

The bank commissioner shall charge the same fees for copies of all reports and records filed in his office as are charged for similar papers by the Secretary of State. He shall also make report to the Governor on the first day of January in each year, disclosing the names of the officers and directors of all banks during the preceding year, a summary of the financial condition of such banks, and such other information concerning banks and his office as he may deem advisable to submit.

In the last annual report of the State Bank Commissioner (covering the twelve months from January 1 to December 31, 1915), the commissioner states that there were 209 banks under state supervision at that time. He calls attention to the fact, also, that there were 298 examinations made by his department in 1915, as compared with 415 examinations made in the previous year, resulting in a shrinkage in fees collected of \$3,790. The commissioner states, further, that he was unable to comply with the law requiring examination of banks at least twice each year owing to his inability to secure the approval of a majority of the State Auditing Board to the necessary traveling expenses of the commissioner and his deputies to make the required number of examinations of banks.

During the current year (to November 15, 1916) there have been 344 examinations of banks and the number of banks has increased from 209 in 1915 to 224 at November 15, 1916. The bank commissioner states that his department is seriously handicapped to perform its function with the maximum efficiency and in the manner it should be performed, owing to an inadequate examining force.

It is estimated by the commissioner that there will be 230 banks in operation at the close of this year (1916), for which there are three deputies to examine each bank at least twice a year, as required by law. This would mean 460 examinations a year by three men, or an average of 153 examinations per year per man, which is slightly less than an average of two days to an examination, including traveling time, writing of reports, and other necessary office work. To maintain this average with the present force requires hurried and a certain amount of incomplete work in the majority of examinations.

Aside from the supervision and control of banks and banking, the State Bank Commissioner has been charged with the supervision and control of the business of loaning money on security of any kind by persons, firms and corporations other than banks and building and loan associations.

The act conferring this duty on the State Bank Commissioner was approved April 12, 1913, and requires all such persons, firms and corporations loaning money, with the exceptions noted above, to pay an annual license tax of \$50.00, and to keep such records, and file such documents with the bank commissioner, as are required in the act. The expenses of the bank commissioner arising out of the enforcement of this act are to be paid out of the moneys received for licenses issued under this act.

The bank commissioner states that there are only four or five persons or firms which to date have complied with the act in question and taken out licenses.

He states further that his staff cannot possibly attend to the proper regulation of these loan companies and attend also to the examination and control of banks, and that there are, in his judgment, many loan companies within the meaning of the act, doing business in the state and which are operating without licenses.

No appropriation was made for enforcing the act by employing the necessary inspection service. The money obtained from the few licenses issued is insufficient for the purpose of adequate regulation and supervision. When the commissioner receives any complaints against any loaning company he turns them over to the district attorney for prosecution.

The "loaning money" act referred to, authorizes the bank commissioner to retain for six months any money received from licenses issued under this act and to pay therefrom any expenses incurred under the operation of the act. The "state funds" act of 1913, which was approved eighteen days after the "loaning money" act was approved, reverses the provisions of the latter act concerning the retention of license money, and requires the commissioner to deposit daily with the State Treasurer all his collections from whatever source. The commissioner, however, has not deposited his license money daily with the State Treasurer because of the uncertainty of being able to withdraw such money for meeting the expenses payable therefrom, in the absence of any specific appropriation for the purpose.

IV. DEPARTMENT OF INSURANCE

In 1913 a new insurance code for the State of Colorado was enacted and approved, to regulate the organization and government of insurance companies and others doing business in the state. The department of insurance was created in a previous act (in the early eighties) and has been continued in all subsequent amendments.

The department is charged with the execution of the laws relating to insurance and has a supervising authority over the business of insurance in this state. As the thirty-fourth annual report of the Commissioner of Insurance states, "while the work is expressed in the somewhat comprehensive term of supervision, yet, it is made up of several features, some of the main ones being the elimination of the irresponsible agent, the assisting in the adjustment of claims, examination into the financial ability and operating methods of companies already admitted to the state, and the keeping out of the state undesirable companies, the effort to simplify and clarify the policy contracts in order that less misunderstanding and confusion ensue, the readjustment, and in so far as possible, the systematizing of the work of the agents and representatives generally, and finally, through all those and other influences, increase the confidence of the public in the stability, the equity and real worth of insurance."

The chief executive officer of the department is the Commissioner of Insurance. He is appointed by the Governor by and with the consent of the senate, and subject to removal for cause. His term of office is four years and he shall give bond in the sum of \$30,000. He is required to be well versed in insurance, and an elector of Colorado.

The present organization of the department of insurance is as follows:

Commissioner of Insurance.....	\$3,000
Deputy Commissioner (actuary).....	2,100
Examiner	1,500
Assistant Examiner.....	1,500
Clerk (called "Assistant to Examiner").....	1,200
Clerk and Stenographer (called "Assistant to Examiner")	1,200
Clerk and Stenographer (two) each.....	1,200

File Clerk and Stenographer..... 1,200

It is the duty of the commissioner to file in his office and keep all books and papers required by law to be filed therein, and to keep and preserve in permanent form a full record of his proceedings, including a concise statement of the condition of such insurance companies reported to or examined by him, to issue certificates of authority to transact insurance business to any insurance companies which have fully complied with the laws of this state, and to issue such other certificates as required by law in the organization of insurance companies and the transaction of the business of insurance, and generally to do and perform

all such duties as are or may be imposed on him by the laws in relation to the business of insurance in this state.

He shall require every domestic insurance company to keep its books, records, accounts and vouchers in such a manner that he or his authorized representatives may readily verify its annual statements and ascertain whether the company is solvent and has complied with the provisions of law.

He shall make an annual report to the Governor of the affairs of the insurance department, which report shall contain a tabular statement and synopsis of the several statements as accepted by the commissioner, and such other matter as in his opinion may be of benefit to the public, and shall make such recommendations as he may deem proper in regard to the subject of insurance in this state, and shall set forth in a statement, verified by oath and the certificate of the auditor of state, the various sums received and disbursed by him.

The Commissioner of Insurance shall examine and inquire into the violations of the insurance laws of this state, and for this purpose, or to see if the laws are obeyed, or to examine the financial condition, affairs and management of any company, he may visit or cause to be visited by his actuary, or examiners of his office, the head office in the United States of any domestic or foreign insurance company applying for admission to or already admitted to do business in this state, and he may for these purposes examine or investigate any company organized under the laws of Colorado, and any agency of any company doing business in this state; provided, that the commissioner may employ competent persons other than the actuary or examiners of his office, to make examination of such companies; and provided further, that the consent of the Governor must be obtained to all examinations, inquiries or investigations.

The cost of such examinations when made beyond the borders of the State of Colorado shall be paid by the company examined, and shall include the reasonable expenses of the commissioner, and assistants employed therein, whose services are paid for by the department, and the compensation and reasonable expenses of his assistants employed therein whose services are not paid for by the department.

All insurance companies doing business in this state are required to pay to the Commissioner of Insurance the following fees:

For filing certified copy of articles of incorporation, required by this act, on the organization of each company.....	\$50.00
For filing power of attorney and statement preliminary to admission	50.00
For filing copy of its charter or deed of settlement, and examination thereof.....	25.00
For filing annual statement.....	50.00
For certificate of authority to transact business in this state.	5.00
For each copy of certificate of authority for use of agents and solicitors	2.00
For each copy of any paper filed in his office, per folio.....	.20
For affixing the seal of his office and certifying any paper..	1.00

All insurance companies now doing business in this state or that may hereafter do business in this state, unless otherwise provided in the insurance code, must make and file with the commissioner annually on or before the first day of March in each year, a statement in duplicate under oath upon a form to be prescribed and furnished by the commissioner, stating the amount of all premiums collected or contracted for in this state or from residents thereof, in cash or notes, by the company making such statement during the year ending the last day of December next preceding; the amount actually paid policy-holders on losses and the amounts paid policy-holders as returned premiums by fire insurance companies, etc.

All insurance companies doing business in this state shall pay to the state treasurer, through the commissioner's office, a tax of two per cent on all premiums collected or contracted for in this state or from the residents thereof during the year ending the thirty-first day of December next preceding, provided in the case of companies engaged in fire or marine insurance, the tax shall be collected on such premiums after deducting from the gross amount thereof the amounts paid to policy-holders as returned premiums, and the amounts paid as premiums to admitted companies for re-insurance, and in cases of life insurance companies, the tax shall be collected on the gross amount of premiums collected or contracted for in this state or from residents thereof during the year ending the thirty-first

day of December next preceding, after deducting therefrom the amounts paid as premiums to admitted companies for re-insurance, and provided further, that if any company shall have fifty per cent or more of its assets invested in bonds or warrants of this state, or of any county, city, town or district in this state, and other property within this state in which such company is permitted by law to invest its funds, then such company shall not be required to pay the tax herein provided.

No foreign insurance company shall transact any business in this state, unless it shall first file in the office of the commissioner of insurance a duly certified copy of its charter, or articles of incorporation, or deed of settlement, together with a statement, under oath, of the president and secretary, or other chief officers of such company, showing the condition of affairs of such company on the thirty-first day of December next preceding the date of such oath. All foreign insurance companies hereafter applying for authority to do business in this state, shall, for filing the articles required by this section, pay to the commissioner the same fee as that required by the statutes for filing the same document or documents with the Secretary of State; but in no case shall the fee paid to the commissioner be less than twenty-five dollars. After filing its articles of incorporation or charter with the Secretary of State, no insurance company shall be required to file its annual report or any other instrument (except amendments to said articles of incorporation or charter) in the office of the Secretary of State or to pay the Secretary of State an annual corporation tax.

Every insurance company doing business in this state shall, on or before the first day of March in each year, render to the commissioner of insurance a report, signed and sworn to by its chief officers, of its condition on the preceding thirty-first day of December, which shall include a detailed statement of assets and liabilities, the amount and character of its business transacted, and moneys received and expended during the year, and any further details of expenditures, and such other information, to be included in the report or supplementary thereto, which the commissioner may deem necessary.

The examination of insurance companies is done by an examining commission, appointed by a committee of a national association of insurance commissioners. The commission is composed of two commissioners of other states and the commissioner of insurance in the state in which the examination is to be made, or the representatives of the commissioners. By means of such an examining commission, the results of an examination are accepted in the insurance world as bona fide and impartial.

The greater portion of the field examination work in this state is done in connection with the inspection and supervision of insurance agencies throughout the state. The records of agencies are inspected to see that the agencies are complying with the law, and that all insurance agents are licensed. A considerable amount of office work is necessary, also, in the examination and auditing of annual and tax statements of insurance companies, in the writing of insurance companies' and agents' licenses, of which there are said to be some nineteen thousand licenses issued annually, and in the keeping of other records necessary in connection with the proper supervision and control of insurance business.

V. BUREAU OF BUILDING AND LOAN ASSOCIATIONS

The Bureau of Building and Loan Associations was created by act of 1907, in force January 1, 1908. By the provisions of this act, this bureau was established in the State Auditor's office, and the State Auditor was made ex-officio inspector of building and loan associations. He is authorized by the act to appoint a deputy inspector of building and loan associations, who shall be an accountant and familiar with the general principles upon which associations are conducted.

The deputy shall receive \$2,000 salary per annum, payable from the state treasury, and shall give a surety company bond in the sum of \$10,000.

All building and loan associations are required by the act to file with the inspector of building and loan associations a copy of their articles of incorporation and a copy of their by-laws, and also shall file copies of all changes in such articles and by-laws as soon as made.

On or before the first day of February and the first day of August in each year, every such association organized under the laws of the state of Colorado or of any other state or territory, shall file with the inspector a report of its affairs and operations for the six months ending on the thirty-first day of December and on

the thirtieth day of June last preceding. Such reports shall contain the following information:

- a. The amount of authorized capital, amount of paid-up capital, and the par value of each share of stock.
- b. The number of shares of stock issued during the preceding six months.
- c. The number of shares canceled or withdrawn during said period.
- d. The number of shares in force at the end of said period.
- e. A detailed statement of receipts and disbursements, including an itemized statement of the expenses of conducting the business for the period of the report.
- f. A detailed statement of the assets and liabilities at the end of the period of the report.

In addition to the foregoing particulars, each December report shall include, also, the total net dues received on outstanding stock, less insurance premiums and either membership or withdrawal fees, the net profits of the year then closing and the aggregate net profits on the outstanding stock for all preceding years.

Upon receiving such reports, the inspector shall issue his certificate to the association complying with the provisions of the act. If any officer of any association fail to file the report required by the act, such officer shall forfeit and pay the sum of \$10.00 for every day such report is withheld or delayed.

For filing semi-annual reports, associations shall pay to the inspector the following fees:

- a. If the assets of an association as shown by its report amount to \$250,000, or less, \$10.00;
- b. If more than \$250,000 and not exceeding \$500,000, \$40.00;
- c. If more than \$500,000, \$75.00;
- d. For each paper filed in his office, 25 cents;
- e. For affixing the seal of the office, or certifying any copy, \$1.00.

The fees collected shall be deemed to pay for all examinations by the inspector, and all fees of every kind shall be paid into the state treasury for the use of the state.

The inspector is required by the act, to make examination of each association at least once each year. He is also required to keep and preserve in permanent form a full record of his official acts, including a statement of the condition of each association examined, and to make an annual report to the governor showing the general condition of all such associations doing business in the state.

There are some 45 associations filed with the inspector of building and loan associations. The deputy makes the field examinations of the business of such association, but owing to the number of associations he is unable to examine each company more than once in every two years, besides examining semi-annual reports filed with the bureau and issuing certificates therefor. Occasionally, however, the deputy is assisted in his work by the public examiner.

The law requires an examination of each association at least once each year. For one man to comply with this law would require approximately $3\frac{3}{4}$ examinations a month, or an average of seven days to an examination, including traveling and other lost time and exclusive of any time given to work in the office of the inspector.

VI. THE PUBLIC UTILITIES COMMISSION.

The Public Utilities Commission of the State of Colorado was created by act of the nineteenth general assembly, approved April 12, 1913. This commission succeeded the State Railroad Commission.

The Public Utilities Commission is given the general supervision, control and regulation of every common carrier, pipe line corporation, gas, electric, telephone

and telegraph, and water corporation, of every person or municipality operating for the purpose of supplying the public for domestic, mechanical or public uses, and of every corporation or person now or hereafter declared by law to be affected with a public interest. The commission has the issuance of certificates of public necessity and convenience to all public utilities, except municipalities, when constructing a new road, plant or facility; approval of leases, sales, assignments, mortgages, of public utilities; approval of mergers or consolidations of railroads, plant, system, or franchises or permits; approval of the issuance of all stocks, bonds, notes and other evidence of indebtedness of any corporation or utility under the jurisdiction of the commission. The commission, in addition to having the powers of the former railroad commission, has also the power to initiate complaints and to fix rates, fares, and charges of all corporations subject to its jurisdiction and control.

The Public Utilities Commission is composed of three members, appointed by the governor, by and with the consent of the Senate, for overlapping terms of six years, at a salary of \$4,000 each per annum.

The commission has power, with the approval of the governor, to employ during its pleasure such experts, engineers, statisticians, accountants, inspectors, clerks and employes as it may deem necessary to carry out the provisions of this act. The commission has power, also, to appoint an attorney at law.

The present staff of employes under the direction and supervision of the public utilities commission is as follows:

Secretary	\$2,500
Civil Engineer	2,400
Electrical Engineer	2,400
Assistant Engineer	1,500
Telephone Expert.....	2,400
Statistician	2,400
Rate Expert.....	2,100
Reporter	1,800
Inspector	1,500
Stenographers (four).....	1,200 (each)
Stenographer	900

All employes of the commission shall receive such salaries as may be fixed by law or by the commission. The commission is required by law to make annual report to the governor. The commission may require any public utility to file monthly reports of earnings and expenses, and to file periodical or special reports concerning any matter on which information is desired by the commission.

The Public Utilities Commission is supported by general appropriation and by fees of the commission. The commission shall charge and collect the following fees:

- a. For copies of papers and records not required to be certified or otherwise authenticated by the commission.....\$0.12½ per folio
- b. For certified copies of official documents filed with the commission
- 0.15 per folio
- c. For every certificate under seal affixed to certified copies in (b) above.....
- 1.00 each
- d. For certifying a copy of any report made by a public utility
- 2.00 each
- e. For each certified copy of the annual report of the commission
- 1.50
- f. For certified copies of evidence and proceedings before the commission
- 0.15 per folio
- g. For certificate authorizing an issue of bonds, notes or other evidences of indebtedness, (1) for each thousand dollars of the face value of the authenticated issue or fraction thereof up to one million dollars.....
- 1.00
- (2) for each one thousand dollars over one million dollars and up to ten million dollars.....
- .50
- (3) for each one thousand dollars over ten million dollars, with a minimum fee in any case of \$50.00....
- .25

The commission has the right to inspect the accounts, books and documents of any public utility.

Report

on a Survey of the
Office of Auditor of State and of
the Office of Public Examiner



Report No. III



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

SENATOR DAVID ELLIOT, Colorado Springs.

REPRESENTATIVE SIEWERS FINCHER, Breckenridge

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LAWRENCE C. PHIPPS, Denver.

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R. E. WRIGHT, Secretary, Denver

STAFF

J. T. BYRNE, Chief of Staff

A. H. STOCKDER

J. L. TUTTLE

Special Assignments and Consultation

Members of Colorado Society of Certified Public Accountants

E. F. Arthur.

J. H. Baker.

George Best (Institutional Purchasing and Accounting).

Clem W. Collins (Institutional Purchasing and Accounting).

Henry J. Falk (Board of Capitol Managers).

C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,

Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,

Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,

Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,

Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of, Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repay ing a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Foreword

It should be understood that there is nothing in the following report on a survey of the office of the auditor of state which is intended to reflect in any way on any individual in that office, past or present. Wherever the expression, "auditor of state" is used, this refers to the constitutional and statutory title and not to the incumbent of the office.

The scope of the study was confined to methods and procedure and not to individuals, and there is a sound reason for this limitation at this time. Many conditions in government business exist because of precedent and the limitations of any single individual to effect material change in custom and habits of thought. Heads of departments are frequently found who are conscious of faults and weaknesses in their organization or method of doing business, and would correct these faults and weaknesses but for the limitations mentioned. It is only with a plan and policy which unite the constructive interest and co-operation of all persons concerned that lasting results may be accomplished in any field of governmental activity.

Report on a Survey of the Office of the Auditor of State

I. ORGANIZATION AND GENERAL DUTIES

1. Constitutional Provisions.

According to section 1 of article 4 of the state constitution, the auditor of state is an officer of the executive department, elected for a term of two years, the term of office to begin on the day appointed for the first meeting of the general assembly. The auditor of state shall perform such duties as are prescribed by the constitution or by law. By section 21 of the same article, the auditor of state shall be ineligible for re-election as his own immediate successor.

2. Statutory Provisions.

The provisions of statutory law defining the duties of the auditor of state and relating to additional duties and activities placed upon the auditor in the past, are so numerous that a repetition here in detail would be of little practical value for the purposes of this report. The important and fundamental statutory duties and activities of the auditor's office will, however, be referred to in subsequent sections of this report in connection with a discussion of these duties and activities, which, for convenience and a clear understanding of the affairs of the office, have been grouped in accordance with the character of the services rendered.

3. Personnel and Duties.

The personnel of the auditor of state's office and the duties performed, as reported to the survey committee on the standard forms provided for this purpose, are as follows:

Deputy state auditor.....	\$2,500.00
"The duties that usually fall to the lot of a deputy."	
Bookkeeper	1,800.00
"General bookkeeping."	
Assistant bookkeeper and accountant.....	1,500.00
"Bookkeeper."	
Registrar	1,200.00
"Writing and registering warrants."	
Assistant registrar	1,200.00
"Waiting on window, registering and mailing warrants."	
Stenographer	1,200.00
"Stenographic work and tabulating."	
Stenographer and tabulator.....	1,200.00
"Stenographer, tabulator, distributor of vouchers and warrants."	

The personnel of the public examiner's office and the bureau of building and loan associations are discussed under a separate report.

II. BOOKS, RECORDS AND ACCOUNTS

1. Constitutional Provisions.

According to the constitution, officers of the executive departments and of all public institutions of the state are required to keep an account of all moneys received by them severally from all sources and for every service performed, and of all moneys disbursed by them severally, and they are required to render semi-annual report thereof under oath to the governor. (Art. 4, Sec. 16.)

2. Statutory Provisions.

By statute, the auditor of state is the general accountant of the state, and the keeper of all public account books, accounts, vouchers, documents, and all papers relating to the accounts and contracts of the state and its revenue debt, and of fiscal affairs not required by law to be placed in some other office or kept by some

other person. (2779, M. A. S.) He shall keep in his office a book to be called a "register of warrants", in which shall be entered in regular order the number, date of issue, in whose favor, upon what fund drawn, amount and rate of interest of all warrants drawn by him on the state treasury. He shall keep an account between the state and the state treasurer, and of all the "debts and credits" between the state and the United States, and between the state and every other state, sovereignty, community, officer or person with whom the state may have dealings, and of any separate fund of the state authorized by law. (2780, M. A. S.)

Separate accounts are required to be kept for every appropriation or fund made by a taxing body, showing:

- a. Date and manner of each payment made out of the funds provided by such appropriation;
- b. The name, address, and vocation of each person, organization, corporation or association to whom paid;
- c. For what purpose paid.

Separate accounts shall be kept for each department, public improvement, undertaking, institution or association under the jurisdiction of every state and county taxing body, and of the state. (5621, M. A. S.)

All contracts or leases executed in behalf of the state for rents, printing, supplies or for any other property, shall be made in duplicate, one of which shall be filed in the office of the auditor of state. (5617, M. A. S.) One copy of the advertisement made of all bids furnished for supplies for the Soldiers' and Sailors' Home and the accepted bid shall be filed with the auditor of state. (6813, M. A. S.) The auditor is required to register certain refunding bonds of counties, cities and towns (exclusive of school district bonds). (481, 1486, 7412, M. A. S.) All bonds issued also under the act creating the commissioners of the state debt shall be registered in the office of the auditor of state. (553, M. A. S.)

The auditor is required, also, to keep a letter book in which shall be recorded all official letters which he may write. (2787, M. A. S.) He shall preserve copies of all accounts, vouchers and documents settled or to be settled. (2815, M. A. S.)

3. Present Accounting Books and Records in the Office of the Auditor of State.

The books and records forming part of the general accounting system of the state as maintained by the auditor of state, are as follows:

- a. General Ledger
- b. Subsidiary Ledger
- c. Journal
- d. Special Cash Book
- e. Register of General Revenue Warrants
- f. Register of Cash Warrants
- g. Register of State Compensation Insurance Fund Warrants
- h. Register of Capitol Building Warrants
- i. Register of Certificates of Indebtedness
- *j. Revenue Register
- k. Balance Book
- l. Civil Service File of Classified Employees

In addition to the foregoing books, the auditor keeps the following:

- m. Register of Bonds
- n. Letter Book

These are referred to separately for the reason that they have no direct relation to the general accounting system.

a. General Ledger.

As its name implies, this book contains all the accounts relating to general and special funds, investment and permanent funds, departmental and institutional receipts, collections of tax levies, appropriation accounts, general and special appropriation controlling accounts, and certain sinking fund accounts. The ledger is stock form and without special ruling.

As required by law, appropriation accounts are kept in separate accounts for each department, institution, etc., distinct from institutional receipts and collections of taxes, although the two latter may at times be found credited in the one account.

A statement of the titles of the accounts in the general ledger is as follows:

DEBITS

Agricultural College Investment.
 Public School Investment.
 Public School Income Investment.
 University Investment.
 State Treasurer or Cash.
 General Appropriation (Controlling Accounts) (1910 and prior, 1911 and 12, 1913-14, 1915-16).
 Special Appropriations (Controlling Account).

CREDITS

Appropriation Balances (Individual Accounts).
 Outstanding Warrants (One account 1910 and prior, and one account for each subsequent year to 1916 included).
 Capitol Building Outstanding Warrants.
 Cash Warrants Outstanding.
 Compensation Insurance Warrants Outstanding.
 Agricultural College.
 Agricultural College Land Permanent.
 Agricultural College Land Income.
 Agricultural College Cash.
 Agricultural College Experiment Station.
 Boys' Industrial School.
 Brand Inspection.
 Capitol Building.
 Civil Service.
 Casual Deficiency Certificates.
 Casual Deficiency.
 Dependent Children's Home.
 Dependent Children's Home Trust.
 Desert Land.
 Escheats.
 Forest Reserve.
 Fort Lewis School Cash.
 Fort Lewis School Tax.
 Grand Junction Indian School.
 Gunnison Normal School.
 Game Cash.
 Girls' Industrial School.
 General Revenue (One account for 1900 and prior, and one account for each subsequent year to 1917, included).
 Inheritance Tax.
 Insurance.
 Interest on Insurrection Bonds.
 Interest on Delinquent Tax.
 Interest on Deposit.
 Interest on Funding Bonds, 1910.
 Insane Asylum.
 Internal Improvement Permanent.
 Internal Improvement Income.
 Land Commissioners' Cash.
 Land Commissioners' Unapplied Cash.
 Military.
 Mineral Land Survey.
 Mute and Blind.
 Mute and Blind Library.
 Minimum Wage for Teachers.
 Miscellaneous Levies, 1910 and prior.
 Normal School.
 Penitentiary Convict Labor.
 Penitentiary Land Permanent.
 Penitentiary Land Income.
 Penitentiary Administration Building.
 Public School Land Permanent.
 Public School Land Income.

Public School Emergency.
 Public School Income Bonds.
 Partition of Realty.
 Public Buildings Land Permanent.
 Public Buildings Land Income.
 Private Employment Agencies.
 Public Utilities Commission.
 Reformatory.
 Saline Land Permanent.
 Saline Land Income.
 Stock Inspection.
 Stock Inspection Stallion.
 State Board of Barber Examiners.
 State Board of Pharmacy.
 State Board of Embalming Examiners.
 State Board of Optometric Examiners.
 State Board of Medical Examiners.
 State Board of Nurse Examiners.
 State Board of Examiners of Architects.
 State Board of Immigration.
 School of Mines.
 School of Mines General.
 Scalp Bounty.
 Soldiers' and Sailors' Home.
 State Normal Institute.
 Supreme Court Library.
 Surplus.
 State Home and Training School for Mental Defectives.
 Sinking Fund for Funding Bonds, 1897.
 Sinking Fund for Insurrection Bonds, 1909.
 Sinking Fund for Funding Bonds, 1910.
 Sinking Fund for Insurrection Bonds, 1914.
 State Oil Inspection.
 State Road.
 State Coal Mine Inspection.
 State Bank Commissioner's License.
 State Compensation Insurance.
 University.
 University Land Permanent.
 University Land Income.
 University Special.
 Ute Indian Trust.

b. Subsidiary Ledger.

This ledger contains accounts for salaries and other detail items listed in a general appropriation bill, one account for each employe's salary and for each expense item, the total appropriation for a department being shown in the general ledger. This ledger, also, is of ordinary stock form without special ruling.

c. Journal.

All general ledger postings are made through the journal, with the exception of tax collections reported by county treasurers, which are posted from totals in the "special cash book", although a journal entry is made each time for charging such collections to the account with the state treasurer.

d. Special Cash Book.

This book contains a record of tax collections as reported monthly by county treasurers. By columnar ruling, the tax levies for various purposes are shown across the top of the pages in this book, and the names of the various counties in the state are printed down the left hand margin of a page, one page for each month of a fiscal year.

e. Register of General Revenue Warrants.

This register is a chronological and numerical record of all warrants issued against the general revenues of the state, or, in other words, of all warrants chargeable against appropriations payable from general revenues. It complies in form with the requirements of law as previously referred to herein, with columns for

additional information relating to general revenue warrants. The columnar headings in this book are as follows:

1. Date of Warrant
2. Number of Warrant
3. To Whom Issued
4. Upon what Fund Drawn
5. Amount
6. Date of Presentation (of warrant) to State Treasurer
7. Date of Payment
8. Rate of Interest
9. Amount of Interest Paid
10. Total

f. Register of Cash Warrants.

This register is exactly the same in columnar ruling as the register of general revenue warrants referred to above, with the exception of the interest columns. All warrants payable from departmental or institutional cash funds, as distinguished from general and special appropriations, are recorded in this register as they are issued.

g. Register of State Compensation Insurance Fund Warrants.

All warrants issued against the state compensation insurance fund are recorded in this register in the order in which they are issued. The columnar ruling and headings of this register are as follows:

1. Date of Warrant
2. Number of Warrant
3. To Whom Issued
4. For What
5. Amount of Warrant
6. Date of Payment
7. Remarks

h. Register of Capitol Building Warrants.

This register records all warrants issued against the capitol building fund and is practically the same as the register of general revenue warrants in the information recorded.

i. Register of Certificates of Indebtedness.

All certificates of indebtedness issued are registered in this book. The information is practically the same as the information recorded in the register of general revenue warrants.

j. Revenue Register.

This register shows, by columnar arrangement, the purposes for which general and special taxes have been levied by the state. There are one or more sheets for each county. Each tax column is subdivided into a debit and a credit column for showing in the debit column the amount of the levy for that particular object, and in the credit column the amount or amounts thereof collected as reported by the county treasurers each month. By cross ruling on each sheet the uncollected taxes for the current year and for six years preceding are shown separately for each county and for each purpose or fund. Delinquent taxes prior to six years from the current year are included in this register merged with the balance delinquent for the sixth year.

k. Balance Book.

For the purpose of reconciling the accounts of the auditor's office, as shown in the general ledger, with the accounts in the treasurer's office, the debit and credit balances in the general ledger are drawn off three times each month. The reconciliation proves, also, whether the general ledger is in balance.

1. Civil Service File of Classified Employees.

This file is composed of monthly payrolls of state employes who are in the classified service, as certified thereon by the secretary of the civil service commission.

m. Register of Bonds.

As required by law, the auditor records the issue of such county, city or town bonds as may be presented to him for that purpose. When bonds are so registered, the legality thereof is not open to contest by the county, city or town or by any person for any reason whatever. The register of bonds has no purpose in the general accounting system of the Auditor's office.

n. Letter Book.

A press copy of every letter written in the auditor's office is taken in the letter book, as required by law.

III. METHODS AND PROCEDURE

1. Accounting Procedure—Appropriations and Cash Receipts.

The general accounting methods and procedure for the state government, as carried on by the auditor of state, pertain to cash transactions only, with the exception of the appropriation accounts, or authorizations to spend money.

All general revenue appropriations as they are authorized are posted to the debit of a general appropriation controlling account and credited to the respective appropriation accounts for each department, board, etc., included in the general appropriation act.

Appropriations from the "Capitol Building Fund" are charged in the general ledger to a "special appropriations" controlling account and credited to accounts opened for the respective appropriations authorized from that fund. Capitol building fund appropriations are the only special appropriations charged to the special appropriations controlling account.

Appropriations are made, however, by the legislature from certain special funds not established by tax levies. In such cases, although these appropriations are special also in that they are not from general revenues, they are not charged to the special appropriation controlling account nor are they set up in the general ledger at all. When such appropriations are drawn upon, the particular fund accounts affected are charged respectively with the amount of the appropriations, and "Warrants Outstanding" account is credited. Thereafter the latter account is charged and "State Treasurer" account credited when the warrants are paid by the treasurer.

The authorization for setting up in the general ledger the appropriations for each biennial period is received from the secretary of state, who transmits for this purpose a certified copy of the various acts.

The "Capitol Building Fund" is established by means of a tax levy. The distinction between this fund and other special levy funds, so far as the expenditure of the funds is concerned, is that the board of capitol managers may expend therefrom only such amount for certain general purposes as the legislature may authorize in a special appropriation act, whereas the funds received from other special levies may be used for the purpose for which the taxes were levied, to the full amount derived from such levies.

Property taxes for general and special purposes are levied each year. The auditor of state is furnished by the tax commission late in September of each year with a typewritten list showing the following information for each county in the state:

- a. Assessor's valuation
- b. Increase (or decrease)
- c. Valuation by Tax Commission
- d. Total valuation.

This typewritten list, although unsigned by the tax commission or authenticated in any way, is used by the auditor's office as the authority for mailing to the assessor of each county a circular letter showing the valuation for his county as fixed by the tax commission, and showing also the various rates thereon for each state institution and other purposes for which levies are made. The circular states, further, that the valuation has been set up on the books of the auditor's office.

The valuation, however, is not charged on the books of the auditor's office. The reason for this is stated to be because of the many changes in valuation that occur after the tax rolls are turned over to the county treasurers by the assessors, and for the further reason that the auditor is not advised regularly of such changes.

Instead of charging to counties the valuation as fixed by the tax commission and board of equalization, the auditor's office awaits the semi-annual report of the county commissioners, and then charges in the "revenue register" the amount of tax levy for each fund which the county commissioners' reports show the respective county treasurers acknowledge accountability for. No reconciliation is made of any differences between the county treasurers' figures and those of the tax commission on file in the auditor's office, and usually no explanation is given. (For a description of methods and procedure of levying taxes see the report on Taxation and Revenues.)

County treasurers report monthly the amount of state taxes collected and deposited with the state treasurer each month. The reports are posted to the special cash book. From the cash book, postings are made direct to the respective levy accounts in the general ledger, although a journal entry is made each time as follows:

State Treasurer or Cash,
To Special Cash Book—Various County Treasurers.

An abstract is made of tax collections by counties and according to the various levies. Each month's collections are posted on the abstract and at the end of every six months the totals on the abstract are posted to the respective accounts in the revenue register.

Collections of institutional earnings or receipts (with the exception noted hereafter) are charged to the account with the state treasurer and credited to the accounts with the respective institutions reporting such receipts.

The University of Colorado, which by constitutional provisions has the exclusive control and direction of all funds and appropriations for the university, makes no report to the auditor of state of its collections or funds, hence no record thereof shows in the books of the auditor's office.

Collections of inheritance, corporation and other similar taxes, of insurance and banking department collections, etc., are also charged to the account with the state treasurer and credited to the accounts set up respectively for each of these classes of revenue.

Collections reported to the auditor by the state board of land commissioners are also charged to the account with the state treasurer and usually credited to an account called "Land Commissioners' Unapplied Cash," until such time as the board of land commissioners report the fund accounts into which its collections previously reported and deposited with the state treasurer are to be distributed, whereupon the transfer is made from the "Land Commissioners' Unapplied Cash" account to the proper fund accounts.

2. Accounting Procedure—Expenditures.

A warrant is issued for every expenditure of state moneys. At the time of the issue they are registered in one of the four registers of warrants referred to previously herein. The totals in the registers of warrants are journalized three times a month and posted to the general ledger.

Certificates of indebtedness are issued usually for suppressing insurrection, or in connection with the mobilization of state troops. They are registered by the auditor in a register of certificates of indebtedness at the time of issue, but are not posted in the general ledger or in any other record.

The method of journalizing warrants issued is to list in the journal under the name of each department, institution or fund against which warrants were drawn, all the warrant numbers and amounts drawn for each department, institution, etc., as the debit entries, and to list the names of the same departments, institutions, etc., with summary totals for each under the accounts, "Outstanding Cash Warrants," "Outstanding Warrants 1916," "Outstanding Compensation Insurance Warrants," as the credit entries. If a warrant is drawn against an appropriation or fund account of 1915 or prior year, an account "Outstanding Warrants 1915," and so on, will be credited.

The columns in the register of general revenue warrants entitled "Rate of Interest" and "Amount of Interest Paid" are filled in daily by an employe of the state auditor's office. All the other details called for in the registers of warrants are recorded by the employes of the auditor's office.

The state treasurer reports every ten days to the state auditor the amount of warrants paid during the previous ten day period. These notices from the state treasurer show in summary form the total warrants paid for each department,

institution, etc. This summary information is sufficient for all purposes in view of the fact that the treasurer daily notes in the auditor's warrant registers the individual warrants paid, and that the accounts of the two departments are reconciled three times a month. Thus the warrant registers show each day all unpaid warrants. By means of these reports, journal entries are made charging the respective "outstanding warrants" accounts referred to above, and crediting the account with the state treasurer for the total amount of warrants paid by him as reported.

Three times each month, after all postings have been made to the general ledger, a trial balance is taken of the general ledger for the purpose of verifying the correctness of the general ledger entries, so far as the debits and credits are concerned, and to reconcile the auditor's accounts with the state treasurer's accounts. For this purpose the "balance book" previously referred to, is used, thus obviating the necessity of writing the titles of the accounts every time a balance is struck.

Transfers from one fund or account to another fund or account in the general ledger are made by journal entry each time they occur. No transfer warrant or other document is used for this purpose. It is stated that the law provides for such transfers as are made, of which there are a number each biennial period, therefore it is not deemed necessary to make out formal transfer documents in addition to the journal entries. The state treasurer makes the same transfers on his books merely by verbal arrangement with the auditor's office.

3. Auditing Methods—Receipts.

a. Statutory Provisions.

The auditor of state is required to compare carefully the original and duplicate receipts given by the state treasurer to collectors of state revenue, and countersign the original and file the duplicate in his office. (2784, M. A. S.) "The auditor and treasurer shall have free access to each other's offices for the inspection of all books, accounts and papers which they respectively contain, and free access to all the other offices of the state for the inspection of such books, accounts and papers as concern any of their duties." (2785, M. A. S.)

The auditor is required also to report to the general assembly within ten days after the commencement of each regular session a list of all collectors of revenue and other holders of public money whose accounts have remained unsettled for the space of six months after they should have been settled according to law, and the reasons therefor. (2821, M. A. S.) He shall "audit," settle and adjust the accounts of the collectors of the revenue, and other holders of public money, who are required by law to pay the same into the treasury, and "direct prosecutions in the name of the state for all official delinquencies in relation to the assessment, collection, and payment of the revenue, against all persons who by any means become possessed of public moneys or property, and fail to pay over or deliver the same, and against all debtors of the state." (2780, M. A. S.)

The persons who deposit money in the state treasury are required to deposit with the auditor a copy of the receipt for such deposits, and the auditor "shall credit such person(s) accordingly and charge the treasurer with the amount." (2744, M. A. S.)

"The auditor of state shall allow to each county treasurer who shall be allowed to take credit for the amount of state tax that may have been from time to time refunded, to the taxpayer, as double or erroneous assessments, or refunded to the purchaser of real estate erroneously sold." (6461, M. A. S.)

All taxes of any kind, assessed in any county of the state, that shall have been delinquent for a period of six years, may be cancelled by the county commissioners in their respective counties; provided, the county commissioners are satisfied that the said taxes are uncollectible. The county treasurer shall keep a full and complete record of all taxes so cancelled. (6464, M. A. S.)

"It shall be the duty of the county commissioners, when taxes are cancelled, as provided for in sections 202 and 203, to report the same to the auditor of state, who shall give the county credit for the amount of state taxes so cancelled." (6465, M. A. S.)

"It shall be the duty of the treasurer of each county to make a settlement semi-annually with the board of county commissioners at their first meeting in January and July; and the county clerk shall, immediately after such settlements are made make out a statement, upon blanks to be provided by the state auditor

for that purpose, showing the exact condition of the state revenue in his county; the balance due the state, and of all credits due the county by reason of the double or erroneous assessments, and amounts refunded to purchasers of real estate erroneously sold." A copy of this statement is required to be sent to the auditor of state within thirty days of the date of settlement between the county treasurer and county commissioners. (6405, M. A. S.)

In accordance with an act passed in 1913 concerning state funds, "the several educational, charitable and penal institutions of the state which derive moneys from tuition fees, contributions, or the sale of products, or from any other source, and the several departments and officers of the state who derive or receive moneys from fees, taxes, sales, penalties, licenses, permits, or other sources, are hereafter required to deposit such funds with the state treasurer as custodian thereof. The various cash, fee and other funds above described shall be drawn upon and diminished by the officers having authority to do so, only by vouchers and warrants as above described. It shall be the duty of every department and officer receiving any public moneys whose office shall be in the state capitol building, to deposit such funds, including funds paid in under protest, daily in the office of the state treasurer, who shall receipt therefor, and such deposit shall be made to accord with the regulations of the public examiner. Every other officer, department and institution shall deposit monthly with the custodian, and in such form, and on such day as may be prescribed by the regulations of the public examiner. Provided, however, that items of postage, express, telegrams and similar incidental expenses may be paid by any state institution and a voucher drawn monthly at the end of each month to cover the total amount of such expenses for such month, and the auditor shall draw his warrant on the state treasurer for the amount of such vouchers when properly approved. Provided, that a sum of not exceeding \$1,000 may be kept with the local treasurer of each state educational, charitable or penal institution for emergencies," which sum shall be subject to the order of the board of control of the institution to which it belongs. (Session Laws 1913, Ch. 147, Sec. 2.)

"It shall be the duty of every public officer, department and institution which is authorized by law to receive money from sources other than appropriation from the revenues of the state, to report to the state auditor in such form as the public examiner may prescribe, and on such date as he may prescribe, in the first week of each month following the date set for the transmission of such funds to the state treasurer. Such reports shall be made under oath and shall state fully the sources and amounts of all moneys received during the period covered by the report." (Ibid., Sec. 3.)

"Funds lodged with the state treasurer under this act which are not creditable to the general revenue of the state, and which have been or may be by law designated for purposes other than such general revenue or which shall have been paid in under protest shall not be deposited in the treasury of the state, or considered therein, but shall be held by the state treasurer as custodian, separate and apart from such funds, and may be withdrawn from his custody for the purposes and under the control of the officers now or hereafter vested with authority so to do, subject, however, to the requirement of vouchers and warrants as above described." (Ibid., Sec. 4.)

"Failure to transmit or deposit moneys of fund as provided in this act, or failure to report as provided herein, or the expenditure of any public fees or moneys except in the manner provided for herein, or willful false statement under oath in any report required herein, or the violation of any of the provisions of this act, shall be deemed a misdemeanor, punishable by a fine of not to exceed \$1,000, or by imprisonment for not to exceed one year, and every member of a board or commission which may be in default shall be deemed individually liable if assenting thereto. In addition thereto, any person or persons willfully retaining public moneys beyond the period permitted by this act shall be liable to the people in a penalty of one per cent thereof for each day in default, to be recovered in a civil action filed by the attorney general upon request of the state treasurer." (Ibid., Sec. 7.)

The sections of the act just quoted do not relate to the fiscal affairs of the University of Colorado, as that institution has, by constitutional right, exclusive control and direction of all funds and appropriations to the university, as previously stated herein.

In addition to the foregoing statutory provisions relating to the audit of all revenue and other receipts, the act of 1909 establishing the office of public ex-

aminer provides also for a thorough examination of the financial affairs of every public office and officer of every state and county institution, etc. The provisions of this act should be considered, however, as supplemental to the other statutory duties of the auditor of state, particularly with respect to his auditing function, and not in any sense as superseding or subordinating the one for the other.

b. Present Method of Auditing Receipts.

The various sources of state revenue and other receipts may be classified as follows:

1. Property Taxes—General and Special Levies
2. Military Poll Tax
3. Inheritance Tax
4. Flat Tax—Corporation
5. Business Taxes, Licenses and Fees
6. Fees and Earnings of State Institutions
7. Sales and Leases of State Lands
8. Sales of Bonds
9. Interest on Investments, Deposits, etc.
10. United States Treasury
11. Miscellaneous

Property Taxes—General and Special Levies.

The auditing of taxes is done by both the state treasurer and the state auditor at the time the collections and reports thereof are received in the respective offices from the county treasurers. The state treasurer's office checks the accuracy of the millage computations shown in the county treasurers' reports as between the collections for the various state purposes for which levies were made. The auditor's office receives from the state treasurer the original receipt issued by the state treasurer to the county treasurers for collections of taxes deposited with the treasury, and a duplicate press copy thereof. The auditor of state certifies on the reverse side of the original receipt to the effect that a duplicate thereof has been filed in his office, whereupon the original is sent to the county treasurer.

Every six months, when the county commissioners render to the auditor their semi-annual statements showing the taxes collected during the period for which the statements are rendered, and the uncollected taxes at the beginning and end of the period, the auditor's office compares these statements with the totals of collections reported monthly by county treasurers and with the balances of uncollected taxes as shown in the revenue register. The county commissioners' statement is prepared as the result of a semi-annual settlement made by them with the county treasurer of their respective counties.

As stated previously in reference to the levying and charging of the original assessments each year, county commissioners and county treasurers neglect to inform the auditor of changes in their tax rolls, so also they fail to give notice of subsequent changes in the rolls—notwithstanding that the law requires these notices. For this reason the revenue register is usually out of balance with the county commissioners' semi-annual reports of the condition of the state revenue in their respective counties.

Military Poll Tax.

Collections of military poll taxes are reported by county treasurers monthly at the same time collections of general property taxes are reported to the auditor. They are all included in the same monthly report rendered by the county treasurers.

Inheritance Tax.

The inheritance tax department prepares a statement in quadruplicate for each receipt of inheritance taxes. The statements and money are deposited with the state treasurer. The latter signs all four copies of statement and returns two of them to the department and sends one to the state auditor. The department gives one to the estate that made the tax payment.

Flat Tax—Corporation.

Collections of flat tax are deposited daily with the state treasurer by the secretary of state. The state treasurer sends a copy of his receipt, issued once a month, to the state auditor as a record of such deposits. The daily deposits with the treasurer are entered by him in a pass book kept by the secretary of state.

Business Taxes, Licenses and Fees.

These collections are usually deposited daily with the state treasurer by the various state departments and offices in the capitol building. For some of these collections the treasurer gives a receipt in duplicate, in others he issues only an original receipt. In the former case, the treasurer sends the auditor a copy of the receipt, in the latter case he sends a letter to the auditor stating the amount deposited by the department in which the fees were collected.

Fees and Earnings of State Institutions.

The auditor of state gets a copy of the state treasurer's receipt issued to each institution that makes a deposit of its cash receipts with the state treasurer. State institutions usually deposit once a month, with the exception of the University of Colorado and the Industrial Workshop for the Blind, which, by law, are not required to deposit their cash receipts or earnings with the state treasurer.

Sales and Leases of State Lands.

Collections from sales and leases of public lands of the state are deposited with the state treasurer daily by the board of land commissioners. The auditor receives a duplicate copy of the receipt for such deposits issued by the treasurer.

Sales of Bonds.

Proceeds from a sale of bonds are reported to the auditor by the treasurer as they are received.

Interest on Investments, Deposits, etc.

Interest on investments of permanent state funds are reported to the auditor semi-annually by the treasurer at the time the interest is collected by him. Interest on bank balances is reported by the treasurer quarterly. In both cases the auditor gets from the treasurer a copy of the treasurer's receipt.

United States Treasury.

Funds received by the state from the federal government are paid to the governor. The latter deposits them with the state treasurer and gets a receipt in duplicate therefor, the treasurer sending to the auditor a copy of such receipt.

Miscellaneous.

The state treasurer sends to the auditor a copy of his receipt for each deposit of miscellaneous collections received in the treasurer's office.

The duplicate receipts, letters of advice of deposit, etc., outlined above, received by the auditor from the state treasurer, are the auditor's only advice of deposits of state moneys made by departments, institutions and officers with the state treasurer, with the exception of the reports to the auditor made monthly by county treasurers. Each duplicate receipt, letter, etc., shows on its face or reverse side the particular fund account or accounts which are to be credited for the moneys so deposited.

When the treasurer's receipts, letters, etc., are received by the auditor, journal entries are made thereof for posting to the respective fund accounts, and the receipts, letters, etc., are then filed in the auditor's office.

4. Auditing Methods—Expenditures.

a. Statutory Provisions.

The general statutory duties and responsibilities of the auditor of state, con-

cerning the auditing of expenditures and issuing of warrants, are fairly specific and detailed. For convenience they are set forth in summary form as follows:

He shall audit and settle all claims against the state, payable out of the treasury, except only such claims as may be expressly required by law to be audited and settled by other officers and persons; draw all warrants upon the treasury for money, except only in cases otherwise expressly provided by law; express in the body of any warrant which he may draw upon the treasury for money, the particular fund appropriated by law out of which the same is to be paid. (2780, M. A. S.)

"It shall be the duty of the state treasurer at the close of business each day, to report to the auditor of state the nature and amount of his disbursements during the day." (2783, M. A. S.)

"If the auditor shall knowingly issue any warrant upon the treasury, not authorized by law, he shall be deemed guilty of a misdemeanor in office, and upon conviction thereof be fined in a sum fourfold the amount of such warrant, and imprisoned for any length of time not exceeding one year." (2788, M. A. S.)

"The auditor shall issue his warrant on the treasurer in any sum that the party entitled to the same may desire; provided, they shall not be less than five dollars, unless the sum due is less than that amount. All warrants drawn by the auditor on the treasury of the state shall be in the following form:

"No..... State of Colorado.....

"Treasurer of the state of Colorado, pay to..... or order, dollars, out of any money in the treasury not otherwise appropriated (here state in brief the account on which such warrant is issued), and charge the same to....., and this shall be your voucher.

"Issued....., 19.... (Signed)..... Auditor of the State of Colorado."

(2800, M. A. S.)

"Persons having claims against the state shall exhibit the same, with the evidence in support thereof, to the auditor, to be audited, settled and allowed within two years after such claim shall accrue, and not afterward." (2812, M. A. S.)

"The auditor whenever he may think it necessary to the proper settlement of any account, may examine the parties, witnesses and others, on oath or affirmation, touching any matters material to be known in the settlement of such account, and for that purpose may issue subpoenas and compel witnesses to attend before him and give evidence, in the same manner and by the same means allowed by law to courts of record." (2814, M. A. S.)

"In all cases of accounts audited and allowed against the state, and in all cases of grants, salaries, pay and expenses, allowed by law, the auditor shall draw a warrant on the treasurer for the amount due, in the form required by law; provided, an appropriation has been previously made for such purpose." (2816, M. A. S.)

"No warrant shall be drawn by the auditor, or paid by the treasurer, unless the money has been previously appropriated by law; nor shall the whole amount drawn for or paid under one head ever exceed the amount appropriated by law for that purpose." (2817, M. A. S.)

"In case the available revenues of the state for any fiscal year are insufficient to meet all the appropriations made by the general assembly for such year, such appropriations shall be paid in the following order:

"First: The ordinary expenses of the legislative, executive and judicial departments of the state government, and interest on any public debt, shall first be paid in full.

"Second: Appropriations for all institutions, such as the penitentiary, insane asylum, industrial school and the like, wherein the inmates are confined involuntarily, and appropriations for charitable institutions, shall be next paid.

"Third: Appropriations for educational institutions; provided, that in case there are not sufficient revenues for any fiscal term to meet in full the appropriations for educational institutions, after providing for the necessary amounts appropriated according to paragraphs first and second of this act, then in that event whatever there may be to apply on account of said appropriations for said educational institutions, shall be distributed among all of said institutions appropriated for pro rata according as the amount appropriated for each of said institutions shall bear to the total amount available for all of said educational institutions for said fiscal term.

"Fourth: Appropriations for any other officer or officers, bureaus or boards, to be paid pro rata, if there be not sufficient funds to pay in full.

"Fifth: All other appropriations made pro rata out of the general fund shall next be paid from all revenues available to meet such appropriations." (2818, M. A. S.)

"All contracts or leases executed in behalf of the state for rents, printing, supplies or for any other property, shall be made in duplicate, one of which shall be filed in the office of the auditor of state, and all bills for expenses incurred under any contract or lease, by any and every department of state, shall be presented to the auditor, who shall carefully compare the same with such contract or lease, and if found correct, he shall audit and allow the same. Bills presented for supplies or labor performed, for any department of state, and not covered by any contract or lease, shall be audited and allowed at the current price of such labor or supplies at the time services were rendered or supplies furnished. All bills for expenses of every kind or nature whatever, incurred by or on account of the state, or any department thereof, shall be presented to the state auditor, and, if found correct, shall, by said auditor, be audited and allowed; provided, that no bills for supplies or furniture for the general assembly shall be audited or allowed, unless such bills have been contracted by the secretary of state." (5617, M. A. S.)

"All bills for work done or materials furnished under this act shall be made out in duplicate, and so marked, with each item plainly specified and the amount charged for the same, which bills shall be filed in the office of the commissioner of public printing, and the commissioner shall carefully examine all such bills and carefully compare the same with the prices specified in the contract therefor, and shall certify to the state auditor the amount found due thereon; and the state auditor shall thereupon examine and audit the same and issue his warrant on the state treasurer for the amount due. He shall in no case verify to the correctness of any bill or account which is not in strict accord with the requirements of the contract therefor, and in no case shall any sum be paid out of the state treasury for any public printing or binding in excess of the fair wholesale market price or special contract price therefor." (5878, M. A. S.)

"The state treasurer is hereby designated as the custodian of all moneys belonging to the state of Colorado or to any institution, bureau, or department or public office of the state. All appropriations heretofore or hereafter made shall be withdrawn from the hands of the state treasurer only as the expenditures authorized by such appropriations are incurred and the payments thereon become due; and no withdrawal of funds from the treasury shall be lawful or permitted in any instance for the purpose of depositing such moneys in banks or with other private or public trustees.

"The provisions of this act shall apply, but not exclusively, to all appropriations made for maintenance of or construction for, state institutions whether continuing or biennial, or in any other form, and whether in the form of special mill levies, or as appropriations from the general funds, or from any special or limited funds, and shall apply to appropriations from the Internal Improvement Fund.

"All expenditures from funds in the hands of the state treasurer as custodian or otherwise, shall be withdrawn only upon the issuance of vouchers certified or approved by the person, persons, officer or institution having control and direction of such fund, and by warrants drawn against such funds in accordance therewith by the state auditor." (Session Laws, 1913, Ch. 147, Sec. 1.)

In addition to the sections of statutes quoted or referred to in the foregoing concerning the auditing of expenditures in general, each special appropriation at each session of the general assembly contains specific references to the manner of expending the appropriations, such as, for example, the form in which vouchers shall be submitted to the auditor of state, who shall certify and approve such vouchers, etc.

By constitutional provisions, the University of Colorado audits its own expenditures. The auditor of state has no jurisdiction over such expenditures except such as may be exercised through the periodic examinations of the affairs of the university by the public examiner. Some of the acts creating departments and institutions provide the form and manner in which expenditures shall be incurred and the form and manner of submitting vouchers for claims originating in such departments and institutions. Where the creating acts are silent on this subject, special appropriations made for such departments and institutions specify

the form and manner in which claims shall be presented to and audited by the auditor of state.

By act of the general assembly in 1913, the state auditing board was created with duties and responsibilities similar to those exercised by the auditor of state concerning the audit of expenditures. While the auditor is a member of this board, yet because the board is a separate state department and responsible separately for its own acts, its methods and procedure for that reason, with the exception of occasional and necessary reference thereto in connection with the work of the auditor's office, will be discussed in detail in a separate section of this report as distinct from the methods and procedure of auditing as followed and described here in connection with the auditor of state.

b. Present Methods of Auditing Expenditures.

In general, expenditure warrants may be drawn against the following accounts:

1. Appropriation accounts—general and special
2. Appropriation accounts—continuing
3. Fund accounts established by special levies of taxes
4. Fund accounts established by fees and earnings of departments and institutions
5. Fund accounts established by receipts from the United States Treasury
6. Fund accounts established by sales of public lands and by earnings from investments of such funds and by leases of such lands
7. Funds established by gifts and escheats.

Vouchers—Payroll and Other Claims.

All expenditure vouchers are made out in the departments, institutions, etc., in which claims against the state originate, or by the departments which are authorized to draw against certain fund accounts, such as the department of the superintendent of public instruction in the case of the apportionment of the public school income fund among the several counties of the state.

In the case of vouchers for claims payable from the general incidental fund for various departments, boards, etc., these are made out in the secretary of state's office, instead of in the departments which may draw on that fund. Another exception to the general rule is in connection with payroll vouchers for the following:

- a. Elective Executive Officers
- b. Supreme Court Judges
- c. District Court Judges and Attorneys
- d. Members of the Public Utilities Commission.

These payroll vouchers are made out in the auditor's office.

Vouchers for claims against the state, (except payrolls) may be presented to the auditor on any office day of the week. They may be presented in person by employes of the department in which they originate, they may come through the mail, or from the state auditing board, or they may be presented by banks, as is very commonly done in the case of vouchers originating in state institutions located outside of Denver. In the latter cases, the claims usually have been assigned to local banks for convenience of collection through their Denver banking representatives. One state institution deposits certain of its payroll vouchers and lists with the local bank in the town in which the institution is located and draws against the deposit in the payment of its employes included in the vouchers. The local bank meanwhile sends the vouchers and lists to its Denver representative to whom is paid subsequently, after audit by the auditor, the warrants covering the payroll claims.

It is estimated in the auditor's office that over ninety per cent of all claims are presented first to the auditor's office. The other ten per cent may go first to the state auditing board for action by that body. Of the ninety per cent that are received direct by the auditor's office, the majority of these are sent by the auditor's office to the state auditing board for audit by that board after they have been looked over and additions and extensions checked by the employes of the auditor's office. The vouchers usually withheld or not sent to the state auditing board by the auditor's office are those claims which the auditor's office decides to audit without the co-operation of the state auditing board. Salary

vouchers are among those withheld, such as those for executive officers, etc., made out in the auditor's office as previously mentioned, and those for state departments and institutions, with the following exceptions:

1. Industrial Commission (not including the salary vouchers of the commissioners)
2. Game and Fish Commission (game wardens and hatchery men, and certain clerks only)
3. Land Board (certain clerks only)
4. State Entomologist
5. Bee Inspector
6. Pest Inspector
7. State Geologist and assistants
8. Public Utilities Commission (clerical, but not including the secretary of the commission).

These exceptions are always audited by the state auditing board.

Vouchers which have been audited by the state auditing board are returned to the auditor of state for drawing of warrants.

The procedure concerning payrolls and salary vouchers varies somewhat in the different departments and institutions. Most of the institutions send to the auditor plain typewritten lists of employes, usually as many lists as there are funds against which the payrolls are chargeable. For these, only one voucher and one warrant covering each fund are drawn, and the institutions pay their employes through the co-operation of the banks as stated previously herein. One institution, however, sends a list of its employes, some 130 to 140 persons. For each of these a separate voucher and warrant are drawn. Each employe in the executive and other departments paid through the office of the auditor is paid on separate voucher and warrant, including janitors, lawn men, etc.

All state expenditures are audited by the auditor in advance of issue of warrant with the following exceptions:

- a. Expenditure of earnings of the Industrial Workshop for the Blind.
- b. Expenditures made from the motor vehicle license receipts.
- c. Expenditures made in connection with the operation of the act providing for inspection and control of ore buyers, etc.
- d. Certain petty cash or incidental funds in state institutions.
- e. Expenditures of the University of Colorado.

While the cases noted above are stated to be the only exceptions to the system of auditing claims before payment, yet special appropriation bills for certain institutions included in the session laws of 1915 provide that the auditor shall draw warrants against those appropriations on the order of the trustees or boards of control. The auditor states, however, that by understanding with the trustees of the institutions concerned, warrants are drawn only on presentation of vouchers and after audit thereof.

The earnings of the workshop for the blind are, by act of 1915, retained by the institution and may be applied to the expense, maintenance and improvement thereof.

The expenditures made from the motor vehicle license receipts are made by the secretary of state without prior audit by the state auditor for the reason that the last legislature neglected to provide by appropriation for certain of the necessary expenses of the motor vehicle division of the secretary of state's office. In the absence of appropriation, the expenses in connection with motor vehicle licenses are deducted by the secretary of state before the receipts therefrom are turned into the state treasurer. The secretary of state has a letter of opinion from the attorney general sustaining the paying of necessary expenditures from the motor vehicle license collections.

Expenditures made under the ore buyers act are made by the secretary of state. In this case the act in question provides that the expenditures shall be made by the secretary of state from the funds received by him from ore buyers' licenses, and that any balance remaining in the hands of the secretary at the end of every six months derived from this act shall be deposited with the state treasurer to the credit of general revenue.

Petty cash or incidental expense funds may be expended for postage, telegrams, etc., by institutions having such funds.

The University of Colorado has, by constitutional right, the exclusive jurisdiction and control over all its funds and appropriations.

Certifications of Vouchers.

These vouchers passed by the state auditing board contain the signature of at least three members of the board together with a rubber stamp as follows:

"Approved
Auditing Board
(Date)
(Signed) McGaffey
Secretary".

The invoices or the voucher may also have an additional "O. K." stamp thereon indicating that the secretary of the board has personally inspected the claims and checked the extensions and additions. The invoices or other evidences of claims against the state which accompany vouchers, and the vouchers themselves, have numerous signatures of officers and employes of the departments in which the claims originate. The signatures of officers on vouchers are those required by law.

Owing to the special legal requirements as to approving signatures of officers in each department and state institution, the form of vouchers is printed by each department and institution to meet its special needs with respect to officers' signatures. The form is fairly standard in other respects with the exception that recently a change has been made in the form of voucher used by the auditor's office. This form combines on one side the claimant's receipt for the warrant and also his certification that the claim is a proper one, etc. The forms of vouchers in use in nearly all other departments and in state institutions contain these two certifications on opposite sides of the voucher.

While a number of the voucher forms in use have a "jurat" printed on the reverse side to be filled in by a claimant, this sworn statement is made only in the case of those vouchers which originate in the Soldiers' and Sailors' Home. The act creating the home specifically provided for this.

The auditor's office usually makes no certifications to vouchers or invoices or other evidences of ordinary claims presented by private persons against the state and audited and passed by the auditor's office, with the exception of certain check marks or initials of certain employes of the office made alongside an item or amount checked on an invoice or voucher, although the auditor's signature, as a member of the state auditing board, is usually on the face of a voucher that passed through the state auditing board.

All vouchers are signed by claimants either before or after audit by the auditor's office. If a voucher is already signed by the person to whom it is payable, the warrant therefor may be mailed to the claimant or he may visit the auditor's office and get the warrant. If a voucher is not signed by claimant before the issue of the warrant, a notice will be mailed advising him that a warrant is ready for him upon his signature to the voucher. For claimants out of the city and who have not signed their vouchers, the vouchers are mailed to them for signature. Warrants in such cases are mailed on return of the signed vouchers. Vouchers which have been audited and paid are filed in the auditor's office with all invoices and other documents attached thereto.

Warrants.

Warrants for expenditures of state money are issued in four classes, as follows:

- a. Cash Warrants.
- b. General Revenue Warrants.
- c. State Compensation Insurance Warrants.
- d. Board of Capitol Managers Warrants.

Cash warrants are drawn against the fund accounts which are established by fees and earnings of institutions and departments, and collections of property taxes.

General revenue warrants are drawn against general and special appropriations payable from the general revenue.

State compensation insurance warrants are issued in settlement of claims payable from the state compensation insurance fund.

Board of capitol managers warrants are drawn against the appropriations made for the board of capitol managers from the special property tax levied for its maintenance, support, etc.

The warrants in form comply with the provisions of law. They are signed by the auditor of state and his deputy and countersigned by the state treasurer and his deputy. Both the auditor and the treasurer use fac-simile rubber stamps

for their signatures. Their deputies sign in ink. Each class of warrants has its own series of numbers.

Certificates of Indebtedness.

Claims arising in connection with insurrections, or mobilization of state troops, are audited by the auditor and certificates of indebtedness issued therefor instead of warrants. These certificates bear the same rate of interest as warrants, but they are usually redeemed by an issue of bonds authorized for the purpose.

IV. FINANCIAL AND INVENTORY REPORTS

The constitutional or statutory provisions requiring reports to be rendered by or to the auditor of state are as follows:

1. Constitutional Provisions.

The officers of the executive department, and of all public institutions of the state, shall, at least twenty days preceding each regular session of the general assembly, make full and complete reports of their actions to the governor, who shall transmit the same to the general assembly (Art. IV, Sec. 17). The auditor, as an executive officer, would come within the provisions of this section of the constitution.

2. Statutory Provisions.

The auditor of state is required to "digest, prepare and report to the governor at least twenty days preceding each regular session of the general assembly" the following information:

First: A detailed and full statement of the condition of the revenue and the amount of the expenditures for the two preceding fiscal years.

Second: A full and detailed statement of the public debt.

Third: Estimates of the revenue and expenditures for the two succeeding fiscal years, and the probable amount of revenue derivable from the various sources of revenue.

Fourth: Such plans as he may deem expedient for the support of the public credit, for lessening the public expenses, for promoting frugality and economy in the public offices, and generally for the better management and more perfect understanding of the fiscal affairs of the state.

Fifth: A tabular statement showing separately the whole amount of each appropriation of money made by law, the amount paid under the same, and the balance unexpended.

Sixth: A tabular statement showing the amount of revenue chargeable to each county for the two preceding fiscal years, the aggregate amount of each object of taxation, and the balance due from said counties respectively.

The auditor shall examine and settle the annual report to be rendered to him by the commissioners of the penitentiary. (5428, M. A. S.)

It shall be the duty of the secretary of the board of control of the State Home for Dependent and Neglected Children to render quarter yearly to the state auditor accounts current of all cash transactions and all moneys received, with the proper verified vouchers. (740, M. A. S.)

The auditor and the public examiner are required by the act of 1909, creating the office of public examiner, to "formulate, prescribe and install a system of accounting and reporting . . . that shall be uniform for every state and county public office and state and county institution . . ." The same act requires that a report of every examination made by the auditor or public examiner shall be filed in the auditor's office. It provides further that "the auditor of state shall require from every state or county taxing body and public institution, financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by him, which shall be uniform for all accounts of the same class. The auditor of state may require all such reports to be certified as to their correctness under oath by the officer, employe, person, or association making the same. The auditor of state shall publish in an annual volume of comparative statistics that shall be issued for each class of accounts, the sub-

stance of all such reports at the expense of the state as a public document, and such report shall be submitted by the auditor of state to the governor for transmittal to the legislature at the next regular session, or at a special session when required. Such report shall contain an accurate statement in summarized form, of all collections made or receipts received by the officers from all sources, all accounts due the public but not collected, and of all expenditures for every purpose and by what authority authorized, and also a statement of the entire public debt of every state and county taxing body and of every state and county institution or association, whether penal, reformatory, educational or charitable, showing the purpose for which each item of debt was created, the provisions made for the payment of the debt, together with such other information as may be required by the auditor of state." (5622, M. A. S.)

The secretary of state is required by an act of 1877 to report under oath to the auditor at the close of each fiscal year the number of copies of laws sold by him, the amount paid into the state treasury, and the amount remaining in his hands. (5900, M. A. S.)

"The state treasurer shall report to the auditor of state monthly, on the first day of each month, the amount of all moneys received by him during the preceding month, the name of the person from whom each of such sums was received, the date of such receipt, and the several kinds of coin, treasury notes, bank bills, auditor's warrants, or other like certificates, or evidences of indebtedness, in which the same were paid, and the amount of each kind, the amounts of his disbursements, specify by number the warrants paid and date of payment, and the amount of interest allowed and paid thereon, also the number and date of all warrants presented and registered in pursuance of section 9 of this article; such monthly reports shall by the auditor be filed and preserved in his office, and the same shall at all reasonable hours be open to the examination of any person desiring to examine the same." (2747, M. A. S.)

It is the duty of the state treasurer also, at the close of business each day, to report to the auditor of state the nature and amount of his disbursements during the day. (2783, M. A. S.)

In 1915 the general assembly passed an act, approved by the governor, requiring all state officers, heads of departments, and state institutions to make an annual inventory and report to the state auditor of all property of every kind and the value thereof, in their possession, control, etc., belonging to the State of Colorado. The said reports are required to be included by the auditor in his regular biennial report to the governor.

3. Present Reports Rendered by or to the Auditor.

a. Reports Rendered by the Auditor.

The auditor of state prepares and submits the following reports:

1. Biennial Report of Auditor of State to Governor
2. Biennial Report to the Governor on the Public Examiner's work
3. Monthly Reports to State Institutions of their Expenditures.

The last biennial report to the governor relating to state accounts and covering the period ended November 30, 1914, contained the following information:

1. Statement of "General Revenue Receipts and Estimates for 1913 and 1914," including the warrants issued and balances of appropriations for those years.
2. Statement of "Interest on Delinquent Tax Due the State."
3. Statement of "Public Utility Tax Due State from City and County of Denver."

The foregoing statements were included as part of the letter of transmittal of the report to the governor. The following statements relating to financial accounts and data of the state made up the body of the report:

1. Estimate of Revenue for 1914, based on a total assessed valuation of \$1,311,210,345
2. Estimated General Revenue Fund Income for the Biennial Period, 1915-1916
3. General Revenue 1913
4. General Revenue 1914
5. Distribution of Delinquent Taxes Collected during the years 1913-1914
6. State Highway Funds—Receipts and Disbursements

7. Auditor's Fee Fund—Receipts and Disbursements
8. Statement of Appropriation, Cash and Fund Accounts for Biennial Period Ending November 30, 1914
9. Outstanding Cash, Capitol Building and Revenue Warrants
10. Ledger Balances—Debit
11. Summary of Transfers to and from Various Funds for the Biennial Period Ending November 30, 1914
12. Delinquent Tax Due State from all Counties.

The balance of the report was made up of a copy of report made by each building and loan association doing business in the state as reported by the associations on June 30, 1914.

The text of the report relating to recommendations made by the auditor covered the following recommendations:

1. Maintenance of Educational Institutions and Methods of Paying them. (Suggesting a change from special appropriations for such institutions to an increase of the mill levy for educational institutions and a corresponding decrease in the levy for general revenue, to take such institutions out of the uncertain third class of appropriations.)
2. Fees and Cash Earnings of Institutions. (Recommending that all fees and earnings of institutions should be deposited to credit of general revenue instead of permitting their use in addition to appropriations.)
3. Reports made by Departments, Boards, Bureaus, and Commissions should be Combined and Compiled by the Public Examiner at a saving of 50% or \$12,500, exclusive of the saving to be made in postage.
4. That the Present Tax Laws should be changed to Eliminate the Keeping of Separate Tax Fund Accounts in County Treasurer's offices, and Requiring the Auditor of State to Charge Counties with the Total Amount of State Tax Due.
5. A number of recommendations, also, are made looking to improvement in the operation and control of building and loan associations, chiefly with respect to changes in the laws relating to such associations.

The last biennial report of the public examiner, covering the period ended November 30, 1914, contains the financial statements prepared as a result of the examinations made by officers of county and state institutions and departments during that period.

The text of the report is contained in one section and covers a recommendation to the effect that a penalty be imposed by law on county officers who fail to adopt the uniform system of accounts provided for in the act of 1909 establishing the public examiner's office.

The monthly reports rendered by the auditor to state institutions, (not including the University of Colorado) give in detail the vouchers passed by the auditor and charged to the appropriation and fund accounts of the institution during the period of the reports.

b. Reports Rendered to the Auditor.

1. State Treasurer's Report of Disbursements, showing total amounts by general revenue and fund accounts of warrants paid by the treasurer. These reports are rendered three times a month.
2. State Treasurer's Report of Disbursements, showing a transcript of journal entries made by him transferring funds from one account to another in his general ledger. These reports are rendered from time to time as the transfers occur.
3. Monthly Reports from County Treasurers, showing collections of state taxes.
4. Semi-annual Report to the Public Examiner from county treasurers, being a statement of receipts and disbursements, transfers, etc., for the period covered by the report.
5. Semi-annual Statement of the Condition of the State Revenue in each county as rendered by the County Commissioners of each county.
6. Payroll report rendered annually by each county clerk for the information of the state Industrial Commission in the establishing of a state indemnity fund.
7. Inventory reports of state property.

V. MISCELLANEOUS DUTIES OF AUDITOR OF STATE

In addition to those duties and activities devolving on the auditor of state by virtue of his office, and relating specifically to his accounting and auditing function, in so far as it bears on the financial and business affairs of the state and county governments, as outlined in the preceding pages, the auditor of state has other duties conferred on him by statute. Some of these duties are distinct from those mentioned above and others again have a close relationship to the work of his office as state accountant and auditor, but the responsibility for which is shared with other state officers. These other duties are as follows:

Member of State Boards and Commissions.

The Auditor of State is a member of:

1. State Auditing Board. (Laws 1911, 6830, M. A. S.)
2. Commissioners of State Debt. (Laws 1883, 553, M. A. S.)
3. State Board of Canvassers. (G. L. 1877, 2471, M. A. S.)
4. Board of Equalization. (Const. X, Sec. 15.)

Member of Committee on State Property.

The auditor, the governor, and the secretary of state are authorized and it shall be their duty, from time to time to examine and condemn furniture, carpets, and other personal property belonging to the state, when the same shall have become worn out or otherwise useless to the state, and direct the sale thereof in the manner provided. (Laws 1895, 315, M. A. S.)

State Compensation Insurance Fund.

The auditor is required semi-annually to prepare lists for each county of the state showing the amount of money expended by each township, city, town, etc., for the purpose of collecting from the counties their proper proportions of the money necessary to establish the Compensation Insurance Fund. (Act of 1915, Sec. 45, Workmen's Compensation.)

Ex-officio Inspector of Building and Loan Associations.

The auditor is ex-officio inspector of building and loan associations. He appoints a deputy inspector to make inspections of such associations, keep records thereof, examine association reports, etc. (Laws 1907, Building and Loan Associations.)

VI. COMMENTS ON A SURVEY OF THE OFFICE OF THE AUDITOR OF STATE

1. Accounting Methods and Procedure.

It hardly needs an expert to point out the weaknesses in the present system of centralized accounting for the state government. It was only in the last general assembly that the "Visiting Committee on State Institutions," a committee formed of members of the legislature for the purpose of visiting, ad interim, state institutions to ascertain their financial needs, etc., reported to the legislature that, among other things, it found "There is no department or bureau at the state capitol whose special business it is to keep records and data concerning all these state institutions." The committee reported further that "your committee could gain only imperfect knowledge as to the cost and character of the different buildings of the various institutions."

The committee's conclusions, as quoted above, could with equal justice have been extended to include all branches of the state government besides institutions, so far as a central accounting or other department of information of state affairs is concerned. The constitution and the various statutes relating thereto directly and by implication require the auditor of state to fulfill the function and all the conditions pertaining to a central accounting department for the state government, and to be prepared to furnish the data the absence of which a legislative committee complained of as hampering its work.

For just this purpose the auditor of state is an executive officer under the constitution to "perform such duties as are prescribed by the constitution or by law." (Art. 4, Sec. 17c.) The law says he is the general accountant of the state and has prescribed in different ways and at different times in the past forty years since the state came into the union, the things he shall do and the things

that may be expected of him on request of proper authority, as a reference to the constitutional and statutory provisions previously quoted herein will testify. It does not change this statement or weaken its force, to know that the constitution requires all state departments and institutions to keep accounts showing their financial and other transactions. The auditor of state as an executive officer and general accountant may still exercise his functions and must do so to fulfill the requirements of his office as laid down in the laws and as referred to in the preceding pages.

For example, how may the auditor fulfill adequately, the provisions of the statute requiring the auditor to "digest, prepare and report biennially to the governor . . . estimates of the revenue and expenditures for the two succeeding fiscal years" and also "such plans as he may deem expedient for the support of the public credit, for lessening the public expenses, for promoting frugality and economy in the public offices, and generally for the better management and more perfect understanding of the fiscal affairs of the state" (2781, M. A. S.) unless he shall keep records currently to show the transactions of each department and institution, the property of the state, the cost of operation and the results accomplished for a given outlay? Also, without such records, how may he promptly, accurately, and without unnecessary cost "give information in writing to either house of the general assembly whenever required, upon any subject relating to the fiscal affairs of the state or touching upon any duty of his office?" (2780, M. A. S.)

While it is true the public examiner makes periodic examinations of the various departments and institutions of the state, yet it appears from his published reports that the examinations relate chiefly to audits of the cash receipts and expenditures by funds. There is no criticism of the public examiner's office intended by this statement. The reference here is to the fact that the state accounting system as maintained in the auditor of state's office is not modern or adequate to the present day needs of government, and does not furnish the detailed information relating to financial transactions usually deemed necessary in well organized private businesses, and that apparently the work of the public examiner's office has not been extended to correct this defect.

The books in the auditor's office show cash transactions only and these mostly in their relation to fund accounts. There is no attempt made to analyze and distribute expenditures to show by departments, divisions or other organization units, the objects for which money is expended. For example, it is impossible to tell from the accounting books the amount paid by the state for salaries for any period, the amount the state pays annually for insurance, the amount of supplies purchased annually by the state, etc.

There are no accounts in the ledger or other book showing the real and personal property belonging to the state. What the departments and institutions may each do for themselves in these respects has little bearing on the question in its relation to the records of the auditor's office and of his statutory duties. The testimony of a legislative committee has already been quoted here to indicate that the records of institutions are not all that might be desired from an accounting and administrative standpoint, and the evidence disclosed in recent studies made of some of the state departments shows incomplete accounting records. (For further information concerning institutional accounting see separate reports thereon.)

One of the duties of a "general accountant" in any line of business, governmental or private, is to know, at a given moment of time, what the outstanding liabilities of the business are. This is difficult, if not impossible, to determine accurately for the state government from the records of the auditor's office. No encumbrances, such as contract, open market order, or purchase requisition, are set up against appropriation or fund accounts. This is of fundamental importance to correct accounting, but it has another significance in connection with the right of the governor to suspend temporarily the operations of any state board, commission or bureau for lack of funds, (2708a, M. A. S.) where the appropriation for such board, commission or bureau is not included in the creating act.

As will be noted in the list of general ledger accounts included in the section herein relating to the present accounting records in the auditor's office, there are no accounts kept with departments, institutions, or persons other than those relating to appropriation and fund accounts with the exception of general property taxes. Further, the bonded debt is not shown in the auditor's general ledger, nor is the amount of certificates of indebtedness outstanding. The wording of various statutes quoted previously seem clearly to require the keeping of accounts with all persons collecting state moneys, accounts for public improvements, undertakings, etc. Frequent reference in the statutes is made concerning the duty of the

auditor to "audit and adjust" accounts for money required by law to be deposited in the treasury, also to prosecute in the name of the state "all persons who, by any means, become possessed of public money or property and fail to pay over or deliver the same, and against all debtors to the state."

The section last quoted would appear to authorize the establishment of a system of property accountability and control by means of accounts and records in the auditor's office. Practically every employe of the state has some property of the state in his custody, care, or use. There are constant changes in the personnel of the state without any apparent accountability exercised in the auditor's office over such changes to see that property is accounted for before an employe of the state is released or receives his final salary warrant.

The law requires the auditor of state to charge the secretary of state with all copies of laws in his hands, and credit him with sales thereof as evidenced by treasurer's receipts. This is not done, although it is a clear case of an account to be kept and of a report to be rendered.

As stated in the section on procedure, transfers of funds from one account to another on the books of the auditor's office are made by journal entry without any transfer warrant or other official document signed by the auditor or his deputy as the authorization and evidence of such transfers. Notwithstanding that the law provides for these transfers, it would be more correct bookkeeping and official practice to issue a formal authorization for each transfer or group of transfers which would establish the bookkeeper's right to make the transfers on his ledger.

The absence in the general ledger of accounts for general property taxes is due probably to the uncertainties as to the amount or amounts to set up, owing to the changes made in the tax rolls after the tax commission and board of equalization have reported the valuations for each fiscal year to the auditor of state. (See separate report on taxation for further particulars on this question.) The revenue register, which shows for each county and tax levy the state taxes uncollected and the amounts paid in, etc., is not charged with the amounts authorized by the tax commission and board of equalization but instead with the amounts the county treasurers or commissioners report themselves liable for. This is not correct or efficient accounting control over property taxes, particularly in the light of the fact that the auditor's office does not receive the official notices required by law for changes made by county officials in their tax rolls.

It is stated by the bookkeeper in charge of the revenue register that in the past little attempt apparently was made to keep the revenue register in agreement with county records, owing to the difficulty of getting correct returns from county officials. Better results in this respect are now being accomplished, although many of the accounts are said to be still out of balance with the county records for the same reasons, notwithstanding that the register is little more than a compilation of data made up from the counties' own reports.

The method of journalizing expenditures is productive of a certain amount of duplicate work. This is due largely to the fact that the warrant registers show no segregation of expenditures by departments, appropriations, or funds. Thus when the bookkeeper makes his postings to the general ledger (three times a month) he has to summarize all the entries in the warrant registers to get the amount chargeable to each department, appropriation, or fund account. This he does by transcribing in the journal each warrant and the amount thereof for each general ledger account. Again, the use of the full folio pages of the journal for making all journal entries, i. e., the left-hand side of the book for debit entries and the right-hand side for credit entries, causes considerable amount of waste space of a very good quality of paper. This practice was established several years ago and has been continued ever since, although the bookkeeper agrees it is peculiar and wasteful of paper.

2. Auditing Receipts.

This function may be said to exist practically only through the field examinations made by the public examiner's staff. But these examinations are intermittent in many of the state departments. Instead of getting the reports, or "accounts current" usually required in some form from collecting agents, the auditor of state in the majority of cases gets no reports of collections, not even those specifically mentioned by statute to be rendered, such as the accounts current required to be submitted quarter yearly to the auditor by the secretary of the board of the State Home for Dependent and Neglected Children. (L. '95, 740, M. A. S.)

The act of 1913 relating to state funds and the manner of depositing and withdrawing such moneys provided for reports to be rendered under oath by state

officers, departments and institutions in such form as the public examiner may prescribe, in the first week of each month following the date set for the transmission of such funds to the state treasurer.

While the auditor of state receives a duplicate copy of receipt issued by the state treasurer for deposits made with him of moneys from various sources, yet these receipts usually come from the state treasurer instead of from the persons who made the deposit. The law provides that such receipts shall be transmitted to the auditor by the person who makes the deposit.

The law requiring the auditor to countersign all original receipts issued by the treasurer is observed only in the case of those receipts issued to county treasurers for state tax collections. The difficulty of auditing the semi-annual statements of the condition of the state revenues in counties, and reconciling those statements with the revenue registers, has already been referred to herein.

There are no original records in the auditor's office as a system of auditing control over statements from the land board of sales and leases of public lands. Examinations by the public examiner's office have been made from time to time of the affairs of the state board of land commissioners, but these examinations should be supplemental to and in support of some system of records maintained in the auditor's office relating to land board matters.

The same is true, also, concerning corporation accounts in the secretary of state's office. Flat tax collections are reported by the secretary of state direct to the state treasurer. In the secretary's office the flat tax registers show the individual accounts with each corporation liable for the annual flat tax payment.

The relations of the secretary of state to the auditor's office for this class of accounts receivable is represented in the auditor's general ledger merely by a fund account showing the amounts credited therein from time to time and subsequently transferred to general revenues. The auditor does not even get a copy of the deposit receipt from the secretary of state, evidencing the deposit of flat tax collections with the state treasurer. These receipts are forwarded to the auditor by the treasurer.

There is no control exercised in the auditor's office over the forms of financial stationery used by departments, boards, institutions, etc., in the collection of state moneys. Each department, board, institution, etc., purchases its own receipt documents without any record thereof being made with the auditor of state.

The act of 1913 concerning state funds prescribes the keeping of receipt books, or sets of receipt books as the public examiner may authorize, but there is no specific requirement of law that all receipt documents as to number and kind of books in use, the first and last number of the series of numbers in each book, etc., shall be of record in the auditor's office, and that such documents shall be obtained only through and by requisition on the auditor of state. Such an amendment to the law would establish a more effective control over financial stationery. It would at least be taking the proper steps to provide against any possibility of a collecting agent using unauthorized receipt documents, and it would at the same time provide for controlling the quality of paper, printing and other details relating to such documents.

3. Auditing Expenditures.

The same fundamental weaknesses outlined above in connection with the auditing of receipts are present also in the auditing of expenditures, viz:—a dependence largely on the efficiency, honesty, and accuracy of departmental records and methods rather than on independent and original records and methods in the auditor's office. It is inconceivable how an independent judgment may efficiently be formed of the correctness and justness of claims against the state where records are incomplete to test independently the merits of each case.

The auditor's office has no copies of contracts for supplies, printing, etc., neither does it get copies of successful bids for supplies purchased by departments and institutions, although the law in some cases specifically requires the sending of such documents to the auditor, and good business methods would make such records indispensable in the auditing of expenditures. It is aside from the question that various officers and boards are by law required to certify and approve expenditure vouchers as being in compliance with law before they are submitted to the auditor of state. The responsibility for the issuance of a warrant in settlement of claims against the state rests with the auditor. He is the final authority in such matters and should have independent records to refer to to verify claims.

There might be some justification for the lack of original contract and other records in the auditor's office if such records were kept by the state auditing

board. The state auditing board is in the same position, however, and does not get any copies of contracts, bids, etc. Like the auditor's office the auditing board assumes that the individual departments and institutions have exercised the proper care in seeing that a claim is correct in all particulars before it is approved and forwarded to the auditing board.

It should not be inferred from this statement that claims are not examined by the auditor's office and by the auditing board before payment. They are, and certain claims have been disallowed in the past for one reason or another, but the fact remains that the offices in question do not have in their files or otherwise available for use the records or documents referred to as necessary to an independent audit of claims, regardless of what other persons may certify to.

Where bills are presented to the auditor for supplies or labor performed and not covered by contract or lease, they are required by law to be audited and allowed at the current price of such labor or supplies at the time the services were rendered or the supplies furnished. It is also provided by law that the maximum price to be paid for certain articles under contract shall not exceed the current wholesale prices for such articles in the city of Denver on the day of opening the bids therefor. While these provisions of law are such as might at times be observed with difficulty, yet it has been determined in the present survey of state departments that "current prices" are not always paid for supplies furnished the state. In one department examined, current market prices were admittedly not taken into consideration in awarding bids for certain supplies under formal contract. The auditor's office has no organization or equipment designed to fulfill the provisions of law referred to above concerning market prices.

While the laws in question were passed between thirty and forty years ago, (1885 and 1879 respectively), when the volume of the state business was very much less than it is today, the evident intention of such laws was to place in the auditor's hands a control over possible extravagance or carelessness on the part of department or institutional heads in the purchase of supplies or services.

The procedure of issuing payroll vouchers for each employe in state departments is cumbersome and an unnecessary waste of clerical effort in preparing individual vouchers and of officers' time and labor approving them. Further, there is an absence of a uniform or definite system of payrolls submitted to the auditor of state for audit and settlement. With the exception of the forms of payrolls certified by the civil service commission, which forms show civil service employes only, salaries and wages for other classes of employes may be submitted to the auditor of state on plain typewritten lists in some cases, or merely vouchers submitted in other cases. Some salary vouchers were seen included in a mass of miscellaneous claims attached to one voucher.

There is no roster of state employes in the auditor's office. A subsidiary ledger shows accounts with those employes itemized in the general appropriation act. There are hundreds of employes not included in the general appropriation act nor in the civil service records. The distribution of the work of auditing salary vouchers as between the auditor's office and the state auditing board is peculiar and puzzling even to the clerk of the auditing board who has direct charge of checking the vouchers. In the absence of any payroll roster, of original records of appointments outside of those in the civil service lists, of a uniform method of submitting payrolls, and in the light of the distribution of the function of auditing salaries, it is difficult to see how an effective control may be exercised over the payment of such claims under the present system.

It would be impossible under this system, with the exceptions noted, to prepare a statement at any given time of all salaries due and unpaid without having first to refer to the files of all vouchers previously paid. An illustration or two will emphasize this point. Reference has previously been made to the salary vouchers submitted among the mass of miscellaneous claims from a state institution as one voucher. One of these salary vouchers was for the year's salary of the president of the board. Another was for six months' extra salary for an employe of the institution. One warrant covered the whole mass of claims, which amounted to over \$2,000. The whole amount of this warrant was posted to the debit of a fund account. No analysis or distribution was made of the various claims included in the warrant.

The voucher covered by this one warrant was only one of a number of similar vouchers currently received for audit and containing dozens of different claims and sub-vouchers for different persons. Some of these vouchers amount to four and five thousand dollars. In another case, the salary of a stenographer has been paid for several months from a general incidental fund allotted to various state departments specified in the general appropriation act. The auditor's office does

not show on its books the various items of the general incidental fund. It shows only the total amount of the fund. To find out what was paid or due to the stenographer in question the auditor's office would have to pull out the paid vouchers or consult the state auditing board, or the office in which the stenographer is working.

The preparation of salary vouchers for different officers of the state should not be required of the auditor's office. All claims for services, etc., should come to the auditor's office for audit and settlement and not originate there, excepting those incidental to the auditor's office.

The absence of certifications of employes of the auditor's office to claims audited or checked by them is a weakness in the auditing procedure which should be corrected. This is of greater importance than it otherwise might be owing to the fact that there is no distinct auditing division in the organization of the office. Several different employes of the office may audit or check claims in addition to performing bookkeeping and other work of the office. The mere initials of some person to a claim without any certification as to what the initials stand for, leaves the question open to dispute later in the event of an error or wrong payment.

The absence of certifications by each person in the auditor's office that has anything whatever to do with the passing of claims, is probably due to the fact that the majority of claims have the signatures of three or more members of the state auditing board and of the secretary of that body testifying to the correctness of the claims. It may be due also to the design of the voucher forms in use, which omit any provision or space for certifications of the employes of the auditor's office, and it may be due to the very important fact that the records of the auditor's office are incomplete for an independent and thorough audit of many claims.

In the settlement of claims there are certain definite steps to be taken in each case to provide the necessary safeguards against errors and illegal acts. These steps include the checking of extensions and additions, the verifying of prices, the determination as to whether a claim has been paid before, whether it is a proper charge against an appropriation or fund account, whether there are sufficient funds in the account to pay it, etc. Each person verifying these different steps should certify to what he has verified in printed language which permits of no misunderstanding or evasion of responsibility.

It has already been stated in the procedure on auditing expenditures that there is no pre-audit by the auditor's office of expenditures made by the secretary of state from moneys collected from motor vehicle and ore buyers' licenses respectively. The legislature is at fault in both cases. No appropriation was made for meeting certain expenses arising in connection with the motor vehicle law. The act establishing the supervision or inspection of ore buyers, etc., permits the secretary of state to retain all moneys collected from licenses issued under the act and to pay therefrom the necessary expenses occasioned in the operation of the act and to deposit with the state treasurer every six months any balance of such moneys in his hands.

There is no apparent reason for excepting the ore buyers act from the provisions of the state funds act. There is nothing different in the nature of the service required of the inspector appointed under the ore buyers act, and of his expenses, from the service rendered by the commission merchant inspectors and their expenses. Yet the commission merchants act is not in conflict with the state funds act, so far as the depositing of license money is concerned, and the expenses arising in the operation of the act are provided for by appropriation.

The same comment may be made respecting the workshop for the blind. The state penitentiary is required to deposit all its earnings in the state treasury. Warrants against the penitentiary earnings and appropriations may be drawn only on presentation of claimant's vouchers. The workshop for the blind, however, retains its earnings and makes disbursements therefrom without prior audit by the auditor of state. The underlying principle involved is the same for both institutions regardless of the size of the earnings.

The state funds act of 1913, previously quoted, was an attempt to establish a standard system of auditing in advance of payment of all expenditure vouchers. Prior to the passage of that act there was no particular system in this respect and departments, boards, and institutions all had different ways of expending their funds and of reporting their cash receipts or earnings. With the close of the twentieth general assembly (1915), several of the acts passed by that legislature practically reverse the wise provisions of the state funds act of 1913 and make

possible the same diversity of methods and procedure of handling and expending state moneys that prevailed prior to 1913.

In reading the session laws one is constrained to believe that there must be some fundamental weakness in the system of passing appropriation and other acts. If the need for a reorganization of the system of control over state moneys was so great in 1913 as to occasion the passage of an act which established this control, it is difficult to understand the reasoning which, in 1915, deliberately introduces the same conditions which provoked the remedial legislation in the immediately preceding legislature. The purpose of the state funds act of 1913 was as fundamentally sound in 1915 as it was in 1913 and as it always will be.

The fact that most of the institutions which in the session laws of 1915 were authorized to draw against their appropriations, not on presentation of claims or vouchers but on orders for funds, have not taken advantage of this privilege, would appear to be evidence enough in itself to indicate the unwisdom of granting the privilege in the first place. The acts in question, however, represent a departure from the uniform procedure of the state funds act of 1913, which, if repeated in subsequent legislation, may in time place the handling and expending of funds where they were prior to 1913.

As an illustration of the peculiarities of the session laws of 1915 in respect to the withdrawing of state moneys, the following may be interesting:

One of the institutions of the state is financed by tax levy, special appropriation, and cash receipts. The tax levy act of 1915 made no mention of how funds derived therefrom should be withdrawn from the state treasury. The act creating the institution provided that warrants should be drawn on the order of the trustees of the institution. The state funds act of 1913 amends this to require warrants to be drawn on presentation of vouchers for claims due. The state funds' act covers the cash receipts also. The special appropriation act of 1915, however, provides that warrants for the payment of the appropriation shall be drawn by the auditor on the order of the president of the board of trustees in favor of the treasurer thereof.

Thus we have in the 1915 session laws two different methods for this institution of withdrawing its funds, although the funds are used by the institution for the same objects of expenditure.

In the auditing of claims, one of the greatest difficulties arises out of the system of making appropriations in lump sums and of permitting institutions to retain for their own use their fees and earnings. These questions will be discussed more at length in connection with the report on the study made of the methods and procedure of the state auditing board, which, in practice, is confronted more directly with the auditing of claims than is the auditor's office per se.

4. Financial and Inventory Reports.

A comparison of the constitutional and statutory provisions and the actual reports and their contents submitted to or by the auditor of state will be sufficient to indicate the omissions and the disparity between what the law requires and what is actually done in the matter of reports.

Reference has already been made, in connection with the comments on the auditing of receipts, to the absence of the reports required from all collecting officers or agents. The meagreness of the information contained in the last biennial report of the auditor is clearly indicative of the lack of information available in the auditor's office for publication, information which one would naturally expect to find in a central accounting department's report. If an interested person wished to know how much and what kind of property the state owned, where it was located, what the liabilities of the government were of all kinds, how much it cost to run the government, or any particular subdivision thereof for a particular period, and what this cost was composed of, he would have to get together every report of every department, board, institution, etc., that published a report for the period of inquiry. The previous reports of the auditor of state contain none of this information, except as might be gathered from the statements of appropriations and funds and the expenditures therefrom.

As to the estimates of the necessary expenses of the government for the succeeding two years following the close of a biennial period, an estimate which is required by law, the pervious practice of the auditor's office (prior to 1913 and 1914) in fulfilling this requirement, was to publish a copy of the long appropriation bill for the previous two years, including therein also the statutory appropriations. The absurdity of this procedure was recognized in the last biennial report

(1913-1914) of the auditor, and the statement was omitted. A note in reference to the omission was printed in the report stating the following:

"The estimate of expenditures for the period (1915-1916) cannot be made with any degree of accuracy until after the adjournment of the legislature."

The evident intention of the law relating to the contents of the report that shall be rendered by the auditor to the general assembly through the governor, is to require the auditor to submit a form of budget. This phase of the auditor's report, however, will be discussed in detail in connection with a separate report on the preparation of a state budget.

The printed reports of the public examiner are of little or no value for general circulation. The information contained therein relating to state departments and institutions is usually printed in a similar form in separate reports by the departments and institutions. The information is of no value to the departments, institutions or county governments for the reason that each gets a typewritten copy of the results of an examination at the time it is made. The governor gets a copy, and there is also one copy retained in the auditor's office.

The printed report of the public examiner has been considered a compliance with section 4 of the session laws of 1909. This is evidently a misinterpretation of the law in question. The examiner's report is a record of the examinations made by the public examiner's office. The data published therein relates only to audits of receipts and disbursements, by funds. The reports required by the section quoted are complied with by counties only. Institutions do not observe it. The section quoted above requires financial reports "from every state or county taxing body and public institution." The auditor is required to publish the "substance" of these reports in comparative form, and a summary of receipts and expenditures, and accounts receivable, and also "a statement of the public debt of every state and county taxing body and of every state and county institution," etc. The printed reports of the public examiner are not prepared in this form, nor do they contain accounts receivable and figures on the public debt.

The public examiner's act of 1909 does not require a printed report of the examinations made by or under the public examiner. It requires only that a report of each examination shall be filed in the office of the auditor of state, although the work of the public examiner's office might naturally be included in some form as a part of the auditor's biennial report to the governor.

The inventory reports rendered to the auditor of state last year for the first time, in compliance with the act of 1915, are filed as received. This is all that could be done with them under the present organization and system of reports in the auditor's office. The act in question evidently intended to establish some sort of control over property of the state. The act, however, is very incomplete as establishing any system of effective control over property and will cost the state as much to print the inventory reports, if this requirement of the act is complied with, as would pay for the yearly services of a clerk or two to maintain a system of property records in the auditor's office.

The act requires "a detailed and itemized report" and that "the state auditor shall include and publish the aforesaid reports in his regular biennial report to the governor." The inventory reports are required to be submitted annually on or before the 31st of December. The fiscal year ends November 30th. "The aforesaid reports" would appear to include both year's reports of a biennial period to be printed by the auditor. If, however, only one year's reports are printed, the cost of printing will be considerable, to say nothing of the waste of money and absolute uselessness of printing the mass of detail included in the reports.

VIII. RECOMMENDATIONS

The following recommendations, in summary form, are submitted in the belief that they express not only the intent of the laws relating to the function and duties of the auditor of state in his relation to all other branches and activities of the state government, but that only by some such scheme of organization, methods, and accounts may the interests of the state be best administered and safeguarded, and the criticisms commonly heard against public business methods be removed.

The purpose of this report, however, is not to submit a complete plan of organization and scheme of accounts and methods in detail for adoption by the auditor of state. Such an undertaking would require more time for study than

was granted to the Survey Committee. The purpose is rather to emphasize the need for change and to lay the foundation for a proper consideration of the function and scope of the auditor of state, in so far as they pertain to the field of accounting, reporting and auditing.

Occasionally one hears references to the distinction between governmental and private business methods and accounting, and intimations that private business methods and accounting may not be applied to governmental affairs owing to the legal and political restrictions of government. This is a mistaken view of the problem. Every effort of experts in governmental activities is directed toward the introduction into the business of government, of methods which have their foundation in the best practices of private undertakings. To promote this end, proposals are made from time to time to amend existing laws or adopt other laws. And the reason is sound.

Every head of a department or branch of the public service needs the facts of business presented to him in the same detail and accuracy for the efficient and economical administration of his department or activity that a private manager needs to get the same results. Naturally in government business every act is performed in accordance with some requirement or provision of law. But the tendency is to make the law conform to good business methods and the requirements of efficient management, rather than to hedge around and strangle the latter by poor or inadequate laws. In other words, good laws and good business methods and efficiency may exist in perfect harmony. The laws are needed because the business of government is a trusteeship—it is performed for the welfare and interest of others.

With respect to the recommendations made herein it should be remembered that a plan of reorganization of any undertaking does not necessarily mean in every case a reduction in the total cost of doing business. Possible economies may be pointed out and savings indicated in different operations or activities, yet the cost of other operations or activities may increase, and the cost of the whole may be the same or even greater. This arises from the fact, which everybody familiar with government methods knows, that in many cases some of the things which should be done are not being done, and some of the things which are being done may not be necessary or are costing too much.

The plan of reorganization and the scope of efficiency is to effect a proper balance and to reduce the unit cost of doing the desirable and necessary things to the margin consistent with good work and the value of the service rendered.

1. Suggested Changes in Accounting Methods.

There should be a complete change in the system of accounting and reporting in the auditor's office. The system should provide for establishing centralized control, by means of records and reports, of the financial transactions of all departments, institutions, and other organization units of the state service, with the exception of the University of Colorado. It should be possible under this plan to prepare statements and reports in such form and detail as may show clearly the financial condition of the state, its assets and liabilities, and the cost of operation.

Such a plan of accounting and reporting as that suggested will require the cooperation of departments, institutions, etc. The constitution requires state departments, institutions, etc., to maintain accounts of their transactions. This would preclude, without constitutional amendment, the possibility of the auditor of state installing a system of accounting which would make necessary the keeping of similar records in departments, institutions, etc., however desirable that might be from an efficiency and economy standpoint. There is nothing in the law, however, which inhibits the auditor of state from establishing a central system of control accounts of all financial facts of the government, and such system is absolutely essential to a full compliance with statutory duties of the auditor of state.

The cooperation needed from the departments, institutions, etc., will consist of the proper and accurate distribution on vouchers of the moneys expended by them. For this purpose, it is of fundamental importance that a classification of expenditures be established, standard and uniform for application by any and all branches of the government service. Without a standard classification of expenditures it will be impossible to compare the results of business in the various departments, institutions, etc.

The detail of departmental or institutional cost to be kept in the auditor's records should be sufficient to show the main items of cost for the preparation

of revenue and expense statements. All expenditure vouchers originating or received in the auditor's office should, after audit, be distributed to the accounts in the general and expense ledgers in accordance with the standard classification of accounts promulgated.

Departments, institutions, etc., should be required to keep their accounts in accordance with the standard classification of expenditures.

The real and personal property of the state should be of record in some form in the auditor's ledgers. A system of property accountability should be established by the auditor of state. The auditor undoubtedly has the right to establish a centralized system of control over personal property wherever located, by virtue of the provisions of the public examiner's act of 1909, and also by virtue of certain other sections of law relating to the prosecution of persons who fail to turn over state property in their possession, and the right of the auditor, governor and secretary of state to condemn and dispose of personal property.

General property taxes should be shown in the general ledger in controlling accounts. The law provides that the counties shall be held responsible for the collection of property taxes. The amount of assessments and taxes reported to the auditor each year should be charged to the counties and no credits made unless the county officials make the reports to the auditor as required by law. The discrepancies in the revenue register should not be allowed to continue, and this register should show the detail of taxes charged to counties in accordance with official notices of taxes levied as reported by the board of equalization. The board of equalization should certify to the auditor the taxes levied in each county each year and not merely forward the auditor an unsigned list of such matters.

No transfers of funds from one fund account to another, or other entries should be made in the general ledger or other records without an official document in every case authorizing the transfer or entry.

There should be personal accounts kept with all collectors of revenue (exclusive of property taxes), as required by law, and controlling accounts kept for all revenues and accounts receivable, such as controlling accounts for all flat tax accounts in the secretary of state's office, for all rents and leases of public lands as contained in the individual records of the land board.

Reports of collectors of revenue other than property taxes would be the medium for charging their accounts with such moneys collected and for crediting such accounts if treasurer's receipts were attached thereto. Reports of collections of flat tax, of leases, etc., accompanied by state treasurer's receipts, would be the medium for crediting the respective controlling accounts with such transactions. The details to be reported by all collecting agents of moneys, other than taxes may be determined by the public examiner, as provided by law, although the law specifies that such reports shall state, under oath, "fully the sources and amounts of all moneys received during the period covered by the report."

Encumbrances, such as contract or open market orders, should be set up against all appropriation or fund accounts at the time the liability on contracts or orders is incurred. This will establish on the auditor's books the liability for claims arising from contract or purchase order obligations. The condition, also, of each appropriation or fund account may thus be correctly determined and proper provision made to prevent overdrawing of any of such accounts.

The letter copy book should be discontinued, and carbon copies of letters and all other documents now copied should be prepared at the time of preparing the originals.

2. Suggested Changes in Methods of Auditing Receipts.

The auditor of state should receive the reports and accounts current required by law to be submitted to him monthly or at other times during the year. The state treasurer's copies of receipts for funds deposited in his office should be transmitted to the auditor by the depositing officers or agents, together with their reports of collections. The only exception to this rule would be the receipts of the county treasurers for tax collections deposited with the state treasurer. The auditor gets the original and duplicate of these receipts and countersigns the original, thus making it unnecessary to require the county treasurers to remit the duplicate receipts.

All forms of financial stationery used in the collecting of state moneys, with the exception of county treasurer's receipt documents, should be printed and controlled by the auditor of state, and all collecting officers, exclusive of county treasurers, should secure their supply of such stationery from the state auditor. They should be charged with such stationery when it is issued to them, and given

credit for all copies used, destroyed or returned, as reported in their monthly reports of collections to the auditor, or as reported by the public examiner after examinations of their offices.

3. Suggested Changes in Method of Auditing Expenditures.

The auditor of state should have available in his office at all times original or certified copies of all contracts, purchase orders, or other documents necessary to the proper examination and audit of any claim presented to him for settlement.

The introduction of the system of requiring copies of purchase orders to be filed with the auditor of state, will, besides establishing the encumbrances against appropriation and fund accounts, also establish a check against duplicate payments.

Under the present system of making appropriations, and of paying appropriations by classes as referred to in another part of this report, it is necessary under the law for certain institutions and departments to secure approval by the state auditing board to requisitions before incurring any liability or expending their appropriations. (See separate report on State Auditing Board.) The approving of requisitions by the state auditing board would be unnecessary with a change in the method of making appropriations. Without a change in such methods, however, it would be necessary for the auditor to get a copy of such requisitions at the time they are approved by the state auditing board, in order to establish a control over the expenditures incurred thereunder. (See separate report on appropriations and budget making.)

All salaries and wages paid by the state should be submitted to the auditor of state on regular forms of payrolls. The preparation of vouchers for salaries and wages should be discontinued except in emergency cases. The auditor's office should also maintain a roster of all permanent employes of the state.

The forms of vouchers used in the payment of claims should be designed to provide for certification by the auditor's office of each claim approved and passed for payment.

The ore buyer's act, permitting the secretary of state to make expenditures from funds received from the operation of the act without prior audit by the auditor, should be amended to require all such funds to be deposited like other state funds and drawn on only by voucher after approval by the auditor.

The expenditures by the secretary of state from the motor vehicle funds should also be discontinued and appropriation made for all necessary expenses of the operation of the motor vehicle license act.

As an independent method of verifying expenditures for supplies, equipment, etc., there is here suggested that a division of inspection be established in the auditor of state's office. The creating of an inspection service would be in line with the suggested plan to have copies of all purchase orders sent on issue to the auditor's office, and it would also be in line with the proposed changes in purchasing methods of the state, as contained in a separate report by the survey committee on purchasing supplies.

4. Suggested Changes in Methods of Reporting.

The form and contents of reports to be rendered by the auditor of state to the governor and to departments, institutions, etc., are so closely dependent on the system of accounts maintained that, in the light of the recommendations made in the foregoing pages concerning a complete change in the accounting system, it is deemed expedient to refrain at this time from making any definite suggestions on this matter.

In general, it may be said that under any system it will probably be necessary for the auditor to issue monthly reports to departments, institutions, etc., relating to the condition of the appropriation and fund accounts for the purpose of reconciling the auditor's accounts with the accounts maintained by departments, institutions, etc. Further, all collecting officers or agents should be required to comply with the law concerning monthly reports of their collections.

The auditor's biennial report to the governor will be more complete in the financial facts reported, if the suggested accounting changes are made. That part of the report dealing with estimates of revenues and expenditures, and with recommendations for improving the public service, reducing the cost of government, etc., should be incorporated in a plan of budget to be submitted by the governor to the legislature each biennial period. Recommendations concerning this matter are made in connection with a separate report on a state budget.

The public examiner's published reports of examinations should be discon-

tinued for the reasons stated previously in the section on comments. If the suggested changes in the accounting system are installed, it will be unnecessary to publish separately the statistics required by section 4 of the public examiner's act of 1909. With a change in accounts, the details of the financial transactions of institutions will naturally be incorporated in the auditor's biennial report. A section of this report may also be used to print in comparative form the "substance" and a summary of the financial transactions of counties, required by law to be published by the auditor of state. With these changes, section 4 of the act of 1909 in question would be unnecessary and might be repealed.

The act of 1915 requiring the publishing of inventory reports of property should be repealed. With the introduction of the changes in accounts and the installation of a system of property control as suggested, it would be necessary to publish only balance sheet figures of property, and these figures would be contained in summary form in the auditor's biennial report.

5. Outline of a Centralized System of Accounting.

For the purpose of indicating in more concrete form the general suggestions in the preceding pages concerning a revised accounting system, there is here outlined a scheme of accounts which is adaptable to the needs of government and recognized in the accounting world as sound and productive of efficient results.

To meet the dual relationship of governmental accounting, i. e., the necessity of showing all the details of business as they are commonly shown in private undertakings, and also the necessity of showing these details in their relation to the legal restrictions of government, the accounts are grouped under headings descriptive of their relationship, as follows:

Property Group
Fund Group.

Property Group.

This group would include all the assets and liabilities of the government, and the revenue and expense accounts.

Fund Group.

This group would include all the appropriation and fund accounts, or authorizations to spend money, and the resources or means available to finance the proposed expenditures.

These two main groups of accounts broadly distinguish the system under which the proposed accounting system is operated. There is naturally a duplicate set of operations involved in the accounting transactions to maintain the dual relationship in the accounts. This is necessary if the facts of business which the ordinary business man, or any interested person, wishes to know about are to be presented to him, and if the condition of the appropriations and revenues, the estimated revenues and estimated expenditures, are to be presented in unmistakable fashion to the government officials and others concerned.

In any accounting system it is necessary to classify the accounts as between those representing current operations and those representing capital, sinking fund and trust operations. In harmony with this practice, the accounts in the system under discussion are classified or grouped under the following headings:

General Account
Capital Account
Sinking Fund Account
Special Trust Fund Account.

The general account group includes the accounts representing current assets and liabilities.

The capital account group includes the accounts representing permanent property, cash raised for capital outlays, and bonds or other capital liabilities.

The sinking fund group includes the accounts representing cash and investments, etc., in sinking funds, and sinking fund liabilities and reserves.

The special and trust fund group includes the accounts representing assets and liabilities which pertain to special and trust funds which are operated or maintained specifically for the purposes of those funds.

The two main groups of accounts representing the funding relations of government are called respectively General Fund and Capital (or Loan) Fund, to dis-

tinguish them from the two main groups representing the proprietary accounts, viz., General Account and Capital Account.

The operation in a central department of the system of accounting outlined above would develop information relating to the following facts:

- a. The cash, real and personal property, and other assets of the government, the liabilities or debts due others, and the surplus or deficit in the accounts.
- b. The cost of operating and maintaining the government as a whole and for each division or organization unit thereof, and the relation of this cost to the revenues received and accrued for a given period of time.
- c. The status of the financial program determined on at the beginning of a fiscal period, i. e., whether anticipated revenues have been or are being received, whether proposed expenditures have been or are being incurred as planned, and the actual or probable surplus or deficiency in the fund accounts.

In addition to the foregoing information developed in the accounts, there would be such other information as relates to the total cash received and expended and the balance on hand, the statements or schedule in detail supporting the main statements of fact.

Coincident with the establishment of the system of accounts described, the other changes suggested in the preceding pages would have to be adopted, such as a standard classification of expenditures, an adequate system of auditing receipts and expenditures, and full co-operation of departments, institutions, etc., in furnishing the information relating to financial transactions necessary for the records of the auditor's office.

A tentative list of the ledgers, registers, and expenditure documents needed in some form for the proposed system would be as follows:

- a. General Ledger
- b. Expense Ledger
- c. Appropriation Ledger
- d. Personal Accounts Ledger
- e. Property Ledger
- f. Revenue Register (present form)
- g. Register of Cash Receipts (other than property taxes)
- h. Special Cash Book (present form)
- i. Registers of Warrants (present forms)
- j. Register of Expenditures or Accounts Payable
- k. Register of Accruals
- l. Purchase Orders
- m. Payrolls
- n. Vouchers
- o. Warrants.

Details concerning the form and use of the books and documents included in the above list is not included in this report for the reason that their general purpose is sufficiently clear to anyone familiar with the fundamental principles of accounting, and for the further reason that the information to be contained in such records may depend upon conditions which can be determined only in connection with the installation of the system.

While the constitution provides that departments and institutions "shall keep an account of all moneys received by them severally from all sources, and for every service performed, and of all moneys disbursed by them severally," it is quite possible for the auditor of state to keep accounts in his office in such form that, by means of current reports, it would be unnecessary for certain departments to keep any accounts but those within the letter of the constitution, thus eliminating, with resultant economy of cost, the keeping of duplicate accounts in those departments. Naturally this would require maximum efficiency in the auditor's office, but it is a line of policy, however, toward which the state should work.

6. Changes Requiring Legislative Action.

It is believed that the provisions of the constitutions and statutes are sufficiently broad, particularly those of the public examiners act of 1909, to permit the auditor of state to revise the state accounting system along the lines suggested herein without need for further legislation on this matter, with the excep-

tions noted below. There may be, however, need for a general reorganization of the staff of the auditor's office to make effective the modernization of the accounting procedure.

The statutes that should be repealed or amended are the following:

a. Ore Buyers' Act. (Laws of 1915.)

This act should be amended to require all license money paid in under the provisions of the act to be deposited by the secretary of state like other state funds of the same kind, and the expenses arising out of the act met from appropriation.

b. Public Examiners Act. (Laws of 1909.)

Section 4 of this act should be amended to provide for the auditor of state including in his biennial report, instead of a separate report, the data or statistics required by that act.

c. Inventory Reports of State Property. (Laws of 1915.)

This act should be amended to require inventory reports to be rendered to the auditor of state on or before the close of the fiscal year, and in such form as the auditor may require. The act should be amended further to provide for the establishment by the auditor of state of a complete and effective system of control over all personal property belonging to the state, to prescribe regulations governing the accountability and responsibility for such property, the disposition of unserviceable property, etc., such regulations to be adopted with the approval of the governor.

d. The act (Laws of 1895, Sections 1 and 2, 315, 316, M. A. S.) providing for the sale of personal property and the advertisement of such sales, etc., should be repealed if the amendment recommended under (c) above concerning inventory reports is acted upon.

e. Wherever in the law it is required that salary vouchers shall be made out for each person to whom the state is indebted before warrant may be issued in settlement thereof, such as in the special appropriation act of 1915 for the State Home and Training School for Mental Defectives, this requirement of the law should be changed to require the use of payrolls in departments, boards, institutions, etc., with only one covering voucher for each payroll.

f. Section 2 of the act of 1915, relating to Industrial Workshop for the Blind, should be amended to provide that the proceeds from the sale of products of the shop shall be deposited with the state treasurer and drawn on only as provided in the state funds act of 1913.

g. There should be an act passed requiring officers or agents of the state who collect state funds to use such financial stationery only as is furnished by the auditor of state, such stationery to comprehend receipt books or documents, license and permit forms, etc.

REPORT

On a Survey of the Office of
Public Examiner

Report on a Survey of the Office of Public Examiner

I. STATUTORY REFERENCES

The office of public examiner was created by statute in 1907 and repealed by an act of 1909, "to create the office of public examiner and to establish a uniform system of public accounting, auditing and reporting, under the administration of the auditor of state, (and) to provide penalties for the violation hereof * * *".

Under the provisions of the act of 1909 above quoted, the public examiner is appointed by the state auditor at a salary of \$3,000 per annum and necessary traveling expenses. He is required to file a surety company bond of \$10,000.

The act further provides that the auditor of state and the public examiner shall formulate, prescribe and install a system of accounting and reporting, that shall be uniform for every state or county public office and state and county institution, and for every public account of the same class. It is the duty of every state and county public officer and employe to keep all accounts of his office in the form prescribed and to make all reports required by the auditor of state.

To assist in installing the system of uniform accounting, the act in question provides for the employment of state examiners at a rate of \$150 per month and necessary traveling expenses. The auditor is empowered, also, to employ a stenographer and such clerks as are necessary to carry out the provisions of the act, at a salary not to exceed \$100 per month for each.

The auditor of state, the public examiner, and every state examiner, has the power to examine into the financial affairs of every state and county public office and officer, and of every state and county institution, and shall make such examination at least once a year or oftener if the auditor of state deems it necessary. Testimony may be taken under oath in conducting examinations, and a report of each examination shall be made and be a matter of record in the auditor's office.

When a system of uniform public accounting is decided upon, the auditor, public examiner, or state examiner shall install the system and instruct public officials as to its operation. Any person required in the act to make return and exhibits, or to give information required by the public examiners, failing to do so shall be guilty of a misdemeanor and fined not more than \$500.

II. PERSONNEL AND DUTIES

The present force (November 30, 1916) of employes in the office of the public examiner, together with a summary of duties, are as follows:

Public Examiner.....	\$3,000
Performs the duties outlined above and in addition, at times assists the deputy inspector of the bureau of building and loan associations.	
State Examiners (three).....	\$1,800 (each)
Make audits and examinations of county offices, state departments and institutions.	
Assistant Examiners and Clerks (six).....	\$1,200 (each)
Assist in the work of state examiners.	
Stenographer	\$1,200
Performs stenographic work, writes reports on examinations, etc.	

III. FINANCES

The salaries and expenses of the office of public examiner are provided for by regular appropriation. The general appropriation act for the biennial period of 1915 and 1916 carried the following items for the public examiner:

	1915	1916	Total
Public Examiner, Salary.....	\$ 3,000	\$ 3,000	\$ 6,000
Traveling Expenses of Public Examiner.....	500	500	1,000
State Examiners and Assistants, Salaries.....	14,400	14,400	28,800
State Examiners and Assistants, Traveling Expenses.	6,000	6,000	12,000
Clerk and Stenographer, Salary.....	1,200	1,200	2,400
Tabulator, Salary.....	1,200	1,200	2,400
Total.....	\$26,300	\$26,300	\$52,600

The governor vetoed \$1,200 of the item of \$14,400 for the year 1916, thus making the total appropriation for the public examiner for the biennial period (1915-1916) \$51,400. Of this latter amount there was expended up to November 1, 1916, \$47,741.46, leaving a balance of \$3,658.54, to carry the public examiner's office during the month of November, 1916, the last month of the biennium.

For the preceding biennial period (1913-1914) the office of public examiner received an appropriation of \$53,800, and expended therefrom for that period \$49,432.14. The expenses of the current biennium will run approximately the same figure as the preceding biennium. Thus, in round figures, the cost of this state activity, viz.: field examinations and audits, is close to \$50,000 for a biennium, or \$25,000 for a fiscal year.

IV. EXAMINATIONS MADE DURING THE CURRENT BIENNIUM

From a statement prepared by the public examiner, the following summary is made, showing the examinations made by the public examiner during the period from January 12, 1915, to October 23, 1916, inclusive:

Counties (Sixty-three)	Period Covered in Examination
County offices, 3.....	From January 1, 1913, to December 31, 1915
County offices, 9.....	From January 1, 1913, to December 31, 1914
County offices, 1.....	From January 15, 1913, to December 31, 1915
County offices, 5.....	From January 1, 1914, to December 31, 1915
County offices, 6.....	From January 1, 1914, to December 31, 1914
County offices, 37.....	From January 1, 1915, to December 31, 1915
County offices, 1.....	From January 1, 1915, to February 12, 1916
County Treasurer, 1.....	From January 1, 1915, to December 31, 1915
State Offices (Twenty-three)	
1 office.....	From December 1, 1910, to November 30, 1915
1 office.....	From December 1, 1912, to November 30, 1913
8 offices.....	From December 1, 1912, to November 30, 1914
1 office.....	From December 1, 1912, to January 12, 1915
1 office.....	From December 1, 1912, to January 27, 1915
1 office.....	From December 1, 1912, to August 21, 1915
1 office.....	From March 23, 1913, to November 30, 1915
1 office.....	From April 1, 1913, to August 9, 1915
1 office.....	From April 30, 1913, to November 30, 1914
1 office.....	From June 30, 1913, to November 30, 1914
1 office.....	From August 14, 1913, to April 10, 1915
1 office.....	From September 22, 1913, to November 30, 1914
1 office.....	From October 26, 1913, to March 22, 1916
1 office.....	From December 1, 1913, to April 7, 1915
1 office.....	From December 1, 1914, to October 2, 1915
1 office.....	From December 1, 1914, to November 30, 1915
State Institutions (Thirteen)	
1 institution.....	From December 1, 1912, to August 31, 1915
10 institutions.....	From December 1, 1914, to November 30, 1915
1 institution.....	From December 1, 1914, to August 31, 1916
1 institution.....	From December 1, 1915, to July 22, 1915

Miscellaneous (Three)

State Highway No. 20.....	
School Dist. No. 1, Denver County.....	From July 1, 1914, to June 30, 1916
High School, Washington County.....	

Thus from the above summary of examinations it appears that the accounts of all county offices in the state have been examined once in the present biennium, that with one exception (Workshop for the Blind) all state institutions were examined, and that, also, most of the executive departments, boards, and offices have been examined once during this biennium.

The examinations made in the present biennium covered periods of operation which ranged from six months to five years, but most of the offices examined covered from one to two-year periods of operation. The offices, state and county, subject to examination, are behind in the matter of examinations, for periods which range from a few months to three years, as follows:

County offices

- 1 county will be eleven months behind at December 31, 1916.
- 47 counties will be one year behind at December 31, 1916.
- 15 counties will be two years behind at December 31, 1916.

State offices

- 2 offices will be eight months behind at November 30, 1916.
- 1 office will be fourteen months behind at November 30, 1916.
- 1 office will be fifteen months behind at November 30, 1916.
- 1 office will be sixteen months behind at November 30, 1916.
- 3 offices will be twenty months behind at November 30, 1916.
- 3 offices will be one year behind at November 30, 1916.
- 11 offices will be two years behind at November 30, 1916.
- 1 office will be three years behind at November 30, 1916.

State Institutions

- 1 office will be three months behind at November 30, 1916.
- 10 offices will be one year behind at November 30, 1916.
- 1 office will be fifteen months behind at November 30, 1916.
- 1 office will be sixteen months behind at November 30, 1916.
- 1 office will be four or more years behind at November 30, 1916.

An examination of a county usually includes an examination of the accounts of from five to six county offices, which include the treasurer, county clerk, sheriff, county court judge and clerk, county commissioners, and district court clerk.

In a biennial report of examinations made by the public examiner for the fiscal years 1913 and 1914, the number of counties reported examined during these years was slightly over 50 per cent of the total number of counties. The period covered in the examinations ranged from one year to eight years, although most of the examinations covered from two to three years' operations of the offices examined. Of the state offices reported examined in the aforementioned report, only three were examined in 1913 and 1914, while all but one of the state institutions were examined in that period.

In the examinations made of state and county offices during the present biennium, the examinations of a number of offices covered periods of several years which had been examined before by the preceding public examiner. In a number of cases, also, the examinations of the present biennium covered only one year of a period of two or more years which had not previously been examined. The explanation given by the present public examiner for rechecking the work of previous examiners and of checking only the last year of a two or three year period previously unchecked, was that the records in the public examiner's office and in the offices examined were incomplete to indicate just what examining work had been done in the past, and, further, that owing to lack of time only a portion of certain unchecked periods could be checked in some offices.

The public examiner's biennial reports of previous fiscal years state, however, pretty definitely the periods covered in those reports, together with the figures compiled as a result of the examinations made. Thus, unless there are other reasons not disclosed, it would appear to have been unnecessary to have duplicated the work of previous examiners.

The examination of an office, state or county, is usually confined to an examination of the cash transactions by fund accounts and authority for making

or incurring expenditures. The results of examinations are not tabulated to show the cost of operations by divisions or organization units of a department or office. There appear to be, in other words, no statements submitted, as the result of an examination of an office, co-ordinating receipts and expenditures in the form common in private accounting practice and which would permit of an administrative judgment as to the results of operation, regardless of fund or appropriation accounts. Further, the public examiner's published reports in previous years do not disclose weaknesses and defects in organization and methods in the offices or institutions examined.

In separate reports by the survey committee, relating to certain departments and activities of the state government, notably the game and fish department, reference is made to weaknesses and defects in accounting and other methods in those departments and activities. The same may be stated of the military department, although a separate report by the survey committee has not been made of that department, owing to the federal government having taken over the militia early in the summer of the present year (1916). It was learned, however, as a result of a short interview with the adjutant general and the accountant of the department, that the records of the department were in very unsatisfactory shape and that an inventory (estimated value of property in central storehouse, \$50,000) of all the property of the department had not been taken in years. Steps are now under way to correct these defects by the employment by the military department of a former state examiner.

The nearest approach to a statement of cost of operation for a state department or institution is found in a public examiner's report for the fiscal year 1911, although the statement in question pertains to one state institution only and would still require revision to make it useful from an accounting and administrative viewpoint.

The force of examiners in the public examiner's office appears to be inadequate in size to perform all the work required of it. Concerning the qualifications of the examiners and assistants to perform the technical work required of them, their civil service records as a whole are woefully weak in experience, training, and education. Something more than clerical and bookkeeping experience and a knowledge of county records should be required of public examiners and assistants appointed under the public examiners act of 1909.

None of the present staff of employees in the public examiner's office was appointed under competitive examination. This is due largely to the emasculated civil service law and to insufficient appropriations to hold examinations. It is very doubtful, considering experience and training, if any members of the present force of examiners, and assistants could successfully pass an examination in general accounting and auditing subjects, a thorough knowledge of which should be prerequisite to appointment in the public examiner's office.

There is a considerable volume of auditing work in state and county offices. This is said to be one reason for employing as many examiners and assistants as the appropriation for the office will allow rather than employing a small number of experienced accountants. The salaries paid examiners and assistants are inadequate to secure practical accountants. The salaries paid to the present force appears all that its experience and training would justify.

Notwithstanding the methods adopted to increase the force of examiners, the examinations of state and county officers are still too infrequent for practical purposes. It has frequently happened, due to delays in making examinations, that an examination has been made of an office covering periods which included the transactions of several incumbents of the office. The infrequent examinations of county offices by state examiners explain, in a measure, the reason why private firms of accountants are employed by county commissioners in so many counties of the state to audit county records. A further reason, it is said, for the employment of private accountants, is the low esteem, from a professional standpoint only, in which state examiners have been held by county commissioners.

However true this attitude may be of county commissioners, the fact of the employment of private accountants to audit county records appears to emphasize the weaknesses or defects in the administration of the public examiners act. To the extent that an examination is made hurriedly or incompletely by inexperienced persons the cost of such examination is largely a waste of money. Further, the cost of every examination of county records by a private firm of accountants, after state examiners have examined the same records, is a gratuitous waste of public money somewhere. Either the service rendered by state examiners is not such

as to justify its cost, or else county commissioners are employing private accountants without cause.

In a public examiner's report of 1911 the state auditor estimates that \$40,000 was spent annually by different counties in the state in fees to private accounting firms or individuals. Whether this amount of money is still being spent by counties could not be determined at this time. County records are, however, being examined regularly in some counties. A portion only of the estimate of \$40,000 per year (which is close to what the state spends in two years for the same work) would, if allowed to the public examiner's office place that office in a position to make frequent examinations and to employ in the work an expert staff.

V. UNIFORM SYSTEM OF ACCOUNTS

The public examiner's act of 1909 specifically provides for the installation of a uniform system of accounts in all state and county offices. In the public examiner's report above referred to (1911), there is contained a set of accounting and reporting forms for the several county offices in each county, with brief instructions on the use thereof. In the public examiner's report of 1913-1914 a recommendation contained therein is as follows:

"The duty of the Public Examiner, among other things, is to establish a uniform system of keeping accounts at county offices. A uniform system was prepared by this department some three years ago and sought to be established, but county officers have been very lax in adopting it, with the result that but few counties are now using the uniform system. In most of the counties the same system, or lack of system, is being used that was adopted by the county at the time of its organization some twenty or thirty years ago.

"A penalty should be imposed upon these counties who fail to adopt the uniform system."

That the need for uniformity in accounting methods and procedure in county offices seems to exist today almost as strongly as when the public examiner's act was enacted (1909), and when the public examiner wrote the statement above quoted, seems to be the opinion of persons who come in contact with county officers. Whether the accounting system for county offices devised by the public examiner in 1911 was adequate for the purpose cannot be determined from a mere study of the forms. The fact remains that only a little over two years ago a prominent county in the state employed a firm of accountants to devise and install a system of accounts for the public offices in that county. Thus again there is evidence of a lack of confidence in the public examiners office to perform certain work for which it was created and which, apparently, in this instance it had performed, or else the influence still exists in counties to employ private firms regardless of the efficiency of the public examiner's office.

The present public examiner states that there is no need for uniformity in accounting and reporting methods in county offices. It must be quite evident and taken for granted, without seeing the results of the work, that the accounting system installed by private accountants in the county referred to above is modern and efficient and different from any system in use in other county offices not so fortunate as to have experts devise their system for them.

The question of uniformity, however, it must be stated, is not so important as the question as to whether the accounting systems and methods and procedure in county offices are such as to show exactly all the transactions of an office and in such a way as to permit and facilitate the audit or examination of those transactions. This is the important question and it is stated by persons who know, that it is difficult to audit the accounts in some county offices.

Concerning the accounting systems in state offices, reference has already been made herein to the lack of an efficient system in the game and fish department and in the adjutant general's department. The weaknesses and defects in the general accounting system in the auditor's office has also been fully described in the survey committee's report on that office. Other reports by the survey committee touch on defects in accounting system and methods in different departments and offices, all of which fall within the scope of the work of the public examiner's office.

VI. RECORDS IN THE PUBLIC EXAMINER'S OFFICE

There are no records kept by the public examiner showing the detailed cost of jobs undertaken by the employes of that office. To ascertain the cost of an examination of a particular office would naturally require the keeping of time reports by all examiners and assistants, or some such documents to record the time spent on an examination, together with information as to the scope of the work performed. No such records are kept by examiners and assistants.

The importance of the records referred to in an office of this kind must be apparent to a novice in business. With such records the head of the office may keep in direct touch with the work of his subordinates and determine, also, the relative efficiency of his men. Further, such records are of value in comparing the cost of the examinations of different county offices where conditions and periods of examination are alike. Moreover such records would be of considerable use at budget making time as showing exactly how a previous year's appropriation was expended, where it was expended, why, in certain cases, so much of it was expended in certain offices, or classes of work, and be the basis, also, for requests for additional appropriations, if needed. In this connection it should be stated that, owing to insufficient appropriations made to the industrial commission in the last session of the legislature (1915), various departments and offices of the state came forward with clerical or financial assistance to meet the need of the industrial commission. Among these offices was that of the public examiner's, which paid from its funds the salary of a clerk in the offices of the industrial commission at \$100 per month for six months.

VII. PUBLIC EXAMINER'S REPORTS

So far as could be learned from an interview with the present public examiner, the files of reports, working papers, etc., of the public examiner's office have not been kept in the past in such shape as to be of much assistance to an incoming public examiner. Reports and papers relating to examinations are now, however, it is stated, filed and available for use at any time.

The present practice is to prepare and typewrite in triplicate, detailed reports of the results of examinations. One copy of each report is sent to the office examined and two copies are retained by the public examiner, which permits of keeping one copy in his files and of issuing the extra copy to the governor or other person if request is made therefor.

The form and contents of these typewritten reports (which are bound in cardboard and leather), are subject to criticism. They appear unnecessarily bulky and extravagant of paper and space, and contain at times considerable detail which might, with advantage and economy in cost of typewriting, be omitted. If working papers are properly filed in the examiner's office, the need of repeating in reports all details in order, largely, to keep a permanent record thereof, would be unnecessary. So far as such detail may be said to be included in reports for the information of the respective offices examined, it should be remembered that the offices concerned have the information in their records in the form, usually, in which it is compiled by the examiners.

There is another important consideration to be taken into account in connection with the size of the present separate reports of each examination, which is that in time an accumulation of these reports will require unusual space in which to store and protect them, whereas if they were not bound and were reduced in their contents to essential facts only, they could be more conveniently filed and taken care of, and would require, at the same time, less office space.

The publication of the biennial report of the public examiner has already been discussed in some detail in the survey report on the office of the auditor of state. It is there pointed out that there is no sound reason for the publication of the public examiner's biennial report in its present form. In the first place it is not legally a compliance with the section of law quoted in the transmittal letter printed in the biennial report. In the second place the information contained therein is of little practical value to anybody. It is of no value to the respective offices, the separate reports of whose examinations are published therein, for the reason that those offices are usually furnished with a copy of an examiner's report at the completion of an examination. It is of little value to the public because the information heretofore published therein related largely to cash receipts and disbursements by fund or appropriation accounts.

VIII. SUMMARY OF FINDINGS

The findings on this preliminary report on the public examiner's office should not be taken in any sense as an expression of hostile criticism of an organization which has been in existence so few years. It is recognized that the great amount of work to be done, together with insufficient appropriations for the purpose, have handicapped that growth and development of the office which can come only with time and wise laws and administration, and which may confidently be expected of it in the future. The object of this report is, rather, to assist in bringing the office to that usefulness as an organization for the protection of the interests of the state which it is believed it was originally intended to have. Only by discussing any defects in organization and methods may this result be accomplished.

The findings, therefore, in summary form, are as follows:

- a. The force of examiners and assistants is inadequate in size properly to handle all the auditing work that should be currently kept up to date.
- b. The force of examiners and assistants does not appear from the records to have the experience, training, and education usually required of men in this field of work.
- c. Neither the law nor the salaries paid offer any inducement to qualified accountants to enter the state service in this field of work.
- d. The state is at a distinct disadvantage in being unable to retain in its service its public examiners and assistants where such retention would be desirable and for the best interest of the state. The present force of examiners and assistants is subject to immediate removal at the will of the auditor of state, regardless of fitness and ability. The civil service law offers no protection because none of the examiners was appointed on competitive examination.
- e. Examinations of offices are not conducted as frequently as the service seems to demand. This results in skipping offices and periods of operations.
- f. County commissioners are, in a number of counties, employing private firms to audit their records and in some cases to devise and install accounting systems. These are duties which the public examiners act of 1909 specifically charges the auditor of state and the public examiner to perform. The devising of accounting systems for different counties by different private firms without the co-operation of the auditor and public examiner cannot be considered a commendable practice from the standpoint of uniformity of system or of the responsibility of the auditor and public examiner concerning county records and business procedure.
- g. There appears to be need for revision and uniformity of accounting methods in some state departments and county offices.
- h. The records of the public examiner's office are incomplete to show the cost of each examination made and other particulars relating to the details of the work of the office.
- i. Reports of examinations appear to be unnecessarily bulky and cumbersome and to contain at times non-essential information, or information which should be of record in the general books and files of the auditor's office.
- j. The publication of the biennial report of the public examiner is not required by law and, further, the information contained therein is here considered not of sufficient value to warrant the cost of its printing. The last biennial report (1913-1914) of the public examiner cost \$1,375.00.

IX. SUMMARY OF RECOMMENDATIONS

Only one change is here proposed in the provisions of the public examiner's act. This change concerns the salaries paid examiners and assistants as fixed in the act. Time was not available for a first-hand study of all the provisions of the public examiner's act, although it is of interest to observe that amendments

to the public examiners act of 1909 were strongly urged by the auditor of state in the public examiner's report of 1911. No action, however, was taken by the legislature on those recommendations.

The recommendations proposed by the survey committee of state affairs are as follows:

a. Changes Requiring Legislative Action.

1. For the purpose of emphasis, there is here recommended what has been referred to in other reports by the survey committee of state affairs, viz: The civil service law should be amended to make it a vital and practical law and one which may command and enforce the respect of all persons concerned in its provisions.
2. The provision of the public examiners act of 1909, fixing the rate of pay of examiners and assistants, should be amended to leave this question to be decided, each biennium, by the auditor and the legislature in the general appropriation act.

b. Changes Not Requiring Legislative Action.

1. The public examiner's office should be reorganized to place it on a high plane of business efficiency and equipped to perform correctly and promptly any work required of it.
2. The public examiner, and all his assistants, should be under civil service rules and regulations and appointed only from a list of eligibles qualified by the civil service commission as a result of a competitive examination. Further, the qualifications of the public examiner and of his assistants should be of a standard sufficient to secure an experienced and competent corps of workers.
3. The public examiner should install in his office a system of cost records to show the details of all work performed, and he should require of every employe of the office reports of their activities showing the time engaged each day and such other information as may be demanded by the public examiner. These reports should be turned into the central office two or three times a month.
4. Examiners' reports on the results of examinations should be as nearly as possible confined to essential facts and to summaries of receipts and expenditures. Standard printed forms for submitting the results of examinations should be devised wherever this is possible. The present system of binding reports should be discontinued.
5. The present form of report published biennially by the public examiner should be discontinued. The results of operations of the public examiner's office should be included in summary form as a part of the state auditor's biennial report.

It is believed that, with the adoption of the proposed changes outlined above, the public examiner's office will secure that co-operation and good will from county commissioners which will make unnecessary the employment by them of private firms to do accounting and auditing work which the law requires to be performed by the public examiner. This co-operation will save the counties the thousands of dollars which, it is said, counties are now paying to private firms of accountants. In any event the reorganization of the public examiner's office as proposed will remove the incentive for the employment of private firms and localize the reason for such employment.

With respect to the question of accounting systems in county offices, it is suggested that there should be a thorough study made by the public examiner of all county offices and the systems in use, the result of the findings to be incorporated in a formal report to the auditor and governor, to set at rest the question of uniformity of systems and methods and procedure in county offices.

It is here pointed out, also, that logically before the auditor and the public examiner may insist upon changes in accounting methods in other offices, the

general accounting system in the auditor's own office should be modernized and placed on a sound accounting basis.

In conclusion it should be said that unless the public examiner's office is equipped and financially supported along the lines suggested above, the office might as well be abolished and \$50,000 per biennium saved to the state, as half-way measures in a field of this kind fail to command the respect which justify the expenditure.

Report

on a Survey of the Office of
State Treasurer



Report No. IV



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

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LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.
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Special Assignments and Consultation

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Clem W. Collins (Institutional Purchasing and Accounting).

Henry J. Falk (Board of Capitol Managers).

C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,
State Home for Dependent and Neglected Children,
Industrial School for Girls,
State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,
The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Survey of the Office of State Treasurer

I. ORGANIZATION AND GENERAL DUTIES

1. Constitutional Provisions.

By section 1 of article 4 of the state constitution, the state treasurer is a member of the executive department, elected for a term of two years beginning on the second Tuesday of January next after his election. The treasurer shall perform such duties as are prescribed by constitution or by law. According to section 21 of article 4, the treasurer is ineligible for re-election as his own immediate successor.

2. Statutory Provisions.

The important and fundamental statutory provisions relating to the state treasurer will be referred to hereafter in their relation to the various activities of the office discussed under other main sections of this report.

The treasurer is required to give a bond in the sum of \$1,000,000 with not less than ten individual sureties or one or more surety companies. Additional bonds and sureties may be demanded of the treasurer whenever the governor, with the concurrence of either the attorney general or the secretary of state, deems the surety on the bond of the treasurer insufficient. (6147, M. A. S.) He shall give a separate and additional bond, also, in such amount as may be fixed by the governor, as custodian of the state compensation insurance fund. (Laws 1915, Ch. 179, Sec. 68.)

3. Personnel and Duties.

The present staff of employes in the treasury department, and the duties performed by each member thereof under the direction and control of the state treasurer, as reported to the survey committee on the standard forms prepared for the purpose, are as follows:

Deputy State Treasurer.....	\$2,500
In charge of the detail work of the office, countersigns warrants, etc., and, in the absence of the treasurer, performs his duties.	
Bookkeeper	\$1,800
In charge of the general ledger and other bookkeeping records and assists in receiving and paying out state moneys.	
Cashier and Registry Clerk.....	\$1,500
Attends to the receipt and disbursement of state moneys, exchanges state bonds for certificates of indebtedness, issues treasury receipts for moneys received, registers warrants issued, computes interest charges on state warrants and performs various other duties of the department as the need arises.	
Accountant Clerk.....	\$1,500
Acts as assistant to the cashier and registry clerk. Makes up bank accounts and bank balances, lists all state investments and "called" warrants, registers warrants issued, and performs other duties of the department as assigned.	
Stenographer	\$1,200
Performs the stenographic work of the department, typewrites the reports issued by the treasurer, keeps account of all bank deposits, and assists in other clerical work.	

II. BOOKS, RECORDS, AND ACCOUNTS

1. Constitutional Provision.

The state treasurer is required to keep a separate account of each fund in his hands. (Sec. 12, Art. X.)

2. Statutory Provisions.

The treasurer shall "keep a just, true, and comprehensive account of all moneys received and disbursed" and "of each head of appropriation made by law and the disbursements made under the same." (2735, M. A. S.) "Whenever any county treasurer or other person shall pay over any taxes or other public moneys to the state treasurer, such state treasurer shall forthwith enter the same in a cash book to be kept by him for that purpose at his office, and in each entry of any such moneys he shall set down the amount of money, and the nature of the funds wherein the same are paid, whether gold or silver coin, United States treasury notes or other currency, state warrants, auditor's warrants, or other certificates or evidences of state indebtedness, and the amount of each of such several kinds of coin, treasury notes, bank bills, or warrants, or certificates of indebtedness, the date when, and person by whom, the same were paid. Every such cash book shall, at all reasonable hours of the day, be open to the inspection and examination of every person desiring to inspect the same." (2746, M. A. S.)

At the time of every payment of money to the treasurer, he shall "make out and deliver to the persons paying such moneys, a receipt therefor, in which he shall set forth all of the several matters required to be entered in such cash book. If the person paying such moneys be a public officer, every such receipt shall be in duplicate. . . ."

The treasurer is required to keep a registry book of warrants presented, with the amount thereof, the name of the person to whom the same is by the terms thereof payable, the name of the person by whom the same is presented, the number and date of such warrant or certificate, and the date of the presentation thereof for payment. Every warrant shall be entered in the order of the presentation thereof, and upon the line next following that whereon is entered the warrant presented last before it, and without any blank line intervening. Such "register of warrants" shall at all reasonable hours of the day be open to the inspection and examination of every person desiring to inspect or examine the same. (2570, M. A. S.)

The treasurer is required, also, to "keep a separate register from any now provided by law, wherein he shall keep a record of the number of all warrants issued, and to whom and when issued, and the amount of each," (2771, M. A. S.) and to "keep a record of the number and amount of the warrants presented and endorsed for non-payment." (2807, M. A. S.)

In connection with the issue of state bonds, the treasurer is required by the act authorizing each issue to keep a record of the bonds issued and, if registered bonds, of the persons, corporations, etc., to whom the bonds have been issued and to whom they have been transferred. The acts authorizing the issue of state bonds provide further that separate accounts shall be kept to show the amount of taxes collected for interest payments for each series of bonds and for the redemption of the principal thereof.

There are other sections of law, too numerous to list here in detail, which refer to separate cash fund accounts to be kept by the treasurer for state moneys deposited in the treasury by departments, boards, commissions, and institutions. The said sections are observed practically in all their particulars, with certain exceptions, which will be referred to in the section of this report relating to comments.

3. Present Books, Records and Accounts Kept by the State Treasurer.

The books, records and accounts now operative in the office of the state treasurer are as follows:

- a. General Ledger.
- b. Bank Deposits and Interest Accounts Ledger.
- c. General Journal.
- d. Balance Book.
- e. General Cash Book—Receipt Record.
- f. General Cash Book—Disbursement Record.
- g. Treasurer's Daily Cash Book.
- h. Unapplied Cash Journal.

- i. Register of Time Warrants.
- j. Register of Cash Warrants.
- k. Register of Workmen's Compensation Fund Warrants.
- l. Register of Capitol Building Warrants.
- m. Register of Certificates of Indebtedness.
- n. Register of Bonds (one book for each series of bonds).
- o. Record of Bonds Owned by State Compensation Insurance Fund.
- p. Record of Bonds Owned by Agricultural College Permanent Fund.
- q. Record of Bond Exchanges.
- r. Record of Licenses.
- s. Receipt Books.
 - (1) County Treasurers Receipt Book.
 - (2) State Coal Mine Inspection Fund Receipt Book.
 - (3) Civil Service Fund Receipt Book.
 - (4) Land Board Receipt Book.
 - (5) Secretary of State Receipt Book.
 - (6) Interest on Deposit Fund Receipt Book.
 - (7) General Receipt Book.
- t. Check Books.
- u. Letter Copy Book.

a. General Ledger.

The general ledger contains accounts with all the general and special cash funds, permanent funds, investments, sinking funds, etc. A list of the present open accounts in the general ledger, which are used in balancing the ledger, is as follows:

Credit Balances.

Agricultural College.
 Agricultural College, Land Permanent.
 Agricultural College, Income.
 Agricultural College, Special.
 Agricultural College, Experiment Station.
 Appraisement.
 Boys' Industrial School.
 Brand Inspection.
 Capitol Building and Interest on Capitol Building Bonds.
 Civil Service.
 Casual Deficiency Certificates.
 Casual Deficiency.
 Dependent Children's Home Cash.
 Dependent Children's Home Trust.
 Desert Land Cash.
 Escheats.
 Forest Reserve.
 Fort Lewis School Cash.
 Fort Lewis School Tax.
 Gunnison Normal School (cash).
 Grand Junction Indian School.
 Game (game and fish cash fund).
 Girls' Industrial School.
 General Revenue, 1907 and prior (and a separate account for each year there-
 after to 1917, inclusive).
 Inheritance Tax.
 Insurance.
 Interest on Insurrection Bonds.
 Interest on Delinquent Taxes.
 Interest on Deposit.
 Interest on Funding Bonds, 1910.
 Insane Asylum.
 Internal Improvement Permanent.
 Internal Improvement Income.
 Land Commissioners, Cash.
 Land Commissioners, Unapplied Cash.
 Military Poll.
 Mineral Land Survey.
 Mute and Blind.
 Mute and Blind, Library.

Minimum Wage for Teachers.
 Miscellaneous Levies, 1910 and prior.
 Mobilization.
 Normal School.
 Penitentiary Convict Labor.
 Penitentiary Land Permanent.
 Penitentiary Land Income.
 Penitentiary Administration Building.
 Public School Land Permanent.
 Public School Land Income.
 Public School Land Emergency.
 Partition of Realty.
 Public Building Land Permanent.
 Public Building Land Income.
 Public School Income Bonds.
 Private Employment Agencies.
 Public Utilities Commission.
 Reformatory. Cash.
 Saline Land Permanent.
 Saline Land Income.
 Stock Inspection.
 Stock Inspection, Stallion.
 State Board of Embalming Examiners.
 State Board of Optometric Examiners.
 School of Mines.
 Scalp Bounty.
 State Board of Immigration.
 Soldiers' and Sailors' Home.
 State Board of Medical Examiners.
 State Board of Nurse Examiners.
 State Normal Institute.
 State Board of Architects.
 Supreme Court Library.
 State Home for Mental Defectives.
 Sinking Fund Funding Bonds, 1897.
 Sinking Fund Insurrection Bonds, 1909.
 Sinking Fund Funding Bonds, 1910.
 Sinking Fund Insurrection Bonds, 1914.
 State Oil Inspector.
 State Roads.
 State Coal Mine Inspection.
 State Board of Barber Examiners.
 State Board of Pharmacy.
 State Compensation Insurance Fund.
 University.
 University Land Permanent.
 University Land Income.

Debit Balances.

In Banks.
 Cash.
 Agricultural College Investment.
 Public School Income Bond.
 Public School Investment.
 University Investment.
 Compensation Insurance Fund Bonds.

There are certain accounts, not included in the preceding list, which are not used in effecting trial balances but are kept in the back part of the ledger as memorandum accounts. They are such as the following:

- (1) Accounts showing the amount of state bonds of different series held by the public school fund.
- (2) Accounts showing the amount of interest paid by the state on warrants of different fiscal years.

There is one item included in the first list above of general ledger accounts, under the heading "Investments," which is not found in the ledger but which is taken from a register of bonds at each period of balancing the ledger, viz., compensation insurance fund bonds.

b. Bank Deposits and Interest Accounts Ledger.

This ledger shows the amount of state moneys deposited under certificates of deposit with different banks in the city of Denver and in the various counties of the state. It shows, also, the interest received on deposits of such moneys. The amount of state funds in "open" accounts in city banks is not shown in this ledger, although the interest earned on each of such accounts is recorded therein. Each ledger page is designed to record the following information:

Name of Bank and Address.

Certified Deposits.

Date.
 Number of Certificate.
 Amount.
 Date Withdrawn.
 Number of Certificates Withdrawn.
 Amount Withdrawn.
 Balance.

Open Deposits.

(Same information as above.)

Interest Account.

Rate Certified.
 Rate Open.
 Date of Payment.
 Date Paid to.
 Amount Certified.
 Amount Open.
 Remarks.

c. General Journal.

The general journal is used for making transfers from one account to another in the general ledger, for making adjustment entries, and such other postings as are not made direct to the general ledger from original books of entry.

d. Balance Book.

This book shows the accounts in the general ledger, the balances of which are taken off three times a month and reconciled with the accounts in the state auditor's office.

e. General Cash Book—Receipt Record.

This record is designed to show by columnar ruling, the following information relating to cash received by the state treasurer:

1. Date.
2. Number of Receipt.
3. From Whom Received.
4. General Revenue Fund.
 (Eleven columns, one for each fiscal year from 1907 to 1917, inclusive.)
5. Special Tax Funds.
 (Eighteen columns, one for each special tax account.)
6. For What Fund or Purpose Received.
7. Blank Column.
8. Total.
9. Grand Total.

Columns numbers 6, 7 and 8 above are used for recording all receipts of cash other than collections from tax levies. The latter are entered in the columns referred to above as general revenue funds and special tax funds.

f. General Cash Book—Disbursement Record.

The columnar headings in this record relating to all disbursements made by the state treasurer, are as follows:

1. Date.
2. Number of Warrant.
3. To Whom Paid.

4. General Revenue Fund.
(Eight blank columns, one for each fiscal year for which a disbursement is made.)
5. Special Funds.
(Seventeen columns, one for each designated special fund.)
6. From What Fund Paid.
7. Blank Column.
8. Total.
9. Grand Total.
10. Remarks.

Columns indicated above by 6, 7 and 8 refer to disbursements made from funds for which a column is not specifically provided for in the cash book.

g. Treasurer's Daily Cash Book.

This book shows an itemized statement of the cash received daily and of the daily payments made from the cash on hand, together with the amount deposited in the several "open" bank accounts. Each page in this book is designed to show the debit and credit cash transactions for each day's business and the balance on hand at the beginning and closing of each day.

h. Unapplied Cash Journal.

This journal is an ordinary stock journal without special ruling and is used merely to record the daily deposits of cash made with the state treasurer by a number of different departments in the state capitol. The departments included in this journal receive a treasurer's receipt at the close of each month for deposits made during the month.

i. Register of Time Warrants.

This register is practically a duplicate of the register of general revenue warrants in the state auditor's office, as "general revenue" and "time" warrants are the same. The columnar headings in the register are as follows:

1. Date of Warrant.
2. Date Countersigned.
3. Date of Presentation.
4. Number of Warrant.
5. To Whom Issued.
6. What For.
7. Upon What Fund Drawn.
8. Amount.
9. Date Advertised.
10. Date Interest Ceases.
11. Amount of Interest Paid.
12. Total Amount Paid.
13. Date of Payment.
14. To Whom Paid.
15. In What Fund Invested.
16. Remarks.

j. Register of Cash Warrants.

Cash warrants are warrants payable from funds made up of cash receipts or earnings of departments and institutions, and of collections of property taxes. The columnar headings in this register are as follows:

1. Date of Warrant.
2. Date Countersigned.
3. Number of Warrant.
4. To Whom Issued.
5. What For.
6. Upon What Fund Drawn.
7. Amount.
8. Date of Payment.
9. To Whom Paid.
10. Remarks.

k. Register of Workmen's Compensation Fund Warrants.

This register records warrants issued payable from the state compensation insurance fund. The information recorded under columnar headings is as follows:

1. Date of Warrant.
2. Number of Warrant.
3. For What Purpose Issued.
4. Amount of Warrant.
5. Date of Payment.
6. To Whom Paid.

l. Register of Capitol Building Warrants.

This register records those warrants issued against the capitol building fund. The columnar headings in this register are exactly the same, in the information recorded, as the columnar headings in the register of time warrants described above.

m. Register of Certificates of Indebtedness.

Certificates of indebtedness, issued in connection with insurrections or mobilization of state troops, are entered in this register. The register is designed to record the same information as is recorded in the register of time warrants, with the exception that the columns in the latter register headed "What For", "Date Advertised", "Date Interest Ceases", and "In What Fund Invested" are not included in the register of certificates of indebtedness.

n. Register of Bonds.

There are four registers of bonds in present use in the state treasurer's office, viz:

1. Register of Insurrection Bonds, Series 1897.
2. Register of Insurrection Bonds, Series 1909.
3. Register of Funding Bonds, Series 1910.
4. Register of Insurrection Bonds, Series 1914.

These registers are designed substantially alike to show the following information for each series of bonds:

1. Number of Bond.
2. Amount of Bond (par value).
3. Name (to whom issued, if registered bonds).
4. Column for Interest Payments (as many columns as there are interest payments during the life of a bond).
5. In What Fund Invested.

o. Record of Bonds Owned by Compensation Insurance Fund.

p. Record of Bonds Owned by Agricultural College Permanent Fund.

These records show the bonds owned respectively by the state compensation insurance fund and the agricultural college permanent fund. The columnar headings in these two records are alike and are as follows:

1. Date of Purchase.
2. From Whom Purchased.
3. Description of Bonds.
4. Number of Bond.
5. Rate of Interest.
6. Face Value.
7. Purchase Price, Rate and Amount.
8. Coupons Payable Where.
9. Coupons Payable When.
10. Coupons Paid, Date and Amount (19 columns, one for each payment).
11. Remarks.

q. Record of Bonds Exchanges.

All certificates of indebtedness exchanged for state bonds are entered in this record. The book is divided into four sections corresponding to the four series of state bonds at present outstanding. The information recorded in this book is as follows:

1. Name of Owner (of certificate).
2. Number of Certificate.
3. Amount of Certificate.

4. Interest (earned).
5. Total.
6. Cash Paid for Exchange (amount paid by holder of certificates if the total of certificates is less than par value of bond).
7. Cash Paid for Bond Interest (amount paid by holder of certificates receiving bonds, for interest accrued to date of exchange of bonds).
8. Number of Bond.
9. Amount of Bond.
10. Date of Exchange.

r. Record of Licenses.

Licenses issued to detectives by the secretary of state and boiler inspection certificates issued by the state boiler inspector, are registered in an ordinary journal book kept by the treasurer for the purpose. The information recorded in this journal is as follows:

For Detective Licenses.

1. Date.
 2. Name of Detective Agency and Address.
 3. From
 4. To
- } Period Covered by the License.

For Boiler Inspection Certificates.

1. Date.
2. Name (to whom issued).
3. Address.
4. Certificate Number.
5. Amount Received.

s. Receipt Books.

To meet the particular needs of the several state departments and offices and of county treasurers, special forms of receipt books have been designed, such as those receipt books referred to previously herein. The forms of receipt books used are alike in that they are bound books, serially numbered, and have an original receipt, duplicate copy, and a stub portion of each, and require three writings for each receipt, with the exception of the form used for the civil service commission, which has an original receipt only and a stub copy.

The general receipt book is used for all moneys received for which a special form of receipt book is not provided, with the exception of inheritance tax collections. The inheritance tax department makes out its own receipts and forwards these to the treasurer with its collections.

t. Check Books.

There are four check books in use, one on each of the following banks:

1. Denver National Bank.
(For "unapplied receipts," drawn on for any state purpose.)
2. First National Bank.
(For general cash receipts, drawn on for any purpose, and for making transfers to other banks).
3. Hamilton National Bank.
(For state compensation insurance fund purposes exclusively.)
4. Capitol Hill State Bank.
(For funds received in the exchange of certificates of indebtedness for state bonds, i. e. the odd sums of money paid by holders of certificates over the amount of certificates exchanged to equal the par value of bonds received.)

u. Letter Book.

All letters written in the state treasury department are copied in a letter book by the hand-press copying method.

III. METHODS AND PROCEDURE

1. Receiving State Funds or Other Moneys.

a. Statutory Provisions.

According to the State Funds Act of 1913, the state treasurer is custodian of all moneys belonging to the state or to any institution, bureau, or department or public office of the state. Departments or officers in the capitol building shall

deposit their collections with the state treasurer daily; every other officer, department, and institution shall deposit their collections monthly with the state treasurer. (This act does not deprive the regents of the University of Colorado of the exclusive control and direction provided by the constitution over funds and appropriations of the university.

b. Present Methods and Procedure of Receiving State Funds or Other Moneys.

The sources of moneys deposited with the state treasurer are as follows:

- a. Property Taxes—General and Special Levies.
- b. Military Poll Tax.
- c. Inheritance Tax.
- d. Flat Tax.
- e. Business Taxes, Licenses and Fees.
- f. Sales and Leases of State Lands.
- g. Fees and Earnings of State Institutions.
- h. Sales of Bonds.
- i. Interest on Investments and Bank Deposits.
- j. United States Treasury.
- k. Miscellaneous.

Property and Military Poll Taxes.

Property and military poll tax collections are received monthly from county treasurers. Each county treasurer remits with his collections a statement showing the distribution thereof as among the various purposes for which special levies were made. These statements are compared with the county treasurer's checks for the amount of their collections and, if O. K., a receipt is issued for each county treasurer.

The original receipt and a press copy duplicate thereof are sent to the state auditor for countersignature of the auditor on the reverse side of the original receipt. The auditor returns the original to the treasurer and retains the duplicate. The state treasurer then mails the original to the county treasurer. County treasurers' remittances are noted in the daily cash book and from the stub copy of county treasurers' receipt the bookkeeper enters in his general cash book-receipt record the details of the collections reported.

Inheritance Tax.

The inheritance tax department prepares a statement in quadruplicate in the form of a receipt, which is remitted to the state treasurer with the inheritance tax collections. The original statement and the copies thereof are signed by the treasurer. The treasurer keeps one copy, sends another to the auditor, and returns the original and a copy to the inheritance tax department. The amount deposited is entered in the daily cash book and from the copy of statement retained by the treasurer an entry is made in the general cash book-receipt record.

Flat Tax (Corporation).

Business Taxes, Licenses and Fees.

Sales and Leases of State Lands.

Collections from these sources are deposited daily with the state treasurer by the various departments and offices in the state capitol building making such collections, with the following exceptions:

1. Motor Vehicle Licenses.
2. Ore Buyers Licenses.

Collections from motor vehicle licenses are deposited once a month with the state treasurer, while collections from ore buyers licenses are deposited with the treasurer once every six months, if any balance remains from such licenses after paying any expenses therefrom incurred under the operation of the ore buyers act. Both these forms of licenses are issued by the secretary of state.

Each department and office making daily deposits of flat tax, business tax, licenses, fees, and sales and leases of public lands has a small deposit book similar to the kind used in banks, which, together with a deposit slip, is brought to the treasurer's office with the collections. A clerk there enters in the deposit book the amount of collections deposited, returning the deposit book to the person making the deposit.

These collections then are entered in the daily cash book and from that book posted to the unapplied cash journal, from which, at the close of each month, the total collections for each department and office for a month are posted to the general cash book-receipt record.

At the close of each month, the departments and offices referred to, bring

their deposit books to the state treasurer, together with a statement of their deposits made during the month. The deposit books and statements submitted are checked against the daily cash book and unapplied cash journal, and, if they all agree, a treasurer's receipt is issued to the departments and offices concerned covering the monthly deposits.

The only exception to the foregoing procedure concerning the issuing of monthly receipts is in the case of the stock inspection department. This department balances with the treasurer three times a month and its collections are posted to the general cash book-receipts record at each balance period, so that the department may have the use of its collections sooner than it would if credit were given by the treasurer once a month only.

Fees and Earnings of Institutions.

Institutions are required by law to deposit their collections with the state treasurer once a month only, with the following exceptions:

1. The University of Colorado.
2. The Industrial Workshop for the Blind.

By constitutional provision, the University of Colorado is not required to deposit its collections of fees, etc., with the state treasurer. The workshop for the blind is excluded from the operations of the State Funds Act of 1913 by the provisions of an act included in the session laws of 1915, permitting the workshop to retain its earnings.

Receipts are issued by the treasurer in duplicate for collections deposited by institutions each month. These collections are entered in the daily cash book, and, from the receipt books, entered in the general cash book-receipt record for the month in which collected.

Sales of Bonds.

The only money received from sales of bonds in recent years has been from exchanges of certificates of indebtedness for insurrection and funding bonds. Wherever the total amount of such certificates held by any person is less than the par value of bonds to be exchanged therefor, the holder pays the treasurer the difference in cash. The money thus received is noted in the record of bond exchanges and deposited in a special bank account. These transactions do not appear in the cash books or general ledger of the treasurer's office. The money is held for the purchase of such certificates of indebtedness of small amounts as are presented from time to time for payment.

Interest on Investments and Bank Deposits.

Interest earned on bonds held by the permanent funds of the state is handled in two different ways, according to the two kinds of bonds owned, viz., state bonds and bonds other than of the state. For the state bonds held by the permanent funds, the interest is put through the general cash books to the credit of the respective permanent funds' income accounts affected, and the coupons due are clipped from the state bonds, cancelled, and placed in the state treasurer's vault. For bonds other than of the state, held only by the agricultural college permanent fund, the coupons are clipped by the state treasurer on the due dates and deposited in bank, the amount thereof being entered in the daily cash book and in the general cash book-receipt record to the credit of the agricultural college fund income account. A treasurer's receipt is then made out to the agricultural college permanent fund for the amount of the interest coupons credited to the income account, which receipt is mailed to the agricultural college as an evidence of the transaction.

Interest earned on bank deposits is received monthly and quarterly from the banks in which state funds are deposited. Interest is credited monthly on daily balances in the drawing accounts maintained in Denver banks; interest is credited quarterly on certificates of deposits in banks in Denver and in banks in other cities and towns of the state.

The drawing account banks remit a check to the treasurer once a month for interest earned on daily deposits, which check is deposited in bank by the treasurer, put through the daily cash book and general cash book-receipt record to the credit of "interest on deposit" account.

For the certificate of deposit banks, the treasurer sends a notice in duplicate to each bank each quarter period stating the amount of interest earned and due and requesting check therefor by a certain date. Each bank returns with its check a copy of the treasurer's notice. The checks are deposited in bank and put through the cash books the same as the other interest checks received on drawing accounts.

A duplicate receipt is issued by the treasurer for each collection of interest

from banks, and the amounts collected are noted in the respective bank accounts in the "bank deposits and interest accounts ledger."

United States Treasury.
Miscellaneous.

Receipts from the United States treasury are turned over to the state treasurer by the governor and put through the daily cash book for deposit in bank, and through the general cash book-receipt record to the credit of the accounts concerned. Receipts from miscellaneous sources follow the same procedure. Treasurer's duplicate receipt is issued in all cases to the person making the deposit with the treasurer.

2. Disbursing State Funds or Other Moneys.

a. Constitutional Provision.

No money shall be paid out of the treasury except upon appropriations made by law, and on warrants drawn by the proper officer in pursuance thereof. (Sec. 33, Art. 5.)

b. Statutory Provisions.

"All appropriations made shall be withdrawn from the hands of the state treasurer only as the expenditures authorized by such appropriations are incurred and the payments thereon become due; and no withdrawal of funds from the treasury shall be lawful or permitted in any instance for the purpose of depositing such moneys in banks or with other private or public trustees."

"All expenditures from funds in the hands of the state treasurer as custodian or otherwise, shall be withdrawn only upon the issuance of vouchers certified or approved by the person, persons, officer or institution having control and direction of such fund, and by warrants drawn against such funds in accordance therewith by the state auditor." (3134a, M. A. S.)

"No warrant shall be drawn by the auditor, or paid by the treasurer, unless the money has been previously appropriated by law; nor shall the whole amount drawn for or paid under one head ever exceed the amount appropriated by law for that purpose." (2817, M. A. S.)

"The state treasurer is clothed with the right and it is his duty to investigate the legality of every warrant before payment." (Carlile vs. Hurd, 3 Colo. App. 11, 14; 31 p. 952.)

All warrants are required to be paid in the order of priority of presentation. (2749, M. A. S.) The treasurer shall countersign all warrants issued by the auditor (2771, M. A. S.), and it is the duty of the treasurer "to cause to be published in some one daily newspaper, published in the capital of the state, a notice containing a list of the numbers of the state warrants and a list of the numbers of the certificates of indebtedness, which he shall have sufficient funds to redeem, as provided by law, at the time of said publication." (2751, M. A. S.)

"The treasurer shall keep a record of the number and amount of the warrants so presented and indorsed for non-payment, and when there are funds in the treasury for the payment to an amount sufficient to render it advisable, he shall give notice to what number of warrants the funds will extend and which he will pay, by the insertion in a newspaper printed at the seat of government." (2807, M. A. S.)

"The holder of any certificate of indebtedness called in, as provided in section one of this act, shall present the same to the auditor of state, who shall draw his warrant on the state treasurer for the amount of said certificate, including the interest accrued thereon, and the treasurer shall pay such warrant on presentation, and not indorse such warrant for interest." (2752, M. A. S.)

Warrants and certificates not paid upon presentation for payment are required to be stamped and endorsed by the treasurer as evidence of the presentation and lack of funds, and returned to the bearers thereof. (2775, M. A. S.)

c. Present Methods of Disbursing State Funds or Other Moneys.

All disbursements made by the state treasurer from funds in his custody are made on state warrants or on certificates of indebtedness, with the exception of bonds purchased by the treasurer for the agricultural college permanent fund. The latter transactions are handled by the treasurer without the issue of warrants.

Warrants and certificates of indebtedness are registered as they are received by the treasurer from the state auditor. The registers used for this purpose have been previously described herein. When the warrants and certificates have been registered and countersigned by the treasurer they are returned to the state auditor for distribution to the claimants thereof.

The only certificates of indebtedness now being issued by the state are those for the recent mobilization of state troops at the call of the federal government.

These certificates are not being paid by the state at the present time. By arrangement with several Denver banks, the certificates issued are taken up by these banks and held by them pending action of the legislature for their redemption. They draw 4% interest from the date of presentation to the state treasurer until redeemed by the state.

All warrants, however, are taken up as presented at the treasury office. They draw 4% interest from the date of presentation by the holders thereof. Practically all warrants presented, payable from general revenue account and not from cash funds, are paid from the public school permanent fund and that fund earns the interest thereon until sufficient general revenue funds are available for their redemption. The only warrants outstanding not held by the permanent land funds of the state are held by private persons who wish to earn the 4% interest. The percentage of warrants now in private hands is less than one per cent of the total outstanding.

Warrants payable from cash funds, i. e., from fees and earnings of departments and institutions, from special tax levy collections, etc., which may be drawn upon by departments and institutions, as distinguished from appropriations payable from general revenue accounts, are paid by the treasurer as soon as presented and charged to such fund accounts.

Warrants chargeable against appropriations and payable from general revenues are handled as follows:

When presented the date of presentation is noted in the register of time warrants and check or cash is paid to the payee. The warrants are then stamped "Purchased" on their reverse side, and "For Interest" on the face thereof.

On the 10th, 20th and close of each month these warrants are listed numerically and totaled. The bookkeeper indicates on the lists the permanent fund from which the warrants are purchased. The warrants then are stamped again on the reverse side "Public School Investment" (this is the only fund purchasing warrants now), and the same stamp is placed in the warrant register opposite the warrants so purchased. The warrants are then filed in the safe in the vault as the property of the public school permanent fund.

As funds in the general revenue accounts become available, a "call" is advertised in a Denver newspaper on the 10th of each month. All warrants included in the call cease bearing interest 30 days after the date of the call, with the exception of warrants held by the public school permanent fund, on which warrants interest ceases on the date of the call. The interest charges are then computed on all warrants included in the call. The amount earned on each warrant is entered in the register of warrants opposite each warrant, the warrants held by the public school permanent fund are taken from the safe and again listed numerically.

The interest is entered on the new lists opposite each warrant and the principal and interest are totaled. The warrants are stamped on the reverse side "Received Payment on this Warrant with Interest \$..... to 191...., Public School Investment", under which stamp the treasurer signs his name, or it is signed by the deputy treasurer.

The warrants paid are then entered in the general cash book, each warrant being entered as to warrant number, amount of warrant and interest. Thereafter the warrants are stamped "Paid", with date of payment, and filed in the vault for subsequent audit by the public examiner and legislative committee.

3. General Ledger Transactions.

The general ledger is the book of final co-ordination of all the financial transactions of the treasurer's office. The accounts contained in the general ledger maintained by the treasurer have been outlined in a previous part of this report. These accounts pertain to cash transactions only.

Postings to the general ledger are made from the following books of original entry:

- a. General Cash Book-receipt Record.
- b. General Cash Book-disbursement Record.
- c. General Journal.

From the general cash book-receipt record, postings are made to the credit of the particular fund and revenue accounts affected by the receipt of cash and "cash" account is debited with a corresponding amount.

From the general cash book-disbursement record, postings are made to the debit of the various fund and revenue accounts from which disbursements are made and cash account is credited with a corresponding amount.

From the general journal, postings are made of transfers of funds between

accounts in the general ledger and of purchases of warrants for the public school permanent fund. The postings occasioned by the purchase of warrants for this fund are as follows:

Public School Investment, (debit)
 To Cash, (credit)
 (For the amount of warrants purchased.)

Thereafter when these warrants are redeemed by the state, the following entry is made in the journal for posting to the ledger:

Cash, (debit)
 To Public School Investment, (credit)
 (For the amount of bonds redeemed.)

At the same time this latter entry is made in the journal the following postings are made from the cash books:

From General Cash Book-Disbursement Record.
 General Revenue, (debit) (According to fiscal year affected.)
 To Cash, (credit)
 (For the amount of bonds redeemed and interest earned.)

From General Cash Book-Receipt Record.
 Cash,
 To Public School Income.
 (For the amount of income earned on warrants redeemed.)

The effect of these transactions concerning the purchasing and redemption of warrants is that the investment account shows at any given time the amount of the public school permanent fund invested in state warrants, exclusive of the bonds held by that fund, which are included in the investment account also. Cash account is debited and credited twice in the transaction because all cash, general, special, or trust fund is included in the one account "cash" in the general ledger.

Three times a month all postings (with the exceptions noted below) are made to the general ledger, and a trial balance is taken each time for the purpose of proving the accuracy of the debit and credit entries, and also for the purpose of reconciling the treasurer's accounts with similar accounts kept by the state auditor. The exceptions to this procedure of posting all entries three times a month are the following:

- a. "Unapplied cash" cash transactions are entered in the general cash book-receipt record at the close of a month, and posted to the ledger at that time only.
- b. Transactions in connection with the "calling" of warrants.

Unapplied cash transactions refer to those receipts of cash entered daily in the unapplied cash journal previously described.

Owing to the volume of clerical work involved in the calling of warrants, the posting of these transactions is done at the close of a month only. It is necessary, at times, in order to reduce interest charges on warrants outstanding to anticipate receipts from county treasurers for general fund purposes. Warrants are called on the 10th of a month, whereas the funds necessary to redeem the warrants called may not be received until some days thereafter. There are several hundred warrants in most calls, and at times several thousand, all of which must be put through the operations previously outlined herein concerning the paying of warrants. Thus they are posted once a month instead of three times a month like most other financial transactions that arise in the office. In previous years, it is stated, warrants called were not put through the books for several months at a time.

4. Funded Debt of the State.

A statement of the bonds authorized, amount issued, redeemed, etc., prepared and submitted by the state treasurer's office as of September 1, 1916, is as follows:

INSURRECTION BONDS, SERIES 1897.

Laws '97, p. 160.

("Registered Coupon Funding Bonds, Series 1897")

Authorized	\$225,000.00
Actually issued	223,000.00
Interest 4%, payable March 1st and September 1st at office State Treasurer or Kountze Bros., New York.	
Due September 1st, 1922.	
Optional September 1st, 1912, by giving 90 days notice.	
Redeemed	\$ 84,000.00
Still outstanding	139,000.00
Sinking fund \$14,784.16.	
(None owned by any of the State Funds.)	

INSURRECTION BONDS, SERIES 1909.

Laws '09, p. 418.

(Negotiable Coupon "Funding Bonds, Series 1909")

Authorized	\$950,000.00
Actually issued	932,000.00
Interest 3%, payable January 1st and July 1st at office State Treasurer or Blair & Co., New York.	
Due July 1st, 1929. (No option.)	
Owned by various state funds.....	\$723,600.00
Owned by outsiders.....	208,400.00
Sinking fund \$511.95.	

FUNDING BONDS, SERIES 1910.

Laws '09, p. 315

("Registered Coupon Interest Bearing Funding Bonds")

Passed by vote of people, Nov., 1910.

Authorized	\$2,115,000.00
Actually issued	1,997,500.00
Interest 3%, payable December 1st and June 1st at office of State Treasurer or Kountze Bros., New York.	
Due December 1st, 1960.	
Optional December 1st, 1920.	
Owned by various state funds.....	\$1,614,900.00
Owned by outsiders.....	382,600.00
Sinking fund \$2,331.88.	

INSURRECTION BONDS, SERIES 1914.

(Negotiable Coupon "Insurrection Bonds, Series 1914")

Authorized	\$1,000,000.00
Actually issued (March 3, 1916).....	693,800.00
Interest 4%, payable July 1st and January 1st at office of State Treasurer or Kountze Bros., New York.	
Due July 1st, 1944.	
Optional July 1st, 1934.	
Owned by state funds.....	\$498,500.00
Owned by outsiders.....	195,300.00
Sinking fund \$11,157.58.	

According to section 3 of article XI of the constitution, "The state shall not contract any debt by loan in any form except to provide for casual deficiencies of revenue, erect public buildings for the use of the state, suppress insurrection,

defend the state, or, in time of war, assist in defending the United States; and the amount of the debt contracted in any one year to provide for deficiencies of revenue shall not exceed one-fourth of a mill on each dollar of valuation of taxable property within the state, and the aggregate amount of such debt shall not at any time exceed three-fourths of a mill on each dollar of said valuation, until the valuation shall equal one hundred million dollars, and thereafter such debt shall not exceed one hundred thousand dollars, and the debt incurred in any one year for erection of public buildings shall not exceed one-half mill on each dollar of said valuation; and the aggregate amount of such debt shall never at any time exceed the sum of fifty thousand dollars (except as provided in section five of this article), and in all cases the valuation in this section mentioned shall be that of the assessment last preceding the creation of said debt:

Provided, that, in addition to the amount of debt that may be incurred, as above, the state may contract a debt by loan for the purpose of paying the principal and accrued interest of all the outstanding warrants issued by this state during and for the years 1887, 1888, 1889, 1892, 1893, 1894, and 1897; said debt to be evidenced by registered coupon interest bearing funding bonds to an amount not exceeding \$2,115,000.00, or so much thereof as may be necessary to pay said warrants and interest thereon."

Section 4 of article XI provides also that "in no case shall any debt above mentioned in this article be created except by a law which shall be irrevocable until the indebtedness therein provided for shall have been fully paid or discharged; such law shall specify the purposes to which the funds so raised shall be applied, and provide for the levy of a tax sufficient to pay interest on, and extinguish the principal of such debt within the time limited by such law for the payment thereof, which in the case of debts contracted for the erection of public buildings and supplying deficiencies of revenue, shall not be less than ten nor more than fifteen years, and the funds arising from the collection of any such tax shall not be applied to any other purpose than that provided in the law levying the same; and when the debt thereby created shall be paid or discharged, such tax shall cease, and the balance, if any, to the credit of the fund, shall immediately be placed to the credit of the general fund of the state."

By section 5 of the same article, "a debt for the purpose of erecting public buildings may be created by law, as provided for in section four of this article, not exceeding in the aggregate three mills on each dollar of said valuation; Provided, that before going into effect such law shall be ratified by the vote of a majority of such qualified electors of the state as shall vote thereon at a general election, under such regulations as the general assembly may prescribe."

The governor, the treasurer, and the secretary of state are the members of the executive department usually named, in the acts authorizing the issue of bonds, to issue the respective series of bonds so authorized.

The insurrection bonds, series of 1897, were authorized to be issued in exchange for the indebtedness incurred during the years 1896 and 1897 in suppressing insurrection and protecting the state. The insurrection bonds, series of 1909, were authorized for the same purpose for the years 1899, 1903 and 1904, while the insurrection bonds, series of 1914, were for suppressing insurrection in the years 1913 and 1914.

Certificates of indebtedness issued in connection with the insurrections in the years referred to above bore 6 per cent interest from the date of presentation to the state treasurer for indorsement, for those certificates issued prior to March 30, 1901. From that date, certificates of indebtedness issued in suppressing insurrections bear 4 per cent interest.

The funding bonds, series of 1910, were authorized "for the purpose of paying the principal and accrued interest of all the outstanding warrants issued by the state during and for the years 1887, 1889, 1892, 1893, 1894, and 1897 * * *." All these warrants bore 6 per cent interest from the date of presentation to the treasurer for payment.

The majority of the certificates and warrants for which bonds were authorized to be issued in exchange, have been so exchanged. The exact amount of certificates and warrants of the years in question still outstanding is not known or ascertainable without a detailed analysis and check of the registers in the treasurer's office. The amount of bonds of each series authorized compared with the amount of each series issued indicates approximately the amount of certificates and warrants not exchanged for bonds, although allowance should be made for the certificates and warrants which were exchanged for cash. The latter amount would be comparatively small, however, as the cash available for the purpose was

obtained only from the odd sums of money paid to the treasurer to equal the par value of bonds exchanged.

5. Permanent and Investment Funds.

The permanent funds of the state, derived from the proceeds of sales of land granted to the state for special purposes by the federal government, the income only of which may be used, are the following:

- a. Agricultural College Land Permanent Fund.
- b. Public School Land Permanent Fund.
- c. University Land Permanent Fund.

There are other so-called permanent funds on the books of the state treasurer, such as the penitentiary, public building, internal improvement, and saline land permanent funds, but these "permanent" funds are not permanent in the sense that the income only may be used therefrom. These "permanent" funds (principal and income therefrom, are used in the manner provided in the Enabling Act granting the public land, from the proceeds of the sale of which these funds are replenished. By the State Road Fund Act of 1913, "all moneys now in or that may hereafter be paid into the internal improvement permanent fund and the internal improvement income fund are hereby appropriated, transferred and set over to the state road fund for the construction and improvement of roads and bridges * * *."

The constitutional and statutory provisions governing the control and disposition of the agricultural college, public school, and university land permanent funds, are as follows:

The proceeds from the sale of school lands "shall constitute a permanent school fund, the interest of which to be expended in the support of the common schools." (Sec. 14. Enabling Act.)

"The public school fund of the state shall forever remain inviolate and intact; the interest thereon only shall be expended in the maintenance of the schools of the state, and shall be distributed amongst the several counties and school districts of the state, in such manner as may be prescribed by law. No part of this fund, principal or interest, shall ever be transferred to any other fund, or used or appropriated except as herein provided. The state treasurer shall be the custodian of this fund, and the same shall be securely and profitably invested as may by law be directed. The state shall supply all losses thereof that may in any manner occur." (Const., Art. IX, Sec. 3.)

"The public school fund of the state shall consist of the proceeds of such lands as have heretofore been, or may hereafter be, granted to the state by the general government for educational purposes; all estates that may escheat to the state; also all other grants, gifts or devises that may be made to this state for educational purposes." (Const., Art. IX, Sec. 5.)

Statutory Provisions.

"The funds arising from the sale of public school, University and Agricultural College lands, shall be held intact for the benefit of the funds for which such lands were granted, and shall be known as permanent funds, and the interest and rentals only shall be expended for the purposes of the grant. The funds arising from the sale, leasing and income of all other state lands shall be disposed of as shall be provided by law, but, in the absence of any other provision, may be invested in the same manner as the school fund." (5821. M. A. S.)

"All moneys arising from the leasing of Agricultural College, University or public school lands which are now, or may hereafter be, received by the State Treasurer, shall be treated in all respects in the same manner as is provided by law for the disposition of the interest on the proceeds arising from the sale of the same class of lands." (5822. M. A. S.)

By the provisions of an act of 1915 ratifying the conditions of certain acts passed by the Congress of the United States concerning agricultural colleges, etc., the state board of agriculture has the control of the agricultural college land permanent fund and shall invest the fund to yield not less than five per cent per annum. The funds may be invested in municipal or school district bonds, or in farm loans, in the discretion of the board. The state is pledged in the ratifying act to see that the said fund shall yield not less than five per cent per annum.

According to the provisions of the act of congress of 1862, under which the agricultural college land permanent fund is established, a sum not exceeding ten

per cent upon the amount raised by any state under the provisions of the act, may be expended for the purchase of lands for sites or experimental farms whenever authorized by the respective state legislatures. In conformity with this provision, the legislature in 1907 (118, 119, M. A. S.) authorized a transfer of ten per cent for the purpose specified.

All funds arising from the sale or lease of land, or from interest on purchase money, shall be invested or loaned as follows, unless otherwise provided by law:

(L. 1905 and 1911, 5808, 5809, M. A. S.)

- a. In state bonds.
- b. In state warrants.
- c. In irrigation districts organized in Colorado.
- d. On loans secured by unincumbered real estate, at 6 per cent per annum.
- e. Loaned to the state military board for land and buildings for armories, at not exceeding 6 per cent per annum.

Owing to difficulties and uncertainties said to exist in the laws concerning the loaning of permanent funds on unincumbered real estate, presenting an obstacle to the safe investment of such funds in this class of securities, no permanent funds have been loaned on unincumbered real estate. The same is true also with respect to irrigation bonds.

The only investments held by the permanent funds are state bonds and warrants, and bonds of cities and school districts of the state. The latter class of bonds are held by the agricultural college permanent fund only. The other permanent funds hold only state bonds and warrants.

The income from the agricultural college and university permanent funds is expended in the manner provided by law. Concerning the public school land permanent fund, the income from this fund is apportioned semi-annually to the several counties of the state, for the support of schools, in proportion to school population (6601, M. A. S.), after making deductions for the cost of registers and blank books furnished to teachers and school officers by the state superintendent of public instruction. The amount of such deductions is required to be certified to the state treasurer by the superintendent, and the treasurer shall thereupon transfer said amount from the school fund, subject to apportionment to the general fund. (6588, M. A. S.)

The method of handling the deductions referred to above, is to draw out of the public school income fund for apportionment to counties, a sum of money less the amount of the said deductions. The amount of the deductions is not transferred to the general fund.

By the provisions of an act of the legislature passed in 1911, \$40,000 was authorized to be transferred from the public school income fund to a "permanent school emergency or call fund" (6612, M. A. S.), for the purpose of providing relief to any public school district in financial distress. The amount to be expended for this purpose in any one year is limited to \$20,000. (6616, M. A. S.) (The governor disapproved of \$20,000 of the above permanent fund and of \$10,000 of the amount to be expended in any one year.) The "permanent school emergency or call fund" is to remain in the hands of the state treasurer and any interest earned thereon or arising from the investment thereof is to be credited to said fund. (6613, M. A. S.)

In practice, the "permanent school emergency or call fund" has been credited on the books of the state treasurer with sufficient funds only to meet the actual needs of the districts whose petitions have been granted. \$3,675.90 was credited and expended in the fiscal year 1912, and \$5,100 was credited and \$4,835 expended in the biennial period 1913 and 1914, leaving a balance in the account of \$265. No credits have been made in the account during the present biennial period.

By additional legislation in 1913 (Minimum Salary for Teachers Act, Ch. 156), provision was made for paying, from the public school income fund, the minimum salaries established by the act for teachers in public school districts unable otherwise, according to law, to pay such minimum salaries. Not more than \$60,000 of the income fund was to be used for this purpose. The practice with respect to paying these minimum salaries wherever needed, is to transfer on the books of the treasurer and the auditor, from the public school income fund to a minimum wage fund, an approximate amount sufficient for the purpose for any fiscal period. Up to date (September 9, 1916), the whole amount authorized (\$60,000) has been so transferred, of which \$50,881.36 has been expended.

The following statement, submitted by the state treasurer's office, shows the

several funds of the state invested in different securities, the kind of securities, the amount thereof, and the uninvested cash balance in each fund as of September 20, 1916:

INVESTMENTS

FUND	State Bonds (Par value)	State Warrants	County Warrants	Bonds of Cities & School dists. of state.	Cash
Agricultural Land Permanent Fund....	\$ 5,200.00	\$	\$	\$191,631.75	\$ 1,137.69
Public School Land Permanent Fund....	2,174,400.00	491,690.30			1,183,632.04
Public School Income Fund.....	600,900.00				59,810.02
University Land Permanent Fund....	27,900.00				8,298.17
University Land Income Fund.....	35,000.00				180.00
State Compensation Insurance Fund....	59,800.00		835.50		91,656.16

The details of the securities held by these funds, are as follows:

Agricultural College Land Permanent Fund				
Securities	Rate	Par Value	Purchase Price	
Edgewater Water Bonds.....	5½%	\$ 20,000.00	\$ 20,638.50	
Akron Water Bonds.....	6%	7,000.00	7,469.90	
Routt Co. School District No. 25	6%	3,500.00	3,830.75	
Mancos Refunding Bonds.....	6%	3,500.00	3,740.10	
Orchard City Water Bonds.....	6%	29,000.00	30,240.80	
Hotchkiss Water Bonds.....	6%	1,000.00	1,050.00	
Fruita Refunding Bonds.....	6%	55,000.00	58,791.10	
Hugo Water Bonds.....	6%	2,000.00	2,080.00	
Meeker Refunding Bonds.....	6%	50,000.00	54,250.00	
Yuma Water Bonds.....	6%	1,000.00	1,064.00	
Prowers School District No. 41.....	6%	3,000.00	3,276.60	
State Funding Bonds, Series 1910.....	3%	5,200.00	5,200.00	
Public School Land Permanent Fund				
State Warrants.....	4%	491,690.30	491,690.30	
State Bonds, Series 1909.....	3%	724,400.00	629,872.36	
State Bonds, Series 1910.....	3%	547,800.00	440,094.48	
State Bonds, Series 1910.....	3%	463,500.00	463,500.00	
State Bonds, Series 1914.....	4%	438,700.00	438,700.00	

The details of the securities held by these funds are as follows:

Public School Income Fund			
State Bonds, Series 1910.....	3%	600,900.00	600,900.00
University Land Permanent Fund			
State Bonds, Series 1910.....	3%	27,900.00	27,900.00
University Land Income Fund			
State Bonds, Series 1910.....	3%	35,000.00	35,000.00
State Compensation Insurance Fund			
County Warrants.....	6%	835.50	835.50
State Bonds, Series 1914.....	4%	59,800.00	59,800.00

Owing to the fact that a portion of the state bonds of the series of 1909 and 1910, held by the public school land permanent fund, as shown above, were purchased at different times and in such lots as were offered to the state treasurer, thus resulting in a number of different purchase prices, only the total purchase price is shown in the foregoing figures. These lots were purchased, however, at prices to net the fund 4% earnings.

The public school income fund is shown in the above statement as possessing \$600,900 of state bonds. The total amount of these bonds represents the amount of interest charges which had accrued on state warrants held by the public school land permanent fund up to the year 1910. The warrants earned 6% interest and were for the years 1887, 1888, 1889, 1892, 1893, 1894, and 1897, amounting to a total of \$463,432.43. The interest accrued on these warrants up to 1910 amounted to \$600,849.58, for which bonds of the series of 1910 were issued, on the payment of \$50.42 from the income fund to make the interest equal the par value of the bonds.

The bonds and warrants held by the several funds listed above, are in the custody of the state treasurer and kept by him in a safe in the state treasurer's vault, with the exception of \$35,000.00 of the bonds in the university land income fund, which are said to be held by a bank as security for a loan raised by the university.

IV. FINANCIAL REPORTS

1. Constitutional Provisions.

The state treasurer is required by section 12, article X of the constitution, to report to the governor in writing, under oath, at the end of each quarter of the fiscal year, the amount of all moneys to the credit of every fund in his hands, the place where the funds are kept or deposited, the number and amount of every warrant received and the number and amount of every warrant paid therefrom during the quarter.

By section 16, article IV, officers of the executive department are required to render a semi-annual report to the governor under oath, of all moneys received by them from all sources, and for every service performed, also of all moneys disbursed by them severally.

By section 17 of the same article, "officers of the executive department * * * shall at least twenty days preceding each regular session of the general assembly, make full and complete reports of their actions to the governor, who shall transmit the same to the general assembly."

2. Statutory Provisions.

The state treasurer is required to report to the auditor at the end of each day the amount of disbursements during the day (2782, M. A. S., L. '85), also to report to the auditor on the first day of each month, "the amount of all moneys received by him during the preceding month, the name of the person from whom each of such sums was received, the date of such receipt, and the several kinds of coin, treasury notes, bank bills, auditor's warrants, or other like certificates or evidence of indebtedness in which the same were paid, and the amount of each kind, the amounts of his disbursements, specify by the number the warrants paid and date of payment, and the amount of interest allowed and paid thereon, also the number and date of all warrants presented and registered." (2747, M. A. S., L. '77.)

Section 2735 (M. A. S., G. L. '77) supplements the constitutional provision concerning biennial reports, and requires "a detailed statement of the condition of the treasury and its operations for the two preceding fiscal years." This section further requires that the treasurer shall render his accounts to the auditor for settlement quarterly, or oftener if required.

The treasurer is required by the act authorizing each issue of state bonds, to include in his biennial report a statement of taxes collected and paid out, of interest collected, the amount paid out, carried to sinking fund, how invested, and, whenever bonds are purchased, a statement of such purchases, payments, or cancellations.

"In October, 1915, and in February of each year thereafter the state treasurer shall certify to the commission the amount of money that has been paid to him for credit to the state compensation insurance fund as provided in this act and the amount paid by the state itself, and by each county, city, town, irrigation or school district therein, and at the same time shall certify to the commission the name of such as may have made default in the payments therein before provided, and the respective amounts for which they are in default * * *." (Session laws, 1915, Ch. 179, Sec. 47.)

3. Present Reports Rendered by or to the State Treasurer.

a. Reports rendered by the treasurer.

1. Report of Disbursements.

This report is rendered three times a month to the state auditor and shows, by general revenue and fund accounts, the total amount of warrants paid by the treasurer from each account for the period of the report. A special form is used for this report.

2. Report of Transfers of Funds.

Whenever the treasurer transfers funds from one account to another on his ledger, he sends the state treasurer a transcript of the transfers, using for this purpose a copy of the form referred to above. ("Report of Disbursements.")

3. Quarterly Report to the Governor.

This report is rendered quarterly to the governor, as required by law, and contains the following information:

- (a) A statement of the accounts in the general ledger, with the total amount of transactions for each account during the period of the report.
- (b) A statement showing the balances to the credit of the various accounts at the close of the period of the report.
- (c) A statement showing with whom the state funds are deposited and the amount thereof.
- (d) The amount of investments held by each permanent or other fund.

4. Biennial Report to the Governor.

This report has been rendered in the past practically as required by law, within the limitations of the accounting system maintained by the state treasury department.

5. Annual Report to Industrial Commission.

This report is prepared for the treasurer by the state auditor and forwarded by the treasurer to the commission.

In addition to these written reports outlined above, the treasury department employes are in close touch with the auditor's office and visit that office daily for the purpose of entering in the auditor's warrant registers the details of each warrant paid during the preceding day.

b. Reports Rendered to the Treasurer.

1. Reports from county treasurers, rendered monthly, showing the details of their tax collections, and accompanied by their remittance checks.
2. Letters, statements, etc., sent by collecting departments, institutions and offices of the state to the treasurer, accompanied by checks or cash for the amount of collections so reported.

V. MISCELLANEOUS DUTIES OF THE STATE TREASURER

In addition to the duties and activities of the state treasurer outlined in the foregoing pages, the following duties are conferred by statute on the treasurer:

Member of State Boards and Commissions.

1. State Auditing Board. (Laws 1911, 6830, M. A. S.)
2. Commissioners of State Debt. (Laws 1883, 553, M. A. S.)
3. State Board of Canvassers. (G. L. '77, 2471, M. A. S.)
4. State Board of Equalization. (Const., Art. IX, Sec. 15.)

Member of Committees.

The state treasurer is a member of a committee formed of the governor, secretary of state and treasurer, to designate a daily newspaper published in Denver for publication of legal notices, advertisements, etc., of the supreme court, of departments, etc. (4490, M. A. S.)

The governor and the state treasurer shall approve contracts for furnishings and for repairing and furnishing the halls and rooms used for the meeting of the general assembly and its committees. (Const., Art. IV, Sec. 29.)

Ex-Officio Treasurer of:

1. Industrial School for Girls. (3496, M. A. S.)
2. Insane Asylum. (4719, M. A. S.)
3. Normal School—Greeley. (6927, M. A. S.)
4. State Penitentiary. (5417, M. A. S.)

Treasurer of Institution.

1. State Reformatory. (6969, M. A. S.)

Furnish Records.

"The treasurer of the state shall furnish to each county judge, a book in which he shall enter the returns made by appraisers, the cash value of annuities, life estates and terms of years and other property fixed by him, and the tax assessed thereon, and the amounts of any receipts for payments thereof filed with him, which book shall be kept in the office of the county judge as a public record." (6225, M. A. S.)

Procure Weights and Measures.

"It shall be the duty of the treasurer of this state to procure as soon as possible from the proper department of the federal government, all necessary weights and measures for the use of the state, and as soon as he shall receive them; to give public notice through two or more newspapers, for thirty days, to each and every board of county commissioners in the state, to obtain copies or duplicates of said weights and measures. (7825, M. A. S.)"

VI. COMMENTS ON A SURVEY OF THE OFFICE OF STATE TREASURER

1. Organization.

The present organization of the treasury department is very much reduced in size compared with the organization of previous years. This reduction is due largely to the prohibition law, which went into effect in January, 1916. With the adoption of that law, the force of liquor license inspectors and clerks in the treasury department at the time was discontinued.

Under the existing business methods and procedure, particularly with respect to the system of settling state warrants, the present staff represents approximately the minimum force that could be maintained to carry on the work of the department. Certain changes in methods, suggested later in this report, would on adoption reduce clerical work, but the time thus saved might be utilized in maintaining records or accounts not now kept in the treasury department, or that are not kept in the manner that they should be kept, as will be referred to hereafter.

The bond of the state treasurer appears to be larger than ordinarily required of a state treasurer. The premium on one million dollars is \$2,500 per annum. In addition to the one million dollar bond, the treasurer is bonded separately for \$75,000 at the present time as custodian of the state compensation insurance fund. The amount of the latter bond may be increased to correspond with an increase in the insurance fund in the treasurer's custody. The premium on the latter amount is said to be \$187.50, or \$2.50 per thousand dollars on both bonds.

The only consideration here is whether the treasurer's bond should be \$1,075,000, or greater. Obviously this question can be answered only by the person or persons responsible for the conduct of the official under bond. Any reduction in the amount of bond naturally reduces the cost of the premium. This should be of secondary consideration if there exists even remotely any possibility of a state treasurer violating his oath of office to the extent of a million dollars or more.

Prior to the present biennial period, the bond of the state treasurer was a personal one, with the number of individual sureties required by law. The last legislature, however, provided an appropriation for paying the premium of a surety company bond, whereupon the present treasurer gave such bond for the required amount.

The following statement, showing the legal requirements in twelve states of the union concerning the amount of bond and the number of sureties required of the treasurer and the auditor in the respective states, may prove interesting.

Statement Showing Legal Requirements Concerning the Amount of Bond and Number of Sureties Required of Treasurer and Auditor in Various States.

	Treasurer	Auditor
California.....	\$100,000.	\$50,000.
Massachusetts...	\$100,000, with at least three sureties.	A bond with sufficient sureties approved by the governor and council.
Minnesota.....	At least \$400,000, with five or more sureties or sufficient corporate surety. Governor and auditor may require additional bond whenever they deem it necessary.	\$20,000, with sureties to be approved by the governor.
Montana.....	\$500,000.	\$30,000.
New Jersey.....	\$300,000, with sufficient surety to be approved by the legislature.	\$50,000, with two or more sureties.
New York.....	\$50,000, with ten or more sureties; also \$100,000 as custodian of the workmen's compensation fund.	The comptroller of the state is not required to file a bond.
Ohio.....	\$600,000, with four sureties. The governor and general assembly may at any time require him to give additional bond.	\$20,000, with two or more sureties.
Oregon.....	\$50,000, with not less than six sureties.	Secretary of state shall be by virtue of his office, auditor of state accounts. Bond \$10,000, with sufficient sureties.
Pennsylvania....	\$500,000, with surety approved by president of senate, speaker of assembly and comptroller.	\$5,000, with two or more sureties.
Virginia.....	\$100,000, with sufficient sureties to be approved by governor.	\$30,000, with sufficient sureties, to be approved by governor.
Washington.....	\$250,000, with sureties to be approved by secretary of state and judges of supreme court.	\$50,000, with sureties to be approved by governor.
Wyoming.....	Not less than \$75,000, with sufficient sureties to be approved by governor.	\$15,000, with sufficient surety.

2. Books, Records and Accounts.

The constitutional and statutory provisions requiring the keeping of "separate account of each fund" and "of each head of appropriation" is complied with only partially concerning state funds and not at all concerning appropriations. No appropriation accounts are kept by the state treasurer. When expenditures are made from appropriations and there are funds available in general revenue account to pay them, the latter account is charged and cash account credited on the books of the treasurer's office.

The keeping of appropriation accounts by the treasurer seems an unnecessary duplication, in this respect, of the records of the state auditor. There is a fundamental distinction, however, in the function of the two departments which makes it necessary for the treasurer to keep certain records independently of the auditor. The right and the duty of the treasurer to investigate the legality of every warrant before payment is stated in a court opinion quoted previously herein under the heading "Disbursing State Funds and Other Moneys." The treasurer is better qualified to exercise this right and duty by maintaining appropriation accounts than he is without such accounts.

There is a very close working arrangement now existing between the two offices of state treasurer and state auditor, but this harmony has not always ex-

isted in the past and may not continue uninterruptedly in the future. Further, the responsibility of the treasurer to see that no appropriation is exceeded cannot be properly exercised without knowing from his own records the state of each appropriation account.

The fund accounts which are not kept by the treasurer in the manner required by law and by good business practice are as follows:

- a. Summer Normal School Fund.
- b. Public School Emergency or Call Fund.
- c. Interest on Insurrection Bonds Fund.

Summer Normal School Fund.

The law (L. 1911, 6765, M. A. S.) requires that all fees collected from persons attending the summer normal school and for the examination of teachers and all special appropriations for the support of such schools, and the \$2.00 for each person attending the school collected from the commissioners of each county shall be forwarded to the state treasurer and designated by him "The Summer Normal School Fund". It is further provided (6766, M. A. S.) that all fees collected from each summer normal school shall be kept separate for the use of that district, and (6767, M. A. S.) that moneys appropriated or collected for one summer normal school district shall be used for no other purpose than the legitimate expenses of that district.

There is an apparent conflict in the provisions of the sections of law above referred to with an act of 1891, organizing and maintaining teachers' normal institutes. The latter act provides for the designating of a county treasurer to act as custodian of a "Normal Institute Fund" to defray the expenses of the institutes. It provides for a registration fee of \$1.00 for each person attending a normal institute, plus 5 per cent from each county superintendent on the average standing in examination of teachers who attend from his county and \$2.00 from county commissioners for each person from their county attending the institute. The act of 1891 makes no mention of fees for the examination of teachers.

The present practice in the office of the state superintendent of public instruction is to collect the fees, referred to above, as required in the act of 1891, including a fee of \$1.00 for examination of teachers, and to deposit these collections with the state treasurer as "State Normal Institute" moneys.

The act of 1911 evidently was intended to supersede the act of 1891. Only parts of each act are adhered to now. Instead of the state treasurer maintaining accounts with each district showing the amount credited to each under the heading "Summer Normal School Fund", as required by the act of 1911, he keeps one account only, called "State Normal Institute". Further, the funds in the latter account are apportioned by the state superintendent of public instruction among the several districts, which is contrary to the language of the 1911 act.

If the two acts of 1891 and 1911 are in force, then the state treasurer has no right to handle any of the funds of the "State Normal Institute". Also, the fees from examination of teachers should be credited to a "Summer Normal School Fund" on the books of the state treasurer and not to "State Normal Institute" moneys. Again, there should be other fees credited to the "Summer Normal School Fund" which are not even collected now, it would appear.

Public School Emergency or Call Fund.

The purpose of this fund has been referred to previously in connection with the procedure on "permanent and investment funds". The state department of instruction states that there is a need for such a fund and has an application now pending for aid from the fund to meet an emergency in a school district. The fund should have been set up and should have been credited with interest earned thereon as required in the act authorizing the creation of the fund.

Interest on Insurrection Bond Funds.

Each act authorizing the issue of state bonds provides that the proceeds from tax levies for interest upon and for the redemption of the bonds shall be kept by the treasurer as distinct funds under the proper heads, etc. This is not done by the state treasurer. The tax levy each year for paying the interest on the present series of insurrection bonds in force is levied as one amount and collections therefrom are credited to one account on the treasurer's books. This saves a little clerical work, but it also makes it difficult to tell from the ledger account the exact status of the interest collected and paid on each series of insurrection bonds without a detailed analysis of the account.

Perhaps it was due to this fact that collections from tax levies for interest on insurrection bonds at one time were far in excess of current needs. On Jan-

uary 13, 1903, there was a credit balance in the interest on insurrection bonds account of slightly over \$52,000, while the annual interest payments for several years prior thereto and after that date averaged less than \$12,000. In fact, the fund was so far in excess of current needs that tax levies for interest on insurrection bonds were discontinued for the years from 1902 to 1906, both dates inclusive. They were resumed in 1907, dropped again in 1908, and have been levied each year since 1909. The same condition of excess balances existed in certain sinking fund accounts operative during these same years, which would appear to indicate that excess levies were more at fault than the carrying of several series of bond interest in one account.

The "Casual Deficiency Bonds Sinking Fund" and the "Insurrection Bonds Sinking Fund", representing bonds of the series of 1895 (\$170,500), redeemed in the years 1910 and 1911, were in excess of the needs for redemption purposes to the extent of over \$28,000. This excess was transferred to the general revenue accounts of the years 1909 and 1911, and to surplus account.

In addition to the foregoing accounts which are either not carried by the state treasurer or are carried in a form not in accordance with the law, etc., the following accounts also are not carried in the general ledger of the state treasurer:

- a. Accounts showing the bonded debt of the state.
- b. Account showing the amount of state warrants registered by the treasurer and outstanding.
- c. Account showing the amount of certificates of indebtedness registered by the treasurer and outstanding.
- d. Account showing the amount of cash in the hands of the treasurer, representing cash received in exchange of certificates of indebtedness for state bonds, as previously explained.
- e. Account showing the amount of investments carried by the state compensation insurance fund.

As stated in a report on a survey of the office of state auditor, the bonded debt and certificates of indebtedness are not carried by the state auditor either. It is customary in good accounting practice, to maintain accounts in the general ledger with all transactions arising in connection with the business of an office. This facilitates the preparation of statements of affairs from the ledger, which may be checked and supported by details contained in subsidiary records. It also provides a control over the entries in the subsidiary records.

The cash received in exchanges of certificates of indebtedness for state bonds, has been considered as not being a regular transaction of the state treasurer's office and hence not carried in the general ledger or in the regular cash account. This view probably arises from the fact that neither warrants nor certificates of indebtedness are carried in the ledger. The cash in question, however, is just as much a regular transaction of the treasurer's office as any other transaction performed in that office and should be so treated.

The carrying also of memo accounts in the general ledger would be unnecessary if the ledger were kept to show all the transactions of the office as they occurred.

3. Receiving State Funds and Other Moneys.

There has been much discussion at various times in certain quarters concerning receipts from taxes and the fiscal year to which such taxes belong; also, concerning the reason for a deficit in the accounts for a fiscal year. This question resolves itself simply to one concerning the period of levy and the time of collection of taxes.

The constitution provides that "the general assembly shall provide by law an annual tax, sufficient, with other resources, to defray the estimated expenses of the state government for each fiscal year. (Sec. 2, Art. X.) By statute it is provided that "all taxes shall be levied for the fiscal year which shall end with November thirtieth. (L. '11, 6182, M. A. S.) The law further provides that assessments on real and personal property shall be made as of April first of each year (6230, M. A. S.), and that the state board of equalization shall sit for the purpose of examining, adjusting and equalizing assessments on the first Monday in October in each year. The board must complete its work before the third Monday in the same month and year. All taxes shall be due and payable, one-half on or before the last day of February, and the remainder on or before the last day of July of the year following the one in which they were assessed.

Thus, by operation of statute, the taxes for each fiscal year are not due and payable until from three to eight months after the close of the fiscal year for which they are levied. Under this system, if it were not for other sources of

revenue than the general property taxes, the state would be obliged to meet the whole of its expenses for a fiscal year from loans from the public school fund or from some other source.

The language of the section of the constitution previously quoted would appear to have intended that collections of taxes shall come in to the treasury in the fiscal year in which the expenses are incurred. The collection of a "tax, sufficient with other resources, to defray the estimated expenses of the state government for each fiscal year" cannot have been intended to be postponed for from fifteen to twenty months after the estimated expenses were determined. They are no longer "estimated expenses" when the tax is collected. They are actual expenditures then, and the fiscal year for which they were estimated has closed. The state is well on its way into a new fiscal year before a dollar of taxes is collected for the previous fiscal year.

It should be remarked here that the foregoing applies in practice to the general revenue taxes only and not to special levy taxes. All special levy taxes are used as soon as they are collected regardless of any fiscal year restrictions. This results in a peculiar situation. An institution, for example, may be financed for a fiscal year's operations, from a special levy tax and from general revenue by means of an appropriation. Collections from the tax levy and the amount of the appropriation are set up on the books in the same fiscal year. The collections from the tax levy will be utilized to meet the expenses of the year in which the taxes are collected, whereas, unless there are funds available from miscellaneous receipts, the appropriation when utilized cannot be paid until some time in the succeeding fiscal year. Money is borrowed meanwhile from the school fund at 4 per cent interest pending the collection of taxes.

This is the situation in which the state treasury finds itself each year. Naturally the general revenues collected each year are mortgaged to the extent of the previous fiscal year's expenditures which exceed the resources from insurance fees, inheritance and corporation taxes, etc. This mortgage is represented by the amount of warrants outstanding and not "called" at the close of a fiscal year. It is an expensive system. Interest charges on warrants issued prior to 1901, when warrants unpaid bore 6 per cent interest, amounted at times to over \$50,000 a year. Warrants now bear 4 per cent, but the amount of interest paid on warrants in recent years has averaged \$35,000 per year. The amounts paid on general revenue warrants for the fiscal years from 1911 to 1915, inclusive, are as follows:

Fiscal Year	Amount Paid.
1911	\$29,299.52
1912	41,412.99
1913	38,773.62
1914	37,773.62
1915	31,018.76

In addition to the above, \$8,116.07 was paid in interest on capitol building warrants for the period from February 28, 1913, to December 10, 1915.

It might be argued in connection with these interest charges that interest earned on deposits of general revenue cash should offset the interest paid on general revenue warrants. Interest earned on deposits is not, however, a legitimate offset to interest paid on warrants because, under a different system of collecting revenue taxes, the most of the interest paid out would be saved to the state and the interest earned on deposits would be the same or even greater with increased deposits of taxes.

The number of bookkeeping entries involved under the present system of making a special levy for institutions and other special objects is very much greater than would be necessary if only one levy were made for general and special purposes, and if appropriations were made in place of levies. There are sixty-three counties reporting tax collections each month to the state treasurer, and there are some eighteen special levies. This means considerable clerical labor on the part of county treasurers distributing collections according to each levy and the tabulating of monthly statements thereof to the state treasurer. It also means 1,134 entries each month in the state treasurer's cash book. Further, eighteen different accounts must be credited by the treasurer in his general ledger each month.

If appropriations were made for the same objects for which tax levies are now made and provisions made in one tax levy for all purposes, it would be necessary merely to set up the appropriation accounts but once for a fiscal year, and there would be only sixty-three entries a month of tax collections in the treasurer's

cash book, eliminating also a corresponding amount of work on the part of the county treasurers.

There is unnecessary clerical labor in writing the particulars of each receipt three times for each deposit of moneys with the state treasurer. With the adoption of a receipt form which could be issued in duplicate or triplicate, as desired, by means of carbon paper process, each receipt would require only one writing.

4. Disbursing State Funds and Other Moneys.

Reference has already been made to the detailed procedure necessary under the present system of paying warrants. This procedure from the nature of the transactions involving as it does, the constant figuring of interest on warrants, listing and "calling" warrants, stamping and restamping them, etc., would be entirely unnecessary if general revenue taxes were available in the year in which they are collected for meeting the expenses of that year.

The present administration of the treasury department has been more conscientious about the figuring of interest charges on warrants than previous administrations appear to have been. The practice in the past, it is stated in the treasury department, was to calculate interest on warrants from the data on which warrants were issued, rather than from the date of their presentation to the treasurer for payment. This was an easier method of calculating interest charges, because of the large number of warrants usually issued on the same date, than to make the basis the various dates of presentation. The total loss to the state for excess interest paid on the odd days from the date of warrants to the date of presentation, for all the years prior to 1915, would probably amount to a considerable sum.

The registering in the treasurer's office of all warrants and certificates of indebtedness issued, requires considerable time each day of a clerk for the purpose. The law requires the treasurer to register warrants and certificates, but this labor could be saved in the treasurer's office, if, by arrangement with the state auditor, a duplicate copy of the auditor's registers of warrants and certificates were furnished the treasurer daily.

By installation in the auditor's office of a book-type-writing machine, the auditor's registers could continue to be in bound book form to meet any objections to loose leaf records in that office, but the treasurer's copy thereof would have to be loose leaf and filed in a binder in his office. But there would always be a permanent bound record of warrants and certificates in the auditor's office as an independent check on the warrants and certificates registered or transmitted to the treasurer.

5. General Ledger Transactions.

Transfers of balances between funds on the state treasurer's books are made by journal entry without any transfer warrant or other document authenticating in an official way all such transfers. There is no question raised here as to the right of the treasurer to make such transfers, but before the bookkeeper should be permitted to make a transfer he should have some document, signed by the treasurer or his deputy, authorizing him to make the transfer, and these documents should then constitute a file in support of every such entry in the general ledger.

The account in the general ledger, called "interest on deposits", is distributed usually at the close of each year between the general revenue account for the year and the public school income account. No other funds are credited with interest earned on deposits. (The state compensation insurance fund is kept in a separate bank account and interest thereon is credited direct to the fund. This interest does not go through the "interest on deposits" account referred to.)

The ordinary cash funds on the books of the treasurer are, of course, not entitled to credit of interest on deposits, but there are permanent funds other than the public school fund held by the state treasurer as custodian, the income accounts from which should undoubtedly be credited with interest on deposit to the extent of any balances in the permanent funds.

Naturally, the balances in the permanent funds fluctuate, and they are very small at times also. But the principle involved is what is desired to emphasize in this question. The act of 1905 (5821, M. A. S.) previously quoted in this report, provides that the "funds arising from the sale of public school, university and agricultural college lands, shall be held intact for the benefit of the funds for which such land was granted * * * and the interest and rentals only shall be expended * * *". The act provides further (5822, M. A. S.) that money received from leases of such lands shall be treated in the same manner as is provided by law "for the disposition of the interest on the proceeds arising from the sale of the same class of lands."

Reference has already been made elsewhere herein to the fact that the "public school emergency or call fund" has never been set up on the treasurer's books as required by law. This fund, as distinct from the public school income fund, should have received credit for interest on the amount of the balance that remained in the account since the date the fund was authorized to be established.

With respect to the university permanent fund, this is stated in the general ledger, as of August 31, 1916, as containing a credit balance of \$71,198.17, whereas the permanent fund should really have a credit balance of approximately only \$36,062.04. The shrinkage arises from the fact that the university permanent fund was at some time subsequent to 1910, credited with \$35,136.13 of interest which had been earned on warrants to the amount of \$27,763.87 held by the permanent fund and for which (principal and interest) funding bonds of the series of 1910 were issued in exchange.

This explains, also, why \$35,000 of these state bonds have been utilized by the university in raising a loan or in otherwise satisfying a claim by the contractors of the Macky Auditorium.

6. Funded Debt.

The financial policy of the state with respect to the issue and redemption of state bonds has been one which has cost the state hundreds of thousands of dollars beyond what would have been necessary under a different policy, and it will cost the state hundreds of thousands of dollars in addition before the series of bonds now representing the state debt are redeemed.

The basis for the foregoing statement is found in the following statements of fact and comparative tables showing the cost of the present methods of liquidating the bonded debt compared with the cost of liquidating the debt by the serial bond method. In extenuation of the loss to the state referred to, it should be stated that the impetus to the movement favoring serial bond over sinking fund methods of repaying public loans is only of recent years, although the disadvantages of sinking fund methods have been thoroughly discussed for many years by statesmen and authorities on finance.

The present bonded indebtedness of the state is peculiar to the state in that only a part of it represents any outlay for public works or permanent improvements in the state. The part excepted represents bonds exchanged for state warrants issued in connection with the building of the state capitol, but even this part is clouded as to the actual amount invested in the building as representing an increase of state property. The rest of the state debt represents bonds issued for meeting the expenses of insurrections, and warrants issued for other state expenses at different times in past years.

This fact alone should have been a stimulus to urge the payment of these debts in the shortest space of time and with the minimum cost of interest. Instead, the funding bonds of 1910, for example, are 50 year bonds, payable at the option of the state any time after 10 years from their date, for which there is a sinking fund provision of $2\frac{1}{2}$ per cent for 40 years. The life of the three other series of funding ranges from 20 to 30 years, two of which have optional periods of redemption within a shorter time.

This optional provision in certain of the bond issues is a recognition in part of the principles underlying serial bond methods. The state has usually exercised this option, thus reducing interest charges, although the option usually does not go into effect for ten years or more after the date of issue of bonds.

The principles underlying the serial bond method are that it is the cheapest method of liquidating a loan, as compared with the sinking fund method and that it is more simple in operation. Further, it removes all the uncertainties which appear, from the financial experiences of the world, and particularly of American states and cities, to surround the handling of sinking funds.

There are two methods of paying serial bonds, viz; (a) by the installment method or a fixed amount of principal and a diminishing amount of interest each year of the life of the bonds, (b) by the annuity plan, or equal annual payment of both principal and interest. Of these two plans, the former is the cheaper though both methods are less expensive than the sinking fund method.

For the purpose of comparing the interest cost of two of the present issues of state bonds with the interest cost of such bonds under the serial bond method, paying equal annual installments of principal and a diminishing rate of interest, the following tables are submitted:

Insurrection Bonds, Series 1897.

\$223,000 of bonds issued September 1, 1897, due September 1, 1922. Optional from September 1, 1912. Interest at 4 per cent. Tax for redemption levied annually for ten years after fifteen years from date of issue to create annual fund equal to 10 per cent of amount issued.

Interest charges on \$223,000 at 4 per cent from the date of issue to date of redemption.....\$178,468
Principal 223,000

Total Principal and Interest.....\$401,468

Interest charges on \$223,000 at 4 per cent, assuming these bonds were issued on serial bond plan of redemption, assuming also \$9,000 per year redeemed for twenty-four years and \$7,000 for the final payment\$115,000

Principal 223,000 338,000

Difference in favor of serial bond method..... \$ 63,468

In figuring the interest cost under the present method of redeeming these bonds, it was assumed that \$11,600 of bonds would be redeemed on March 1 and September 1 each year from March 1, 1917, to March 1, 1922, and \$11,400 on September 1, 1922, the period the bonds still have to run. In practice there may be a slightly greater or less amount redeemed each period, according as collections of taxes for sinking fund are greater or less in February and August of each year. The figures taken assume a uniform amount as nearly as could be estimated.

Thus it will be seen that although the amount assumed to be redeemed semi-annually each year for ten years under the existing plan of redemption is larger than the annual amount taken for the serial bond method, yet there is a saving in favor of the latter method of \$63,468.

Funding Bonds, Series 1910.

Amount issued, \$1,997,500. Date issued December 1, 1910. Date due December 1, 1960, with optional date beginning December 1, 1920. Interest at 3 per cent. Tax for redemption levied annually for forty years after ten years from date of issue to create an annual fund equal to 2½ per cent of amount issued.

Interest charges on \$1,997,500 at 3 per cent from date of issue to date of redemption, assuming \$25,000 redeemed semi-annually for thirty-nine years one-half and years and \$22,500 as the final payment in the fortieth year.....\$1,811,250

Principal 1,997,500

Total Principal and Interest.....\$3,808,750

Interest charges on \$1,997,500 at 3 per cent, assuming these bonds were issued on the serial bond plan of redemption and that \$40,000 per year for forty-nine years and \$37,500 for the fiftieth year were redeemed.....\$1,526,250

Principal 1,997,500 3,523,750

Difference in favor of serial bond method..... \$ 285,000

This problem is similar to the preceding one so far as the semi-annual installments of principal redeemed is concerned. The bonds of 1910 provide for redemption after ten years from date of issue. It is assumed, therefore, that \$50,000 a year is redeemed for forty and one-half years and \$22,500 on the last half year, or in December, 1960. Thus even on this basis of semi-annual redemptions for forty years compared with annual redemptions of a smaller amount for fifty years, there is a difference in favor of the serial bonds of \$285,000.

The state of Massachusetts in legislation passed in 1913 prohibited sinking funds in that state for municipal loans, after a thorough examination had been made of sinking funds of municipalities of the state, disclosing the defects and weaknesses in the operation and management of such funds.

In a pamphlet issued by Mr. Alfred D. Chandler, of Brookline, Massachusetts, reprinted from the American Economic Review of December, 1913, the experiences of different foreign governments and of various states and municipalities in this

country with sinking funds are clearly portrayed, and emphasize the desirability wherever bonds are issued, of inaugurating a policy which shall extinguish the debt in annual installments and eliminate sinking fund provisions.

The following excerpt from Mr. Chandler's pamphlet may prove interesting:

"The striking contrast between the operation of serial bonds and sinking fund bonds was emphasized in tabular statements drawn to the attention of state treasurers of Massachusetts, pending official consideration of this subject. It was thereby shown that the difference in the *interest* account between the sinking fund and the serial bond methods for the three main items, about \$56,000,000 of forty-year bonds, of the state contingent debt—park, sewerage and water—would be about *twenty-six million dollars*, even if the bonds had been issued in serial form at a one-half per cent *higher* rate than under the sinking fund form! Also that the difference in the actual *cost* to taxpayers, between the two methods, would be about \$8,460,000 on a 3½ per cent basis. Naturally these extraordinary exhibits have stimulated the consideration of refunding many existing public sinking fund bonds into serial bonds even if at a higher rate per cent, provided suitable legislation therefore in the respective states be first obtained."

Tables 4 and 5 that follow give in detail a demonstration of the above statement as to the approximate principal sum of \$56,000,000.

Table 4.—Massachusetts state contingent debt, as of December 10, 1902, excepting Army loan of \$1,893,000.

	3 per cent	3½ per cent	Total	Interest	Premiums
Sewerage	\$ 7,989,912	\$ 2,980,000	\$10,969,912	\$13,270,652	\$ 370,813
Parks	2,680,000	8,350,000	11,030,000	14,826,000	739,000
Water	10,900,000	23,600,000	34,500,000	45,532,875	2,300,487
	<u>\$21,569,912</u>	<u>\$34,930,000</u>	<u>\$56,499,912</u>	<u>\$73,629,527</u>	<u>\$3,410,460</u>
				3,410,460	
				<u>\$70,219,067</u>	
				56,499,912	

Total, principal and interest.....\$126,718,979

If the above 40-year sinking fund 3 per cents had been issued as serial 40-year bonds at 3½ per cent, and the above 40-year sinking fund 3½'s had been issued as serial 40-year bonds at 4 per cent, the difference in interest between the sinking fund method and the serial bond method, even with that increase of interest rate, would be:

Table 5. Showing the savings that would be effected by the serial bond plan as applied to the state of Massachusetts.

Principal		(Sinking fund)	Interest	Principal and interest
\$21,569,912	3% 40 year.....	}	\$70,219,067	\$126,718,979
34,930,000	3½% 40 year.....			
(1) <u>\$56,499,912</u>				
\$21,500,000	3's at 3½%, 40 year,	}	Interest	
35,000,000	1/40 each year....			
	3½'s at 4%, 40 year,	}	28,700,000	
	1/40 each year....			
(2) <u>\$56,500,000</u>			44,126,240	

Difference in INTEREST in favor of serial bonds....\$26,092,827

The financial condition of the state of Colorado in the past may have warranted the issuing of bonds for the payment of current expenses, but the period of the bonds and the issuing of long term bonds in exchange for deferred interest payments has saddled the state with a debt which, in the aggregate, will amount to over \$7,000,000 before the claims are paid for which the debt was created. Take one case in point as showing what a comparatively small debt in the beginning will cost in the end if the day of final settlement is deferred some seventy odd years. The funding of bonds of 1910 were issued in exchange for warrants at 6 per cent, the first lot of which were issued in 1887, and for deferred payments of interest thereon. The bonds earn 3 per cent interest. Apparently the state was saving 3 per cent interest in converting 6 per cent warrants into 3 per cent bonds. The state actually converted a 6 per cent debt into a 6.889 per cent debt as will be seen from the following example:

Of the total amount of warrants (\$873,071.84) for which \$2,115,000 of bonds

were authorized to be issued, the public school permanent fund held \$463,432.43 worth. On this latter amount there was \$600,849.58 of interest accrued and due. On the paying of the difference of \$67.57 in cash, the warrants, paying 6 per cent were exchanged for \$463,500 of bonds paying 3 per cent, and \$600,900 of bonds at 3 per cent were issued for the amount of interest due, on the paying of \$50.42 for the difference in the value of the bonds.

Thus the original debt of 0463,500 (using round figures) at 6 per cent is now represented by \$1,064,400 bonds at 3 per cent. The annual interest charges now are as follows:	
Bonds representing original debt \$463,500 at 3 per cent.....	\$ 13,905.00
Bonds, \$600,900 at 3 per cent representing deferred interest charges on the original debt	18,027.00
Total annual interest.....	\$ 31,932.00

\$31,932 is 6.889 per cent of the original debt of \$463,500.

The original debt of \$463,500 will, before it is finally liquidated in 1960, cost the state as follows:

Interest on \$463,500 for ten years at 3 per cent (1910 to 1920).....	\$ 139,050.00
Interest from 1920 to 1960, paying off one-fortieth thereof each year for forty years	285,052.50
Interest on \$600,900 for ten years at 3 per cent (1910 to 1920).....	180,270.00
Interest from 1920 to 1960, paying off one-fortieth thereof each year for forty years.....	369,553.50
	\$ 973,926.00
Principal \$463,500 plus \$600,900 deferred interest at 1910.....	1,064,400.00
	\$2,038,326.00

In reviewing the above figures it may be contended that while the interest rate (6.889 per cent) earned on the investment (state warrants) is high, yet the holders of the warrants were entitled to something for the deferred interest which they failed to receive and which theoretically they might have invested, or which interest might have been earned in bank. This is true, but instead of authorizing a 50-year bond issue to pay principal and deferred interest charges amounting approximately to \$2,115,000, the amount originally authorized, the state could have refunded the warrants and interest for a shorter period of life and on the serial bond plan with a considerable saving in interest, as shown in a previous table.

7. Permanent and Investment Funds.

For a number of years there has been a movement toward the greater utilization of the uninvested portion of the public school permanent fund. The agitation has centered around this fund, as it is the only permanent fund which has a large uninvested balance. The other permanent funds are small in comparison, and legislation in 1915 provided for the investment of one of these which now is returning that fund (Agricultural College Permanent Fund) between 5 and 6 per cent interest.

The public school permanent fund has been growing steadily from year to year until at August 31, 1916, it was \$3,647,489.18. From November 30, 1910, to August 31, 1916, the increase has been \$1,599,197. This fund is destined to be increased many more millions under wise legislation and administration of the millions of acres of school lands still remaining for sale, the proceeds of which sales will go to the public school permanent fund.

The public school permanent fund has usually been invested to a considerable extent in state warrants. The amount of state warrants held by the fund has varied considerably at different times. Owing to the unusually healthy condition of the state treasury in the closing months of the present biennial period, the amount of current warrants held by the fund has steadily decreased, although part of the bonds held by the fund represent holdings of old warrants converted into state bonds.

The average monthly balance in the public school permanent fund in the past 22 months (for the period from November 30, 1914, to August 31, 1916) was \$609,412. Since March of the current year the monthly balance has been increasing until at August 31, 1916, it was \$1,255,932. These balances earn interest at a rate between 2½ and 3 per cent while in bank.

The interest earned is calculated in the treasurer's office roughly by comparing the average balance in the school permanent fund during a year with the average balance in all other funds (excepting compensation insurance fund) for the same period, and then dividing between the general revenue account and the school permanent fund the total interest received on deposits during the year, as shown in the "interest on deposits" account. The proportion in which the interest account was distributed in the past seven fiscal years averages 65 per cent to general revenue and 35 per cent to school permanent fund.

From the statements contained in a previous section of this report, showing the investments of the various permanent funds, it will be seen that the fund was earning as of September 20, 1916, as follows:

On Warrants, 4%.....	\$ 491,690.30
On State Bonds, 4%.....	1,508,666.84
On State Bonds, 3%.....	463,500.00
On Bank Balances, 2½ to 3%.....	1,183,632.04

Total of Permanent School Fund.....\$3,647,489.18

Up to the time the bonds of \$463,500 were received in exchange for warrants, in December, 1910, those warrants bore 6 per cent interest, having been issued prior to 1901, when the interest rate on warrants changed to 4 per cent. That original investment of \$463,500 is earning the school permanent fund and the income fund 6.889 per cent, as previously explained.

Thus slightly over 45 per cent of the permanent school fund is earning from 2½ to 3 per cent, and the balance, 4 per cent. The portion earning from 2½ to 3 per cent will increase and in a few years will be the larger proportion of the fund unless steps are taken to invest the fund in some other manner than the present laws provide.

Coincident with any legislation looking toward this end, consideration should be given to the probable effect on the credit of the state by the withdrawal of the whole or a large part of the fund from its free use by the state for the purchase of warrants.

With the large balance at present available in this fund, all warrants can be practically redeemed as soon as presented for payment at a cost of only 4% interest, warrants which otherwise would have to be retained by the holders for several months at a time before the state would have revenue to redeem them. What effect this curtailment of use of the fund would have on the credit of the state can only be conjectured. It is manifestly clear that a business man could not afford to hold any state warrants for many months at 4 per cent when it is profitable for him to borrow money at a rate as high as 6 per cent to take advantage of cash discounts on his purchases.

The usual practice of business men under such circumstances is to include in their prices a charge for interest equal to what they estimate they lose by waiting for their money. Thus the state would be paying indirectly more than 4 per cent for its inability to meet its obligations as they are presented.

Concerning the \$600,900 of state bonds held by the public school income fund, as representing deferred interest charges on warrants held by the permanent fund prior to 1910, the act authorizing these bonds provided that "all such bonds to an amount equaling the interest on said warrants now held in the school fund shall be sold by the state treasurer at not less than par and accrued interest; and the proceeds thereof paid into the school fund (income fund) and distributed to the several counties and school districts of the state for school purposes in the proportions and in the manner provided by law."

As these bonds bear only 3 per cent, it will be a difficult thing to sell them at par. It is a question whether the public school income fund may be legally invested in state bonds. It is very evident that a considerable part of the income properly belonging to the public school income fund has been withheld from that fund or tied up in deferred interest payments on state warrants, and now tied up in bonds, which still have some forty-five years to run and which cannot at present be sold at par.

The present method of handling the cost of books and forms supplied county superintendents of instruction by the state superintendent of instruction is contrary to law. These books and forms are purchased, it is said in the office of the state superintendent of instruction, from the public school income fund, because the contingent expenses of the office are inadequate otherwise to secure the said books and forms.

The law requires that the cost of such books and forms shall be deducted

by the state superintendent from the public school income fund at the time of making the apportionment thereof to districts, and credited to general revenue. The ultimate result is the same, practically, but the law does not authorize the use of the school income fund to purchase these books and forms.

8. Financial Reports.

Considerable of the detail printed in the biennial report of the state treasurer concerning the fund accounts carried by him could be omitted without lessening the value of the report and with some saving in the cost of printing. The fund accounts listed in detail, showing the sources of receipts in each and every transfer, etc., of funds therefrom, are repeated in a summary of the accounts without the details. The summary gives all the information necessary to publish.

Further, the listing of the names of purchasers of bonds is an unnecessary procedure without any particular advantage to anyone. The separate statement of "summary of transfers" of funds could be included in the summary showing the balance on hand at beginning of biennial period, total receipts and disbursements for the period, and balance at the close, for each account, by merely including extra columns in this summary to show the transfers separately and thus avoid repeating the names of every account and the amounts of transfers in a separate summary of four pages.

There is need also of using three pages to show the amount of interest received from each bank holding state funds. The statement of the bonded indebtedness of the state should show, besides the total of each series and the total of all series, the balances in sinking funds, with some information also concerning the life of the bonds, the provisions for redemption, etc.

With the adoption of recommendations made by the survey committee in a report on the office of state auditor, the biennial report of that office would contain the information on finances and accounts in a form which would make unnecessary any duplication of details in the treasury department, excepting details concerning cash received and paid out and the condition of the revenues, etc.

9. Miscellaneous Duties of the State Treasurer.

The duty of a joint committee of the governor, secretary of state, and treasurer to designate a state newspaper for legal notices, etc., should be made the duty of a central purchasing department for the state. Such a department is recommended by the survey committee in a separate report on purchasing.

The duty of approving contracts for furnishings, and for repairing and furnishing the general assembly rooms and halls should be conferred on the board of capitol managers, who actually have charge of the capitol building, instead of this duty being conferred on the governor and treasurer.

The furnishing of records to county judges in connection with inheritance taxes, as required by law of the treasury department, is not now performed by that department. The inheritance tax department handles all transactions concerning inheritance tax matters. The statute requiring the treasurer to procure weights and measures from the federal government dates from 1877. Whether this act was even complied with fully could not be determined at this time. The state oil inspector is said to be at present working on a measure to submit to the next session of the legislature providing for a standardization of weights and measures. The adoption of such standards should cause the repeal of the statute of 1877, in so far as it concerns the state treasurer.

VII—RECOMMENDATIONS

1. Suggested Changes in Books, Records and Accounts.

a. Changes Not Requiring Legislative Action.

1. Appropriation accounts should be kept by the state treasurer, as required by law.
2. The "public school emergency or call fund" should be set up in the manner required by law.
3. Separate accounts should be kept for collections of taxes to pay interest charges on insurrection bond funds.

4. The following accounts should be kept in the general ledger, not as memorandum accounts, but as accounts necessary to have the ledger show by itself all the financial transactions of the treasury department.

Accounts showing the bonded debt of the state.

Accounts showing the amount of state warrants and certificates registered and outstanding.

Account showing cash received in bond exchanges.

Accounts showing all investments held by the permanent funds.

b. Changes Requiring Legislative Action.

1. The acts of 1891 and 1911 concerning teachers normal institutes and summer normal schools respectively, should be amended to provide for eliminating the confusion and misunderstanding apparently now existing in the operation of the acts, in so far as they concern the state treasurer's office and the state superintendent of public instruction.

2. Suggested Changes in Methods of Receiving State Funds and Other Moneys.

a. Changes Not Requiring Legislative Action.

1. Receipt books should be printed in a form which will permit of the issue of carbon copies of receipts, thus saving the clerical labor of writing three receipts for each collection of cash.

b. Changes Requiring Legislative Action.

1. The fiscal year should be for the period from July first to June thirtieth.
2. Assessments on real and personal property should be made as of August first each year for the following fiscal year.
3. The state board of equalization should sit for the purpose of examining, adjusting and equalizing assessments on the first day of February in each year, and complete its work on or before the last day of the same month in the same year.
4. Taxes should be due and payable July first and January first of the fiscal year for which the taxes are levied.

These changes are discussed in detail in a separate report on a state budget. The advantages briefly stated here would be to bring the revenues of the state into the fiscal period for which they are necessary to meet the expenditures of that period, to save the state approximately \$35,000 a year in interest charges as a direct saving and indirectly perhaps as much again through increased business confidence in the financial ability of the state to meet all claims promptly and to take advantage of cash discounts on purchases. Further, the changes will make the state independent of the public school money and release the millions of dollars in that fund for a more profitable investment than 4 per cent warrants and 3 and 4 per cent bonds.

The separate report on a state budget provides for a reduction in the number of special tax levies. Such a change would, if adopted, reduce considerably the bookkeeping work in the state treasurer's office and in the office of county treasurers, etc., in connection with the accounting for tax collections.

3. Suggested Changes in Methods of Disbursing State Funds and Other Money.

With the placing of each fiscal period on a self-supporting basis, as outlined above in connection with suggested changes in the dates of the fiscal period, time of levying taxes, etc., all the detail clerical work incident to the purchasing of warrants, calculating interest charges, etc., would be unnecessary.

a. Changes Requiring Legislative Action.

The statute requiring the registering of warrants and certificates of indebtedness in the treasurer's office should be amended to permit the treasurer to save all this clerical labor and to receive instead from the auditor a copy of his register of warrants and certificates.

4. Suggested Changes Concerning General Ledger Transactions.

a. Changes Not Requiring Legislative Action.

1. All transfers between funds on the treasurer's books should be effected by means of transfer warrants or other document, signed by the treasurer or his deputy, as official record of the authorization for the bookkeeper to make such transfers.
2. All permanent funds should be credited with interest earned on deposits to the extent of the average daily or monthly balances in such funds.
3. The university permanent fund should be set up on the treasurer's books to show the correct amount to the credit of that fund and another account opened to show the bonds held as a credit to the university permanent fund income account.

5. Suggested Changes in Funding Methods.

a. Changes Requiring Legislative Action.

1. All bonds issued hereafter should be issued on the serial bond basis, that is, an equal installment of the principal of bonds should be paid off each year, thus reducing interest charges and liquidating the debt at the same time, and also saving thousands of dollars in interest cost over the present method.
2. Steps should be taken to refund that part of the outstanding state debt which may be refunded with the consent of the bondholders, for bonds on the serial basis. This applies only to the 1909 and 1914 series of bonds. The 1897 series is now in process of semi-annual liquidation, and the 1910 series is governed by constitutional restrictions. The 1909 and 1914 series, however, are governed by statutory provisions only.

A considerable portion of the present state bonds outstanding are owned by permanent land funds. Of the bonds of the 1909-series the public school permanent fund holds \$724,400 of the total of \$932,000 issued. This should facilitate the refunding of the state debt on the serial bond plan, particularly when it is considered that the serial bonds could be issued at a higher interest rate than the present series of bonds is paying and still be less expensive to the state than the present series.

To illustrate this statement, let us assume the bonds of 1909 for \$932,000 now outstanding at 3 per cent and due and payable July 1, 1929, are refunded for serial bonds at 3½ per cent due also July 1, 1929. Assuming that the first date of payment of the first portion of the principal is made July 1, 1919, and that \$85,000 is paid off on that date and for nine years thereafter, and that on the eleventh year \$82,000 is paid off, liquidating the debt of \$932,000, the result is indicated in the following table:

	Serial Plan at 3½% Principal and Interest	Present Method at 3% Annual Cred- its to Sink- ing Fund Interest Charges	from taxes
1 July 1, 1919.....	\$85,000 32,620		
2 July 1, 1920.....	\$85,000 29,645	\$117,620	\$27,960
3 July 1, 1921.....	\$85,000 26,670	114,645	27,960
4 July 1, 1922.....	\$85,000 23,695	111,670	27,960
5 July 1, 1923.....	\$85,000 20,720	108,695	27,960
6 July 1, 1924.....	\$85,000 17,745	105,720	27,960
7 July 1, 1925.....	\$85,000 14,770	102,745	27,960
8 July 1, 1926.....	\$85,000 11,795	99,770	27,960
9 July 1, 1927.....	\$85,000 8,820	96,795	27,960
10 July 1, 1928.....	\$85,000 5,845	93,820	27,960
11 July 1, 1929.....	\$82,000 2,870	90,845	27,960
		84,870	27,960
		\$1,127,195	\$307,560
Principal			\$932,000
Principal and interest charges at 3%.....		\$1,239,560	
Principal and interest at 3½% on serial bond plan.....		1,127,195	
Difference in favor of serial bonds.....		\$ 112,365	

Thus if the 1909 series of bonds were refunded for serial bonds, there would be a saving in interest of \$112,365, even though the serial bonds are issued at 3½ per cent. The serial bonds could still be issued at 4 per cent and show a saving of \$84,480 over the present method at 3 per cent. This saving is due naturally to the fact that instead of waiting until the last year of the life of the bonds to redeem them, they are paid off in equal installments each year of the eleven years remaining, beginning with July 1, 1919, with a resultant diminishing annual interest cost.

There is another advantage of refunding on the serial bond plan the present series of 1909 bonds besides the saving in interest cost, viz; instead of the taxpayers having to meet in 5 years the principal of a debt of nearly a million dollars on this one series of bonds, the debt will be spread over eleven years. The burden on the taxpayers will, therefore, be more uniformly distributed.

The point may be raised here that while there is a saving in interest cost by the serial bond method, yet the taxpayers could probably employ their money at a higher rate per cent than they are paying under the present method of liquidating the bonds. Referring again to Mr. Chandler's pamphlet, he replies to this point as follows:

"A sufficient answer to this appears in an editorial thereon in 'The Commercial and Financial Chronicle' (New York, December 23, 1895, p. 1759), which shows that if such an argument based on the value of money to the taxpayer were to be carried to its logical extreme, it would lead to wholly untenable grounds; for if the

argument is admissible at all, why could it not with equal plausibility be urged against ever paying off the bonds? Why not let them run indefinitely? The taxpayer would then be relieved from all concern as to the extinguishment of the loan. In comparing the two methods, extraneous considerations of such a nature must, as the editor makes clear, be entirely excluded from the calculation. The assumption that each taxpayer, out of possible thousands, would get say 6 per cent for his proportion of the difference between the two methods is an irrelevant hypothesis. Again, one taxpayer might misuse or lose his entire share; another contrive to get 10 or 20 per cent on his share. The obvious diversities of such an adventitious conjecture help to preclude its application to the main question."

6. Suggested Changes in Method of Handling Permanent and Investment Funds.

a. Changes Requiring Legislative Action.

1. Provision should be made for investing the permanent school fund in a manner which will return a greater rate per cent than the fund is now earning, and which shall reduce to a minimum the average amount of the fund which may remain uninvested in banks.
2. Provision should be made, also, in the event of any action of the legislature toward the greater utilization of the public school permanent fund at a higher rate per cent on the investment thereof, for protecting the state's credit to the extent of any limited ability to utilize that fund in the paying of state warrants. In this connection see a previous recommendation made in this report.

7. Suggested Changes in Financial Reports.

The contents of the treasurer's biennial reports should depend largely on the contents of the auditor's biennial reports, inasmuch as there should be no need for duplicating a lot of details in both reports. If the auditor's biennial reports show all the transactions of the state in a form which shall make possible a comprehensive grasp of the financial and operating facts for each period, the treasurer's reports should then be confined to summaries reflecting cash receipts and expenditures, by accounts in the general ledger, and such information and statistical data as would not be compiled or found in the auditor's reports.

The premise for the foregoing recommendation is that inasmuch as the state auditor is the general accountant for the state and presumed to record all the facts of the business of the state, and that the state treasurer, as such, is practically a custodian of cash and not an accounting officer, except as being accountable for his custodianship, there is no need of separate reports from the state treasurer. The state treasurer, however, is an executive officer of the state by provision of the constitution, and as such, required to publish certain reports of his activities.

8. Suggested Changes in Miscellaneous Duties.

a. Changes Requiring Legislative Action.

1. A central purchasing department for the state being recommended in a separate report, it is recommended that such a department, if created, would be a proper department to contract for the publication of legal notices, etc., in some state newspaper, thus relieving the governor, secretary of state and treasurer of this duty.
2. The section of law requiring the treasurer to furnish records to county judges should be repealed as inoperative now that the inheritance tax department is established.

b. Changes Requiring Constitutional Amendment.

1. All contracts for furnishings, and for repairing and furnishing the general assembly rooms and halls, should be approved by the board of capitol managers, provided that if the furnishings are purchased by the state and installed by state labor, then the furnishings should be purchased through the proposed central purchasing department on contracts approved by that department.

Report

on a Survey of the State Auditing Board



Report No. V



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

SENATOR DAVID ELLIOT, Colorado Springs.

REPRESENTATIVE SIEWERS FINCHER, Breckenridge

IRVING HOWBERT, Colorado Springs.

LAWRENCE C. PHIPPS, Denver.

VERNER Z. REED, Denver.

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E. F. Arthur.

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Henry J. Falk (Board of Capitol Managers).

C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Survey of the State Auditing Board

I. DESCRIPTIVE PROCEDURE

1. Statutory Provisions and Organization.

The State Auditing Board was created and its powers and duties were defined by an act approved and in force March 17, 1911, although the board existed prior to that time by virtue of being included in the general appropriation act of 1903, in which act a State Auditing Board was created and certain duties prescribed.

The board consists of the following executive officers of the state:

Governor,
Auditor of State,
Secretary of State,
State Treasurer,
Attorney General.

The Governor is chairman of the board. The secretary of the State Board of Equalization acts as the secretary of the State Auditing Board without additional compensation for his services. In addition to the secretary, there is one clerk assisting the latter in the work of the board.

The board is required to sit at least once each month for the transaction of business, and to keep a permanent record in detail of all its acts and of each and every expenditure authorized by it to be made, and of each and every warrant audited by it. It has the control and direction of all appropriations made by the general assembly for contingent and incidental expense of the several executive and judicial departments and state boards and bureaus now in existence or hereafter created.

Transfers from the "contingent and incidental fund" of any department, board or bureau having a surplus therein may be made by the board to any department, board or bureau having a deficit in its contingent and incidental fund. Estimates of and requisitions for supplies, printing, postage, stationery, and miscellaneous charges are required to be submitted to the board before any expense shall be contracted or paid.

The secretary of the board is required to keep an itemized account of the cost of all printing, supplies, and other incidental expenses incurred by each department, board and bureau. The board shall not audit or allow any claim for printing unless the printing has been allowed by the commissioner of public printing, although state institutions are exempted from the provisions of the public printing act of 1903. Claims presented to the board must be vouchered, itemized, and sworn to if desired by the board.

Section 24 of the civil service act of 1915 provides that the expenditures other than salaries of the civil service commission shall be paid upon proper audit and certification by the State Auditing Board.

Section 3 of division I of the insurance laws requires the commissioner of insurance, before incurring any expense for his office, first to obtain a requisition from the auditing board. The commissioner may also employ additional help for his office on approval of the Governor, at a compensation to be approved by the State Auditing Board.

In addition to the duties outlined above there have been other similar duties placed from time to time upon the State Auditing Board, most of these being contained in special appropriation acts for institutions, such as requiring certain state institutions to get the approval of the State Auditing Board before contracting any indebtedness under their appropriations. The State Auditing Board is empowered also to authorize the transfer of any unexpended balance in any appropriation after all bills and accounts have been paid, to the fund from which such appropriation was originally drawn, (3133, M. A. S., L. 1911), with the exception of appropriations from the internal improvement fund. (3134, M. A. S., L. 1911.)

By section 2 of an act of 1911 laying down rules of construction for certain appropriation bills, it is the duty of the State Auditing Board at the close of each

biennial period to determine the extent to which the appropriations covered by the act have been used or contracted against, and to transfer any remaining balance to the credit of the general revenue for the biennial period from which the appropriations were made. The appropriations referred to in the act are special appropriation bills from the general funds of the state for internal improvements, purchases of equipment for officers or institutions, erection of buildings at any state institution, relief of persons, etc., and which bills do not expressly designate the period of expiration.

Under the provisions of an act of 1913, the State Auditing Board may transfer any employe of any board, commission or bureau of the state to any office, department, board, commission or bureau of the state for such time as in the opinion of the board may be necessary. No such transfer, however, shall change the salary or term of service of any employe transferred.

2. Books, Records and Accounts.

The principal books, records and accounts maintained by the State Auditing Board are as follows:

Ledger,
Distribution Register,
Register of Minutes of Board.

a. Ledger.

This ledger contains accounts with traveling expenses and emergency items of appropriations for certain departments or institutions. The accounts in this ledger are known as "expense fund" accounts to distinguish them from the "contingent and incidental fund" accounts kept in the distribution register described below. The latter are under the control and direction of the State Auditing Board. The former are treated as not under this control and direction. This ledger contains also a distribution of certain expenditures, such as the amount of mileage books purchased from different railroads and the cost of printing certain biennial reports.

The amount available in each "expense fund" account shown in this ledger is inserted in the top margin of the ledger page, and the expenditures as they occur are entered in the debit and credit columns of the respective accounts. The credit side of an account is merely a continuation or carry forward of the debit side. For those institutions or departments which send only a portion of their vouchers to the State Auditing Board for audit, no ledger accounts are kept of such vouchers.

The purpose of this ledger, as explained by the secretary of the board, is to provide against overdrawing any of the "expense fund" accounts shown therein. No encumbrances, however, such as the requisitions approved by the board, are set up in the ledger.

b. Distribution Register.

This register shows an account for each department, board, etc., included in the "contingent and incidental fund" appropriation made by the general assembly for state departments, boards and commission, and under the control and direction of the State Auditing Board.

The information recorded in this register, by columnar arrangement for each department, board, etc., is as follows:

Date,
Name of Payee (or particulars of claim),
Warrant Number,
Printing,
Stationery and Supplies,
Postage,
Telephone, Telegraph and Express,
Miscellaneous,
Total,
Balance.

Each warrant drawn against the contingent and incidental fund is posted in this register and distributed by objects of expenditure as noted above. The amount available for each department, board or commission included in the fund is shown in the top margin of the page allotted to each.

This register is maintained, it is said, to provide against overdrawing any appropriation item shown therein and to fulfill the requirement of law concerning a "permanent record in detail" of expenditures authorized and warrants audited. No requisition encumbrances are shown in the register.

c. Register of Minutes of State Auditing Board.

This register contains statements showing the claims audited or approved by the State Auditing Board for different departments, institutions, etc., and also the requisitions approved for incurring additional expenditures or liabilities.

3. Methods and Procedure of Auditing Claims.

a. Requisitions:

There are two classes of requisitions which come to the State Auditing Board for approval before any expense thereunder is contracted, as follows:

Requisitions for supplies or expenses as the need arises;

Requisitions which cover a month's estimated expenditures, or "blanket" requisitions.

The requisitions included in the first class may or may not have prices, estimated or actual, alongside the items included therein. Those included in the second group, or blanket requisitions, usually show an estimated cost for a month.

When requisitions are received in the office of the auditing board, the secretary looks them over and, if they are payable from the "contingent and incidental fund" or "expense fund" accounts, he may verify from his register the unexpended balances available for such expenditures. If the requisitions are payable from a cash fund account, like the game and fish cash account, no verification of available balance will be made by the secretary of the board. If the requisitions are blanket requisitions from institutions, the secretary may, if he thinks a fund is getting low, visit the auditor of state's office and inquire of the bookkeeper the unexpended balance in that fund.

Requisitions are usually held awaiting the next meeting of the board, unless a requisition is an emergency one, when it may be taken around to the different members of the board for approval. The board meets three or four times each month.

At the regular meetings all requisitions awaiting signature are placed before the board for the approval and signature on each requisition of three or more members. The secretary of the board thereafter indicates on each requisition with a rubber stamp the approval of the board and the date of such approval, at the same time signing each requisition as secretary of the board. All requisitions approved by the board are tabulated in the minutes of the meeting in which approved. The name of the department, board, etc., and a description of the articles included in a requisition are usually listed in the minutes.

After approval, requisitions payable from the "contingent and incidental fund" are forwarded to the office of the secretary of state if the requisitions are for supplies; if they are for telephone, telegraph, traveling expenses, etc., they are returned to the department, board, etc., in which they originated.

Requisitions for monthly expenditures are handled in two different ways after approval by the board, viz.: If a monthly requisition is issued by a department, board, etc., in the Capitol building it is retained by the auditing board in its files, and when vouchers for expenditures included therein are received, they are checked against the corresponding items on the requisition, or the amount of a voucher may be entered alongside an estimate therefor on the requisition. If, however, a blanket requisition is issued by an institution, it is returned thereto after approval and no copy is retained by the board.

The original and a duplicate copy of requisitions payable from the "contingent and incidental fund" are presented to the board for approval. Only the original is signed by the board and stamped approved by the secretary. The duplicate with

the original is returned to the department in which it originated, or it may be forwarded to the secretary of state as previously explained. Requisitions against funds other than the "contingent and incidental fund" are usually received in duplicate also, but only the original usually of blanket requisitions is received for approval.

An exception to the rule of returning requisitions to departments from which they were issued is noted in the case of those requisitions for railway mileage books. The secretary of the board retains these always until bills are received from the railway companies and vouchers therefore have been prepared by the respective departments. Then the secretary attaches the requisition to the bills and vouchers for the audit of the board. The reason for this procedure and care in handling requisitions for mileage is because the secretary issues an order for mileage based on the approved requisitions and fears to let the requisition out of his hands thereafter until the bill and voucher for mileage are received for audit.

While most requisitions show the objects for which authorization to spend is requested, there are some which show little or no details. There are approximately eighty-six departments, boards, commissions, institutions and offices which send requisitions or vouchers, or requisitions and vouchers, to the auditing board for audit and approval. With the exception of the record made in the minutes, no other record of approved requisitions is made in the office of the State Auditing Board.

b. Vouchers.

All expenditure vouchers submitted to the State Auditing Board are prepared in the office in which claims originate, with the exception of vouchers for supplies purchased for departments, boards, etc., from the "contingent and incidental fund." These vouchers are prepared and approved in the office of the secretary of state. The auditing board receives for audit the great majority of all vouchers representing claims against the state. The law requires the auditing board to audit certain classes of vouchers, such as the expense vouchers of the civil service commission, the vouchers payable from the "contingent and incidental fund," the vouchers for certain salaries and expenses of the industrial commission, etc., but there are vouchers of other departments and institutions received and audited by the board for which there is no law requiring the approval of the board before payment, such as, for example, the vouchers for the military department, the insane asylum, the penitentiary, etc.

A list might be shown here tabulating in detail the eighty-six departments, boards, institutions, etc., whose vouchers are audited by the auditing board and showing those classes of vouchers which are required to be audited by the board and which do not require the board's approval, but for the sake of brevity it may be stated that, by amicable arrangement with the state auditor, the auditing board passes on practically all ordinary expenditure vouchers for claims other than salaries, although vouchers of the board of capitol managers and of the workshop for the blind are never sent to the auditing board. The only salary vouchers which are audited by the State Auditing Board are as follows:

Industrial Commission (not including the salary vouchers of the commissioners).

Game and Fish Commission (game wardens and hatchery men and certain clerks only).

Land Board (certain clerks only).

State Entomologist.

Bee Inspector.

Pest Inspector.

State Geologist and assistants.

Public Utilities Commission (not including salary vouchers of commissioners and the secretary of the commission).

Included in the expenditure vouchers of certain institutions sent to the board for approval, but not included in the above list, there are salary vouchers approved by the auditing board, which vouchers ordinarily would not come to the State

Auditing Board for action if they were not included as sub-vouchers among other expenditures.

Both the secretary and his clerk check additions and extensions and examine each claim presented. Close attention is paid to vouchers payable from the "contingent and incidental fund" as to the amounts available in the several divisions of that appropriation. All vouchers passed by the board bear the approving signature of the heads of departments or institutions, as required by law, before they are approved by the board, with the exception of claims payable from the "contingent and incidental fund." The auditing board approves the invoices or claims (with approved requisitions attached), payable from the latter fund, before the vouchers are made out by the secretary of state's office.

When the invoice or claims against the "contingent and incidental fund" are approved by the board, they are forwarded to the bookkeeper in the secretary of state's office, who prepares the vouchers for each claimant included therein. He does this by assembling all the invoices, etc., for each claimant, thus making one voucher for each, although there may be several different departments, boards, etc., included in one voucher. The vouchers with the invoices, requisitions, etc., attached are then returned to the secretary of the auditing board.

Three members of the auditing board usually sign all vouchers approved for transmission to the auditor of state. The face of each voucher is signed by the approving members of the board (excepting the vouchers against the "contingent and incidental fund," as explained above). The secretary stamps the face of each voucher with an O. K. stamp with his signature as an evidence that he has gone over the claim before it is submitted to the board.

The face of each voucher is stamped again by the secretary, after approval by the board, with a rubber stamp showing the board's action and the date of approval, which is certified by the secretary.

Claims against the "contingent and incidental fund" are passed by the board usually on the 15th of each month; those claims payable from other appropriation or fund accounts are passed by the board at each regular meeting, or three or four times a month.

A record is made in the minutes of each meeting of all claims passed by the board. The claims are shown by departments and institutions, with the vouchers listed thereunder and the amount of each set opposite as in the form of a schedule.

Postings to ledger accounts of vouchers passed by the auditing board are limited to those accounts previously outlined in describing the ledger and the distribution register kept by the secretary of the board. For distributing the expenditures payable from the "contingent and incidental fund," the secretary prepares a statement showing the claimants whose vouchers have been approved, listing under each the departments, boards, etc., included in any one voucher, and the amount chargeable to the respective appropriation items in the "contingent and incidental fund."

At any convenient time thereafter, the secretary visits the state auditor's office and ascertains the numbers of the warrants issued in settlement of the "contingent and incidental fund" vouchers and the date of issue. These numbers and the date are entered by the secretary on his statement of claimants and from this statement he posts to his distribution register in the detail called for therein.

All vouchers approved by the auditing board are forwarded to the office of the state auditor for any further auditing by that office and for the drawing of warrants.

4. Duties of the State Auditing Board Other Than Auditing.

It is not easy to trace in the minutes or other records of the State Auditing Board whether any action has been taken in the past concerning the transferring of employes from one department to another to relieve temporary pressure of state business. The secretary states there is nothing in the minutes in the present biennial period relating to this matter.

To meet the pressing demands of the state industrial commission for necessary clerical assistance which was not provided for adequately by appropriations, there were a number of employes hired especially or loaned to the commission by other departments during the biennial period. These employes were paid from the various appropriation or fund accounts. Two were paid from the "contingent and incidental fund," one was paid from the insurance fund, another was paid from the funds of the bureau of labor statistics, while still another was paid from the motor vehicle license fund by the secretary of state. In addition to those mentioned, there was another clerk who was paid for a few months from funds of the state engineer.

There is no official record in the State Auditing Board's office relating to the above transactions, in so far as any transfers of employes is concerned. The salaries paid from the "contingent and incidental fund" for the clerks mentioned above are, of course, on record in that office.

The provision of law relating to the duty of the State Auditing Board to determine the status of certain special appropriation bills and to transfer balances, etc., is not observed by the board on the construction that the duty is not mandatory and further because the auditor of state, as such, attends to all such questions.

II. COMMENTS ON A SURVEY OF THE STATE AUDITING BOARD

In the act of 1903 creating the State Auditing Board, the duties prescribed related principally to the disbursement of the contingent fund and the regulation of the hours of employment and services of different employes. The act of 1911 creating the State Auditing Board and prescribing its duties also confined the board to control and direction of all appropriations made by the general assembly for contingent and incidental expenses of the several executive departments, etc. Control or direction of other appropriations or funds is not mentioned in either of the acts referred to.

The duties of the auditing board concerning auditing control over appropriations other than contingent and incidental, and concerning the fixing of salaries and employment of additional help in certain offices, have been gradually vested in the board in acts creating certain commissions and officers or in special appropriation bills passed subsequent to the passage of the act of 1911 creating the State Auditing Board.

Thus by virtue of the gradual extension of the powers conferred by law on the State Auditing Board, the board has come to the point of approving requisitions and examining claims against the state payable not only from appropriations and funds under the auditing control of the board, but payable from appropriations or funds over which the board has apparently no legal jurisdiction.

The right of the auditing board to audit the latter class of claims, or to pass judgment on the objects for which claims have arisen, is frequently contested by the departments or institutions in which these claims originate. From time to time the board requests an official opinion of the attorney general on these controversial points, which opinion usually is unfavorable to the auditing board.

The disapproval at times by the board of different claims coming before it represents an impartial consideration of the merits of each case disallowed and the wisdom of incurring such expenditures. The value of an impartial consideration of expenditures by disinterested officials cannot be overestimated. This function of the board evidently has been in mind each time the scope of the powers of the board is increased by the legislature.

There is a fundamental weakness, however, in the system which is not the fault of the auditing board. The fault lies rather with the legislature in making appropriations in lump sums and in authorizing the expenditure of cash receipts or earnings of departments and institutions usually for any purpose the person or persons in control may determine necessary.

Concerning fees and cash earnings of institutions, a former state auditor in a biennial report (1913-1914) stated that "the amount to be received in fees is so uncertain that these institutions ask for specific appropriations for amounts sufficient to run the institution and the amount of fees received is to the good. This tends to extravagance and useless expenditure of money."

However true these views of the state auditor may have been, the best practice would be to make the necessary appropriation to institutions and to cover into the general revenues as miscellaneous receipts all cash fees or earnings of institutions. A progressive state in the west recently came to this conclusion also in connection with other reforms of government business methods. A continuation of the present practice concerning these receipts is a shirking of responsibility by the legislature and nullifies the work of the State Auditing Board in auditing such receipts. Also lump sum appropriations increase the difficulties of the auditing board in passing on expenditure vouchers presented to it for approval. The wording of acts creating institutions is usually such that, in the absence of restrictive provisions in special appropriations, the managing boards of institutions have almost exclusive control of their appropriations.

Occasionally an expenditure voucher from an institution or department comes before the board which is not contested when disallowed. The matter is just

dropped after discussion or representations thereon have been made by the board. In such cases the voucher is usually for something an expenditure for which could not readily be defended, notwithstanding that it may be payable from a fund over which the State Auditing Board has no legal control. If, however, there is a clash of opinion between the board and the managers of a state institution over the propriety or need of a certain expenditure from an appropriation or fund claimed to be outside the jurisdiction of the auditing board, and the managers of the institution are firm in their stand, the auditing board is usually compelled to retreat from its position and to place its approval on the contested expenditure. It should be remembered here that many expenditure vouchers are sent to the State Auditing Board not by the departments or institutions, but by the auditor of state's office.

Contingent and Incidental Fund.

The act of 1911 creating the State Auditing Board gives the board control and direction over the "contingent and incidental fund." In the long general appropriation act for each biennium there is a section providing for contingent and incidental expenses of a number of departments mentioned therein and the amounts appropriated to each. The total amount so appropriated is treated by the auditing board and all departments concerned as the "contingent and incidental fund" mentioned in the act creating the board in so far as absolute control thereof by the board is concerned and the transferring of items therein from one department to another by the board.

There are, however, appropriations made direct to departments each biennium which include items of expenses of the same nature as those included in the "contingent and incidental fund." Further, there is a section in the general appropriation act each biennium which states that all appropriations made therein, except appropriations for salaries and services, annual and biennial reports and funds of the governor, "shall be deemed and held to be appropriations for the contingent and incidental expenses of such departments, boards and bureaus and as such shall become subject to all the terms and provisions * * *" of the act of 1911 creating the State Auditing Board.

Notwithstanding this clause in the general appropriation act, the auditing board confines its absolute control over contingent and expense items of appropriations to such items as are included in the fund known as the "contingent and incidental fund" referred to above. Requisitions and vouchers issued against appropriation items for expenses not included in the "contingent and incidental fund" may be subject to approval by the auditing board, but the board never attempts to transfer or otherwise control the disposition of such appropriation items, although the law would appear to apply to these appropriation items also. Aside, however, from the legal point involved in this question there is a larger problem as to the wisdom or need of creating a state board to control incidental expenses and practically excluding auditing control of the larger items of state expenditure. If the latter may safely be left to department and institutional heads it is difficult to see why an exception is made in the case of contingent and incidental items of postage, telephone, telegraph, office supplies, etc.

Requisition and Vouchers—Approval of.

The signing by the auditing board of the great bulk of requisitions coming before it is more or less of a gratuitous imposition of labor on the members of the board without any material advantage to the state. Probably ninety-five per cent of the requisitions signed are for the necessary and current operations of departments and could not be disallowed without crippling the departments and institutions.

Many of the requisitions signed by the board are signed without knowing at the time the exact conditions of the funds available to meet those requisitions. The game and fish commissioner's blanket requisition each month covers the estimated expenditures for a month payable from the game and fish cash fund, but the amount available in the fund is not investigated by the State Auditing Board. The Agricultural College submits a requisition for a month's estimated needs combined in two words "salaries" and "expenses" with a total amount for each. Not even the funds from which the salaries and expenses are payable are indicated in the requisitions.

Further, the requisitions previously signed and on which liabilities to the amounts authorized therein may have been contracted and which may be outstand-

ing at the time of signing subsequent requisitions are not recorded against any appropriation accounts or recorded in any way to permit of determining the liabilities incurred under those requisitions. As stated previously in the section describing the procedure, not even a copy of most of these requisitions is retained by the State Auditing Board, with the exception of the reference made thereto in the minutes of the board.

The approval of expenditure vouchers by the auditing board is another activity which imposes considerable labor on the members of the board who signed each voucher passed for payment. The board as a whole performs a function which is performed in most states by a responsible chief of an auditing division in the auditor's office. In such cases the auditor or a board of finances usually signs a schedule of the vouchers previously audited by a clerk or clerks in accordance with established rules and interpretation of law, and reference to files of contracts or other documents or records to verify each claim.

The State Auditing Board does not have copies of contracts, price agreements, etc., for verifying claims against the state presented to it for audit. The law does not provide that such documents shall be filed with the State Auditing Board, although the approval by the board of a voucher is looked upon in the state auditor's office as equal to the final audit of a claim, particularly as the state auditor's signature is usually found on claims passed by the board.

The records maintained by the State Auditing Board are incomplete and inadequate for effective auditing and the performance of other duties of the board for the reasons previously stated. In justice to the board it should be said that to maintain the records and accounts which as an independent auditing body it should maintain would be merely to duplicate records and accounts which are or should be maintained by the Auditor of State. For example, special appropriation bills for several state institutions require that "no indebtedness of any kind or nature shall be made or contracted under or in connection with this appropriation, either directly or indirectly, until the State Auditing Board shall have certified that the money is available under this appropriation, or unless the money is actually paid under it; provided, however, that in case any part of the money herein appropriated is available and the auditing board shall certify that amount, then indebtedness may be incurred to an amount equal to that certified."

This provision of law would appear to require the auditing board to ascertain certain facts for itself if called upon to authorize any indebtedness by an institution with such restrictive clause in its appropriations. The clause quoted evidently was inserted by the legislature as an independent check in addition to that already provided in the law which defines the several classes of appropriations and the order of payment of each class.

The latter check concerns the state auditor solely; the former may concern both the State Auditing Board and the state auditor. It is difficult to see how the State Auditing Board alone could fulfill its duty concerning this certification of sufficiency of funds if called upon to do so. In practice the auditor handles this question independently of the board.

The institutions whose appropriations, payable from the general revenues, contain the restrictive clause previously quoted, are the following:

Soldiers' and Sailors' Home.

State Home and Training School for Mental Defectives.

State Insane Asylum.

State Penitentiary.

State Reformatory.

The soldiers' and sailors' home, and the state home and training school for mental defectives, send requisitions for monthly estimated expenditure to the auditing board for approval. The three other institutions listed above do not usually send any requisitions to the board. None was received for 1916 to date, although the appropriations restricted have been freely drawn upon by those institutions.

An explanation for the omission of approved requisitions or of certificates of authorization for the three institutions mentioned to incur liabilities, is that for this fiscal period the condition of the general revenues has been such that all appropriations payable therefrom have been honored as the vouchers were received. The institutions have been advised of this fact. Thus there is no present necessity of

referring requisitions to the auditing board for its approval before incurring liabilities under those appropriations which are mentioned in the special appropriation bills as requiring auditing board action "unless the money is actually paid under it."

The Auditor of State and the State Treasurer, as members of the auditing board, keep the board informed of the condition of the revenues, although more or less in an informal way. This is true also concerning the available balance in any appropriation about which the secretary of the auditing board may consult the auditor's office before placing a requisition before the board for its approval. In such cases the secretary visits the auditor's office and ascertains from the book-keeper the balance available in the account in which he may be interested. No formal certificate from the auditor of state is requested by the secretary and none is given.

There is one serious difficulty to this informal method of transacting state business; neither the auditor's office nor the State Auditing Board as stated before, knows at any given time what claims are outstanding or liabilities incurred which are payable from appropriations. Under this system there must be a very close working agreement between all the parties concerned to prevent any embarrassments. With a full treasury one need not bother overmuch to see that each transaction is definitely determined. All expenditure vouchers must finally go through the auditor's office before they are paid, and no institution may exceed the appropriations granted to it.

This report is concerned, however, not with the condition of the revenues in the treasury. It is concerned instead with methods and procedure and with the question as to whether the methods and procedure are those which good business practice would commend and which are not duplicated elsewhere in the state government without good reason.

From the results of the present study of the methods and procedure of the State Auditing Board, and of the actual operation of the provisions of laws under which the board is working, the conclusion is reached that there is no vital need or the State Auditing Board and that its function and activities could be dispensed with without jeopardizing the interests of the state.

This conclusion should not be taken as intending to reflect on any member of the auditing board, past or present, or to minimize the value of their efforts to control state expenditures. The evidence points rather to the conscientious exercise of many irksome duties, both of those imposed by law on the board and of those which the board has voluntarily assumed or had thrust upon it.

The conclusion arrived at is founded largely on the weaknesses previously described and the fact that the functions of the auditing board are largely a duplication of those vested by law in the office of the auditor of state, that in reality the auditor performs these functions in his capacity as Auditor of State, that the auditing board has no jurisdiction over many of the appropriations audited by it, and that it is placing in disrepute the principles of auditing control where the auditing body is frequently compelled to reverse itself if a determined protest is made against its decisions.

Further, the duties of the auditing board relating to the transferring of unexpended balances of appropriations, and of ascertaining the condition of special appropriations, etc., are not performed by the board except in the case of the "contingent and incidental fund." Also, it cost the state \$269.97 to print the last biennial report of the board. The larger part of the report related to details which were of no value for publicity purposes. All that was necessary to print could have been included in the State Auditor's biennial report with hardly any extra cost to the auditor's office. As a matter of fact, the secretary of state's biennial report contained the same information concerning the "contingent and incidental fund," without the unnecessary details, that was printed by the State Auditing Board.

There is, in addition to the foregoing criticisms of the State Auditing Board, another factor worthy of consideration in determining the need of the continued existence of the board, and not the least because it is referred to last—that is, a board of five members of executive departments divides the responsibility for auditing control and offers possibilities for the fostering of a form of "invisible government" which especially thrives under a loose financial system, lump sum appropriations, unrestricted use of large cash funds, an inadequate accounting system and a divided responsibility.

•III. RECOMMENDATIONS

In accordance with the findings contained in the preceding sections of this report, it is recommended that the present State Auditing Board be abolished. The auditing function of the state should be centered in one department only. That

department, under the auditor of state, already exists by virtue of the constitution and statutes. (This recommendation does not include the University of Colorado, which audits its own financial transactions by constitutional exception.)

The "contingent and incidental fund," now under the control and direction of the auditing board, should be apportioned in the general appropriation act to the respective departments, boards, etc., under the control and direction of the heads of those departments, boards, etc., subject to such auditing control as is now or may hereafter be vested in the auditor of state. This recommendation is in harmony with recommendations contained in a separate report on the preparation of a state budget, the manner of submitting estimates, of making appropriations, etc., which if adopted, would make unnecessary the control over this fund now exercised by the State Auditing Board.

The fixing of salary rates of additional clerical assistance in certain departments, a duty now performed by the State Auditing Board, should be done in accordance with the civil service commission's rules or classified lists of state employes. Once the Governor has approved the employment of additional help, as provided by law, the rates of compensation then should be dependent on the rates paid for the same class of work as defined in civil service rules.

The right to transfer temporarily employes from one department to another to meet the pressing needs of state business should be vested in the Governor as the chief executive of the state.

The duty of the auditing board to determine the extent to which special appropriations have been used or contracted against and to transfer any balances therein to general revenues, also to transfer unexpended balances in any appropriation after all bills and accounts have been paid, to the funds from which such appropriations were originally drawn, should be vested in the auditor of state, who, in practice, performs this duty without official action of the State Auditing Board.

Appropriations should be made by the legislature in accordance with a plan of budget estimates as suggested in a separate report on a state budget, etc., and all fees or earnings of departments or institutions should be covered into the general revenues of the state where all such receipts or earnings are not especially set aside by law as permanent funds, such as schools funds, etc.

Advantages of the Proposed Changes.

a. The members of the State Auditing Board will be relieved of the duty of signing thousands of requisitions and vouchers, the great majority of which are for the necessary and current operation of business, thus giving each member more time for the specific problems of his own department.

b. Claims against the state will thus pass through a less number of hands, thus facilitating the more prompt dispatch of business and settlement of accounts.

c. There will be less cause for friction or argument between heads of departments or institutions and the State Auditing Board, because the plan of budget control recommended in another report will determine the functions and duties of all persons concerned.

d. Departments and institutions will be relieved of unnecessary clerical work in the preparation of "blanket" requisitions for necessary expenditures, and the running back and forth between the office of the State Auditing Board of clerks getting the approval of the board to requisitions. (Requisitions for supplies and printing are excluded from the above as one of the advantages of the proposed changes, for the reason that departments, boards, etc., may still have to make such requisitions if a central purchasing department is adopted, as suggested in a separate report relating thereto.

In addition to the foregoing advantages there is another advantage not specifically relating to changes in the State Auditing Board, but which, dependent on those changes, affects the transactions of another state department, viz., the office of secretary of state. The secretary of state maintains the same detailed accounts relating to the "contingent and incidental fund" now maintained by the State Auditing Board. There is a duplication of the records concerning this fund in both offices. The adoption of the changes suggested in connection with the State Audit-

ing Board will automatically eliminate this duplication of records and of the work of keeping them.

The duplication of records in the secretary of state's office is caused by the fact that the secretary of state is a central department for purchasing supplies for certain departments, boards, etc., in the capitol building, the cost of which is chargeable to the "contingent and incidental fund" accounts. The proposal to relieve the secretary of state of the function of purchasing supplies for other departments is outlined in a separate report on the office of the secretary of state.

Such rules or regulations now in force for the audit by the auditing board of traveling and other incidental expenses may, with the adoption of the suggested changes in the State Auditing Board, be continued in force by the Auditor of State.

Report

on a Study of State Finances
and Budget Procedure



Report No. VI



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

SENATOR DAVID ELLIOT, Colorado Springs.

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Clem W. Collins (Institutional Purchasing and Accounting).

Henry J. Falk (Board of Capitol Managers).

C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Study of State Finances and Budget Procedure

I. GENERAL PRINCIPLES

One of the fundamental weaknesses of our system of government, federal, state, and municipal, is the difficulty of maintaining under it a constant and continuous policy and program of action. As concerns Colorado, practically every two years we have a change in the executive heads of departments, and frequent changes extend to some of the state institutions, and even where no change may be made in the administrative boards of institutions, their policy and work may be more or less modified by the changes in the executive and legislative branches of the government. Men take office without any knowledge as to the policy and aims of their predecessors. Under any circumstances individual characteristics must, in the nature of things, evidence themselves with every change in authority.

The people look to the legislature and the chief executive to promote the welfare of the state and to see that every branch of the public service is carried on efficiently and effectively. Everybody of business sense knows that to manage well and develop any business undertaking requires a definite and clear understanding of every phase and feature of the business together with a practical and permanent plan of development. The best results are accomplished where the management producing those results is itself continuous. Yet what undertaking or interest in a state is greater than the management and welfare of the state and the prosperity and happiness of its citizens?

The present laws relating to the finances of the state, the system of levying and collecting taxes, of utilizing miscellaneous revenues, of making appropriations, and of accounting for and reporting expenditures, are of such a patch-work and crazy-quilt plan that they are an obstacle in their present form to any business plan of administration and to centralization of responsibility for any definite financial policy, as the following pages will show in some detail. It may be remarked here that the separate reports of the survey committee pertaining to studies made of the offices of the state auditor, treasurer and state auditing board, should be read in connection with this report, as they deal specifically with the central accounting and auditing procedure of the state.

The object of this report is to show the need for change in the present administration of state finances and of the methods of appropriating and providing revenues. It is universally recognized that the basis or foundation of any effective and efficient administration of state finances is a state budget.

It seems hardly necessary, in the light of all that has been said and written on the subject, to explain here what a budget is, yet in order that there may be no misunderstanding as to what is understood by the term "budget" as used in this report, the following quotation is submitted:

"..... the term 'budget' is used to mean a plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive or a representative body (or other duly constituted agent) whose approval and authorization are necessary before the plan may be executed."¹

In accordance with this idea of a budget, the budget should contain information along the following lines:

1. A summary statement setting forth the proposed plan for financing the requirements for the next biennial fiscal period, together with a balance of the needs and resources of the state.
2. A statement showing past and present financial conditions and results which will serve as an instrument of accountability to the legislature.

(1) Dr. Frederick A. Cleveland, *The Annals of the American Academy of Political and Social Science*, November, 1915.

3. Statements showing actual revenues and expenditures for that part of the current biennium which has elapsed and estimates of the same for the remaining part of the period. Also statements showing the actual financial condition of the state government up to the time of making up the budget with estimates to the close of the biennium. These statements should contain such information as is necessary for an intelligent consideration and determination of the executive proposals by the legislature in relation to the money-raising as well as to the money-spending policies. This information should be so drawn as to support the different items in the appropriation bill, if such a bill accompanies the budget, or to be available to the proper authorities to draw such a bill.
4. A statement outlining the "work program", i. e., what it is that the administration proposes to do with the requested appropriations, for salaries, supplies, equipment, capital outlays, etc. This "work program" should be in two parts, one showing the proposed current expenses and the other the proposed capital outlays.

It may be argued that the preparation of a budget along the lines here indicated would constitute the assumption of legislative powers by the executive, but such is not the case. The purpose of the legislature is to control the purse strings. The purpose of the executive is to carry on the government within the limits set by the legislature. By submitting a budget to the legislature the executive asks the assent of the legislature to carry on the government according to the plan which he has therein outlined. There is nothing, therefore, in this procedure which can be construed as executive encroachment upon legislative functions.

II. PRESENT PROCEDURE IN FORMULATING A FINANCIAL PROGRAM

Although there is no specific reference to a budget in the sense in which the term is here used, the provisions of both the constitution and the statutes seem to indicate a sufficient power on the part of the governor to present a budget to the legislature and to demand such information as will be required in its preparation. A somewhat similar power is also given to the state auditor, but in the latter case it is founded upon statute and not specifically upon the constitution other than in a general way, i. e., that the duties of that official shall be established by law.

Provisions Concerning the Governor and a State Budget.

"The governor shall, at the commencement of each session, present estimates of the amount of money required to be raised by taxation for all purposes of the state." (C. IV, 8).

"The governor shall, at the commencement of each session, and from time to time, by message, give to the general assembly information of the condition of the state, and shall recommend such measures as he shall deem expedient." (C. IV, 8).

He may also require information in writing from all officers of the executive department on matters relating to their offices and from officers and managers of state institutions on matters relating to the conduct, management and expenses of their institutions. (C. IV, 8). This section has been extended by statute providing that every appointed official and employe of any department, board, bureau, commission or office under the state, shall upon request of the governor, make a report of all transactions, duties performed and moneys collected and disbursed, or any other matter or thing concerning the duties and conduct of such department, bureau, etc. (M. A. S. '12, 2708h).

"An account shall be kept by the officers of the executive department and of all public institutions of the state, of all moneys received by them severally from all sources and for every service performed, and of all moneys disbursed by them severally, and a semi-annual report thereof shall be made to the governor, under oath." (C. IV, 16).

The officers of the executive department, and all public institutions are required, at least 20 days preceding the regular sessions of the legislature, to make a complete report of their actions to the governor for transmittal to the legislature. (C. IV, 17). By statute, however, it has been provided that all reports whether made to the governor or the legislature shall be in the hands of the governor not later than November 15th, next preceding the session of the legislature. (M. A. S. '12, 5298).

Provisions Concerning the Auditor and a State Budget.

"The auditor is the general accountant of the state and keeper of all public account books, accounts, vouchers, documents, and all papers relating to the accounts and contracts of the state and its revenue and debt, and fiscal affairs not required by law to be placed in some other office or kept by some other person." (M. A. S. '12, 2779).

"He shall digest, prepare and report to the governor at least twenty days preceding each regular session of the general assembly; (M. A. S. '12, 2781):

First—A detailed and full statement of the condition of the revenue and the amount of the expenditures for the two preceding fiscal years.

Second—A full and detailed statement of the public debt.

Third—Estimates of the revenues and expenditures for the two succeeding fiscal years, and the probable amount of revenue receivable from the various sources of revenue.

Fourth—Such plans as he may deem expedient for the support of the public credit, for lessening the public expenses, for promoting frugality and economy in the public offices, and generally for the better management and more perfect understanding of the fiscal affairs of the state.

Fifth—A tabular statement showing the whole amount of each appropriation of money made by law, and the amount paid under the same and the balance unexpended.

Sixth—A tabular statement showing the amount of revenue chargeable to each county for the two preceding fiscal years, the aggregate amount of each object of taxation, and the balance due from said counties respectively."

The auditor is also required to give information in writing to either house of the general assembly whenever required, upon any subject relating to the fiscal affairs of the state or touching any duty of his office. (M. A. S. '12, 2780).

The auditor is authorized to appoint an examiner for the purpose of installing a system of uniform accounting and to instruct public officials in its operation. (M. A. S. 5624).

"It shall be the duty of every state and county public officer and employe to keep all accounts of his office in the form prescribed and make all reports required by the auditor of state." (M. A. S. '12, 5623).

The foregoing legal provisions would appear to be general enough to permit the governor to prepare and submit a budget to the legislature.

The state of Illinois, under its constitution of 1870, recently adopted a budget system. The provisions in the constitution of that state which relate to finances, appropriations and reports are almost identical with those of Colorado, Colorado, in fact, adopting many of the provisions of the Illinois constitution, which at the time of the adoption of the Colorado constitution in 1876, was considered somewhat of a model. California, also, has adopted a budget plan, although the state constitution makes no specific provision for a budget.

The consensus of opinion of experts in government work, is that the governor, as chief executive, is the proper official to be charged with the duty of submitting to the legislature a budget as defined in this report. There is a fundamental reason for placing the duty upon the governor. The centralization of responsibility is the great need of our state governments, and in seeking some official upon whom to place responsibility for the state government, the governor, as the chief executive, has naturally been selected by the people. This selection

has led to the result that the governor is looked upon as responsible for policies which, under present methods, he has little power to formulate, or even to direct. To place this power in the hands of the governor would be only to confer in practice what is presumed by the public to be already vested in the governor.

While the auditor is required by statute to prepare data which is fundamental to the preparation of a state budget, there are numerous obstacles in the way of placing on the auditor the responsibility for submitting a state budget, chief of which is the division of responsibility that would arise as between the governor and the auditor. Further, the auditor is not the chief executive officer of the state. He is fundamentally an accounting and auditing official and not by law or otherwise responsible to the people for state policies. He is not even responsible to the governor nor to the legislature for his acts, inasmuch as he is an elective officer. Technically speaking, the auditor is not a part of the administration, but a check upon it.

Preparation of a Budget.

There is no formal plan of a state budget submitted to the legislature by any executive or administrative officer of the government. Statements of revenues and expenditures of preceding years and estimates of future revenues and needs, etc., for the state government for a biennium are received by the legislature from three general sources, as follows:

- a. Biennial report of the auditor.
- b. Heads of departments, boards, institutions, etc.
- c. Reports of special committees of the legislature.

The biennial report of the auditor complies only in part with the statutory requirements concerning the statements of expenditures, revenues, etc., to be rendered by the auditor in his report.¹ The "statement of the expenditures of the two preceding fiscal years" was not submitted separately in the last biennial report of the auditor but was included in the "tabular statement of the whole amount of each appropriation, the amount expended, and the balance." The latter statement is practically a trial balance of the auditor's general ledger and includes cash and other funds not appropriations. Further, the statement does not in all cases combine or group for convenient reference the various appropriations and cash fund accounts for each department, institution, etc., having more than one item or fund account available for expenditure.

None of the statements shows in itemized form the various objects for which money was expended in the fiscal periods covered in the report, such as the total amount for salaries, supplies, equipment, capital outlay, etc., for each department, institution, etc.

The detailed statement of the public debt does not appear in the report of the auditor for the years 1913 and 1914, but previous reports contain such a statement setting forth the amount of the bonded indebtedness and the amount of each outstanding issue of bonds and also a statement of the estimated floating debt of the state in outstanding warrants, etc.

In making up estimates of revenues for the two succeeding fiscal years, it has been the practice of the auditor to under-estimate rather than to over-estimate the amount of such probable revenues. The legislature has, however, apparently given little attention to any such estimates of revenues in limiting its appropriations. In fact, the practice of the legislature has been to consider such estimates of probable revenues as lower than the actual amounts that would be available during the biennial period and hence to appropriate far in excess thereof.

In complying with the requirement to submit estimates of expenditures for the two succeeding fiscal years the practice has been to submit a statement of the expenditures of the two preceding fiscal years. This, obviously, is no estimate at all. The absurdity of this procedure was so evident that the auditor in his biennial report of 1913-14 said in this connection: "The estimate of expenditures for the period cannot be made with any degree of accuracy until after the adjournment of the legislature." An estimate of expenditures after the legislature has adjourned is, however, not an estimate of expenditures in the sense in which the term is used in the statutes. There evidently has been no attempt

(1) See p. 3 for statutory requirements of the auditor.

made by the auditor to exercise the powers given him by law to prescribe the form and contents of reports and what reports shall be made to him by state departments, boards, institutions, etc. Under the operation of the public examiner's act of 1909, which provides for reports from departments, boards, etc., the auditor could have submitted detailed estimates if he so desired.

The auditor's biennial reports of recent years do not by any means cover the field of constructive suggestions for "lessening the public expenses, for promoting frugality and economy in the public offices, and generally for the better management and more perfect understanding of the fiscal affairs of the state." ¹ It would be difficult to fulfill this requirement of law in the absence of efficiency studies of the whole state government.

Concerning the biennial needs of departments, institutions, etc., the members of the finance committee of the senate and of the appropriations committee of the house in the session of 1915 went personally to each department, board, bureau and institution, etc., and obtained from them estimates of their needs. The committees also made frequent demands on the auditor's office or had their clerks tabulate information from the auditor's records relating to details of past operations of certain departments, institutions, etc.

The annual or biennial reports of heads of departments, institutions, etc., do not give adequate estimates of the probable funds necessary to carry on the functions which they are designed to perform. The personal influence of the heads of departments, institutions, etc., upon the legislative committees to which finance and appropriation bills are referred, has more effect than a mere statement of their probable needs given in a printed report, and organized lobbies to obtain appropriations have been the rule rather than the exception in the past in securing appropriations or increased tax levies.

Both the eighteenth and the nineteenth general assembly appointed a committee composed of members of each house to visit the institutions of the state with a view to determining their needs, and to report with recommendations and suggestions to the next legislature. The committee appointed in 1911 consisted of five senators and five representatives, and in 1913 of two senators and three representatives.

The report of the committee made to the legislature in 1913, recommended appropriations for state institutions aggregating \$2,403,000 for the two succeeding fiscal years, while the total estimated revenues for the state for the same period amount to only \$2,656,690. In addition the committee also recommended the floating of bond issues for buildings, lands, etc., for state institutions to the amount of \$2,214,000. The legislature appropriated a total for these institutions equal to two-thirds of that recommended by the committee and authorized no bond issue. In 1915 the visiting committee recommended the expenditure of \$2,163,000 for state institutions, against a total estimated income for the state of \$2,743,700. The legislature appropriated seven-tenths of the sum recommended.

The following table shows by institutions the total sums recommended by the two committees and the action taken by the legislature thereon:

(1) See page 4, statutory requirements of the auditor.

TABLE I

SHOWING THE RECOMMENDATIONS MADE BY THE LEGISLATIVE JOINT VISITING COMMITTEE ON STATE INSTITUTIONS AND THE ACTION TAKEN THEREON

	1913 SESSION			1915 SESSION			
	Recommended by Visiting Committee on State Institutions	Appropriated by Legislature	Vetted by Governor	Additional Bond Issues by Recommended Committee	Recommended by Visiting Committee on State Institutions	Appropriated by Legislature	Vetted by Governor
1. University of Colorado.....	\$ 205,000	\$ 190,000	\$	\$ 625,000	\$ 330,000	\$ 75,000.00	\$ 5,000
2. Agricultural College	193,500	83,809	.....	266,000	105,000	105,500.00	.....
3. Ft. Lewis School of Agriculture.....	70,000	45,000	.....	125,000	35,000	.....	.....
4. Colorado School of Mines.....	40,000	.....	.....	206,000	.....	18,000.00	9,000
5. State Teachers College.....	35,250	35,250	8,500	250,000	102,000	25,000.00	8,500
6. Gunnison Normal School.....	50,000	40,000	.....	.....	47,000	28,000.00	.....
7. School for Deaf and Blind.....	62,450	98,631	6,500	155,000	15,500	16,200.00	.....
8. Home for Dependent and Neglected Children..	171,600	117,600	5,000	45,000	96,250	102,000.00	.....
9. Colorado Soldiers' and Sailors' Home.....	110,900	82,900	.....	.....	82,250	78,500.00	.....
10. Industrial Workshop for the Blind.....	25,000	21,000	4,000	.....	9,000	13,000.00	.....
11. Colorado State Penitentiary.....	270,700	215,000	.....	155,000	275,000	246,239.80	.....
12. Colorado State Reformatory.....	157,000	115,500	.....	35,000	35,000	90,000.00	.....
13. Industrial School for Girls.....	25,000	25,000	5,000	30,000	30,000	15,000.00	5,000
14. Industrial School for Boys.....	248,100	177,000	15,000	150,000	228,000	178,000.00	25,000
15. Colorado State Insane Asylum.....	491,500	276,500	99,000	160,000	452,000	451,500.00	.....
16. Denver Branch Asylum.....	.....	.....	.....	.....	200,000	.....	.....
17. Home and Tr. School for Mental Defectives..	235,000	125,000	6,000	12,000	90,000	65,000.00	.....
18. Grand Junction School.....	12,000	.....	.....	.....	2,500	5,000.00	.....
TOTALS	\$2,403,000	\$1,643,190	\$ 149,000	\$2,214,000	\$2,163,000	\$1,511,939.80	\$ 64,500

The reports of the two visiting committees show the various items making up the sum recommended for each institution. Thus, for example, for the State Insane Asylum at Pueblo the committee recommended the following:

For administration building and cottages.....	\$150,000
For purchase and equipment of farm.....	50,000
Buildings and equipment to be placed on same.....	25,000
Kitchen for male department.....	10,000
Artesian well	5,000
New building for laundry.....	20,000
Insurance premiums	12,000
General repairs	5,000
General maintenance	175,000
Total.....	\$452,000

Just what was included in the item of \$175,000 for "general maintenance" is not specified in the committee reports. It is presumed, however, to cover both operating and maintenance cost such as salaries, supplies, and other expenses.

The visiting committee that reported to the legislature in 1915 indicated in its report¹ that it encountered serious obstacles in the performance of its duty, as follows:

1. That it was impossible, in the time at its command, to secure reliable information upon which to base any practical recommendations.
2. That there is no department or bureau at the State Capitol whose special business it is to keep records and data concerning all these state institutions.
3. That it could gain only imperfect knowledge of the cost and character of the different buildings of the various institutions, and pointed out that great differences existed in the comparative costs of buildings.

The legislature is inherently a deliberative body, and yet here we have the anomaly of legislative committees going each biennial period to the various state institutions and making recommendations as to their needs for additional maintenance, buildings, etc., a duty which is essentially administrative and executive in character. This practice violates the principles of division of powers which has formed the foundation of our system of government. These committees consist of business men and women, serving without pay. They have few or no records available to assist them, no special training in matters of this nature and very limited time to devote to the work. However conscientiously they may perform the duties entrusted to them, their estimates can never receive the consideration which would be accorded the estimates of a permanent staff, especially trained to perform work of investigation and to compile data relating to the cost of the various activities of state government for which requests for funds are made.

In order to learn from first hand sources something of the manner of procedure of certain of the legislative committees engaged each session in preparing the financial program for a biennial period, a questionnaire was sent to the chairman of each committee. The procedure followed by the house committee on appropriations and expenditures during the session of 1915, as outlined by its chairman, was substantially as follows:

In general, appropriation bills, excepting some special bills, were referred to this committee by the speaker of the house. The committee killed such as in the opinion of the chairman were of a "pork barrel" nature and reported the others back to the committee of the whole for final discussion and amendment. On behalf of the committee some special bills were introduced by its individual members where such procedure was found necessary.

The members of the committee were all inexperienced in getting up appropriation bills, and their first experience came with drawing up the short general appropriation bill. In drawing up this bill the committee simply took the long bill of the preceding session as a basis and estimated the amounts of money necessary to continue the government for the four months succeeding November 30, 1914. This bill was later absorbed by the general long bill, in the compilation of which the members of the com-

(1) H. J., '15, pp. 417-418.

mittee visited the several boards, bureaus, institutions, etc., and obtained the estimates of officials in charge and thrashed out these estimates as best they could from the amount of moneys expected, pro-rating each item, As far as special appropriation bills were concerned, such as the bill for the survey committee of state affairs, they simply went through, the committee believing that the people back of these bills knew what they were doing, and, meeting with the approval of the committee, they were passed.

The work of compiling the estimates, after these had been obtained from the heads of departments and institutions, was performed by the chairman of the committee in conjunction with the chairman of the senate committee on finance. At times the senate and house committees sat together in joint committee; but here also most of the work was done by the chairmen. No minutes or records were kept by either the house or senate committee in such form as to be available for future reference in drawing up appropriation bills. The volume of appropriation bills took up all of the time of the chairmen of the house and senate committees, leaving no time for the consideration of many important bills.

Bills for increased mill levies for state institutions were presented by members of the house on behalf of the several institutions. The insane asylum had no such bill presented. The committee on appropriations, instead of introducing such a bill through one of its members, reported favorably on such revenue bills as were referred to it, and provided by appropriation for the insane asylum. It is also stated that the favoritism of committee members for certain state institutions often results in reporting increased appropriations for one institution at the expense of another, frequently through the medium of trading. Once favorably reported by a committee, these bills generally become law; for, as this chairman reported, "most legislators will vote for nearly anything a committee authorizes or suggests for state institutions."

The procedure followed by the house committee on finance, ways and means during the session of 1915, as outlined by its chairman, was substantially as follows:

The work of the house committee on finance, ways and means was confined to the consideration of bills providing for increased mill levies. This committee at first undertook to compile information on the amount of revenue available to meet the expenditures of the ensuing biennial fiscal period, but this work was taken over by a sub-committee consisting of the chairmen and several members of the house committee on appropriations, and the senate committee on finance. *

No special investigations relating to the revenue of the state were conducted by this committee or under its authority in the preparation of revenue bills, nor was the committee aided in its work by any other senate or house committee. No heads of departments or institutions were called before it to give information relating to its work, nor are the minutes and records of its proceedings available for use by future committees.

During the 1915 session of the legislature one hundred and seventy-six bills relating to appropriations and revenue were introduced into the house. Of this number twenty-nine were referred to the committee on state institutions, eighty-six to the committee on appropriations, twenty-seven to the committee on finance, ways and means, seven to the committee on game and fish, eight to the committee on education, seven to the committee on agriculture and irrigation and twelve to eight other committees. During this same year the house was composed of 88 per cent new members, and the three committees to which most of the appropriation and revenue bills were referred included but one member on each out of thirteen and nine, respectively, who had had previous experience in the Colorado legislature. An almost complete change of personnel is a standing characteristic of the state legislature, and particularly of the house, even though there may be no change of administration or party. Thus 71 per cent of the members of the house were inexperienced in 1911, 72 per cent in 1913, and 88 per cent in 1915, although the same party remained in power during the first two periods.

The senate committee on finance in 1915 consisted of thirteen members. Of these, seven had had no previous experience as legislators, five had previously served as senator and one, the chairman, had served four years as representative. Thus only 46.2 per cent of the members of this committee were experienced in

legislative work, a somewhat lower average than for the senate as a whole, which was 58 per cent for that session. During the course of the session one hundred and twenty-six bills were referred to this committee for consideration. Of this number sixty-six were introduced by the members of the committee, three by request and three by the committee as a whole. The balance was introduced by other members of the senate. Of the one hundred and twenty-six bills, only nine finally were passed. Most of the others were killed by the committee, eighty-eight being at one time indefinitely postponed for "lack of time." It is evident that it was impossible for this committee to give adequate consideration to this mass of bills. Among the bills which the committee did bring before the house and which finally became law were the short general appropriation bill, six special appropriation bills and six other bills containing appropriation clauses.

Thus to this constantly changing membership and large percentage of "green" representation, is entrusted the function of preparing and formulating a financial and work program, without previous study or knowledge of past conditions, of the economy of previous appropriations and of the actual needs of, and the services rendered by, the various departments, boards, institutions, etc., of the state. Under these conditions it must be apparent that the great majority of the members of the legislature can have little definite knowledge of the actual condition and needs of the state government as contained in appropriation and revenue bills presented to them for their consideration, and that a sustained and continuous policy of caring for and handling the state's business is difficult if not impossible.

The chairman of the house committee on appropriations and expenditures, previously referred to, frankly admitted the weaknesses and difficulties in the way of an intelligent and exact prosecution of the work of the committee. As the chairman says, "Had we not had a budget, I hardly know how we would have gotten at the proposition in even as good shape as we did." The "budget" referred to by the chairman is evidently the estimates compiled by him and his associates, and in no sense such a budget as is contemplated by that term in this report.⁴ It is manifestly impossible for any committee of the legislature, in the few weeks available for the work, to perform equitably and efficiently a function which was never intended by law to be performed by the legislature or committees thereof, and which from its nature is an executive function and would require exact knowledge, careful thought of each request, and careful balancing of the whole with the resources, all of which would require time and effort, not during the heat of a legislative session, but in the quiet atmosphere of scientific research.

III. APPROPRIATION AND REVENUE BILLS

The state constitution provides that no money shall be paid out of the state treasury except upon appropriation made by law, and that no law shall be passed except by bill.¹ As a result of these and other provisions the general assembly is the appropriating body of the state. It is also clothed with the power of raising and expending revenues for all purposes of the state.²

The general assembly is a legislative body consisting of two houses: a senate of thirty-five members, and a house of representatives of sixty-five members, elected quadrennially and biennially, respectively. No bill can be considered or become a law unless referred to a committee.³ To comply with this constitutional provision each house is organized on the committee basis. The committees are either special or standing, most of the ordinary work being referred to the latter. The senate has thirty such standing committees and the house forty.

All bills except the general appropriation bill must be introduced into either house during the first thirty days of the session, and only the general appropriation bill can contain more than one subject.⁴ In the senate all bills relating to appropriations or revenues are referred to the committee on finance. In the house there is no such uniform procedure as previously shown.⁵ Revenue bills, which may originate only in the house,⁶ are referred to the committee on finance, ways and means; appropriation bills may be referred to the committee on appropriations and expenditures or to the committee on state institutions and to other committees, according to the objects of the bills. Revenue and appropri-

(1) Const., Art. V, Sec. 33 and Art. IV, Sec. 7.

(2) Ibid., Art. X, Sec. 12.

(3) Ibid., Art. V, Sec. 20.

(4) Ibid., Art. IV, Sec. 19.

(5) P. 14.

(6) Const., Art. V, Sec. 31.

ation bills may be introduced by any member of the house, but it is the practice to have the short and long general appropriation bills drawn and submitted by the senate committee on finance or by the house committee on appropriations and expenditures. In 1913 both bills originated in the house committee, but in 1915 the short general appropriation bill originated in the senate committee.

Both the long and the short appropriation bills are designed to meet the ordinary expenses of the executive, legislative and judicial departments of the state, interest on the public debt, and for public schools.¹ The necessity for the short bill arises from the fact that the date set for the close of the fiscal period is November 30th, thus leaving an interim between the close of the biennial fiscal period and the passage of the long general appropriation bill, during which no appropriations are available to meet the current expenses of the various state departments with the exception of the continuing appropriations, under which statutory salaries and expenses are paid regardless of the long and short appropriation bills. The short bill serves, therefore, as a relief measure to pay deferred salaries and expenses and also as a temporary measure to provide for the operation of the government until the passage of the long appropriation bill. It is usually provided that the appropriations made in the short bill shall meet the expenses of the government for the months of December, January, February and March, directly preceding and during the regular session of the general assembly.

The date of the passage of the short bill in 1913 was January 18th, and in 1915 January 27th, thus leaving a period of nearly two months during which state officials and employes relying upon appropriations, other than statutory, received no pay. The long bill in the same years was passed April 28th, 1913, and May 8th, 1915, which again left a period during which no appropriations were available. The appropriations in the long bill are made to meet the expenses for two annual fiscal periods beginning December 1st and ending November 30th. To avoid duplicating the appropriations made in the short bill, the appropriations of the long bill are made with the proviso that the amounts contained in the short bill are to be subtracted therefrom.

All appropriations, other than such as may be included in the general appropriation bill, must be made separately by special bill for each subject.² The peculiar arrangement of the fiscal periods renders necessary the passage of special appropriation bills similar to the short general appropriation bill, to meet the expenses of such institutions as rely wholly or partly upon appropriations for support immediately following the close of the fiscal period. Special bills making appropriations for the support of state institutions after the passage of these short special bills may include or exclude such appropriations as are already made.

Statutory appropriations are said to be the greatest obstacles encountered in the preparation of the general appropriation bill. Expenditures provided for by statute may be incurred whether appropriations therefor are included in the general appropriation bill or not. The committees prefer to include all statutory appropriations in the general bill, but it frequently happens that some of them are overlooked, as was the case in 1913 when six such items aggregating an expenditure of \$14,130.13 were not included in the general appropriation bill.

The following procedure illustrates the steps followed, in addition to those outlined above, and the time it takes in each step, in the passage by the general assembly of the long appropriation bill.

The long appropriation bill for the biennial period 1915-1916, (which bill contains appropriations providing for about 40 per cent of the total expenditures of the state for a biennial period) was first introduced in the house on February 4th, 1915, by the chairman of the house committee on appropriations and expenditures, and was immediately referred back to the committee for revision and amendment.

It remained in the hands of the committee until April 5th, when the chairman reported that the bill be ordered printed as amended by the committee on appropriations and expenditures.

April 6th it was reported printed by the chairman of the committee on printing, and on the same day the chairman of the committee on appropriations moved that it be referred to the committee of the whole with favorable recommendation. The bill was considered by the committee of the whole on the evening of April 6th, when the whole of the bill following the enacting clause was stricken out and another bill substituted. It was then referred to the committee on revision

(1) *Ibid.*, Art. V, Sec. 32.

(2) *Ibid.*

and constitution, where it was reported as having been properly engrossed as amended, with the recommendation that it be placed upon the calendar for third reading and final passage.

April 7th it came up for third reading and was amended so as to include payment of the expenses of certain employes when traveling outside of the state on official business. It was then passed and sent to the senate.

April 9th the bill was passed by the senate with eighteen amendments and sent back to the house, where the senate amendments were concurred in and the bill passed. The emergency clause making the act immediately effective was then added.

April 10th the committee on enrollment reported the bill duly enrolled and on the same day it was signed by the speaker.

The following table shows the number of appropriation bills, bills containing an appropriation clause, and revenue bills, which were passed during the last two sessions of the legislature.

	House		Senate		Total	
	1913	1915	1913	1915	1913	1915
General and special appropriation bills	15	34	18	7	33	47
Bills containing appropriation clauses	3	10	4	6	7	16
Revenue bills	2	11	..	..	2	11
Total finance bills.....	20	55	22	13	42	68

As an illustration of the present method of enacting bills providing for appropriations for institutions, and of the difficulty of determining thereafter how much was granted by the legislature the appropriations and tax levies provided for the board of agriculture for 1915 and 1916 may be of interest. This is somewhat of an extreme case, but it might be true of other boards or institutions if they had as many activities.

Board of Agriculture.

Senate Bill 50, Experiment Station, Greeley.....	\$5,000
House Bill 223, For all Experiment Stations.....	Tax Levy
House Bill 224, Experiment Station, Fort Collins.....	\$10,000
House Bill 225, Agricultural College (Support, Maintenance and Construction)	Tax Levy
House Bill 226, Agricultural College:	
Maintenance	\$16 500
Heating Plant	50,000
Painting and Repairs.....	20,000

Senate Bill 225, Agricultural College:

Appropriation in accordance with Smith-Lever Extension Act, \$5,000 for 1915, increasing by \$4,000 each year to 1922, and such sums as necessary thereafter.

With the exceptions of the tax levies, the appropriations indicated above are from general revenues.

As illustrating, also, the broad, general terms of appropriation bills defining the objects for which the appropriations may be expended, and which practically determine the legal limitations for auditing control thereof, the following is submitted from the session laws of 1915 (chapter 28) for the Board of Capitol Managers:

Section 1. There is hereby appropriated out of the Capitol Building Fund the sum of one hundred sixteen thousand three hundred seventy-two dollars in addition to the short appropriation of the Twentieth General Assembly, being Senate Bill No. 62, for the maintenance and support of the Capitol and Colorado State Museum Buildings and grounds, including the furnishing of all supplies and service, the payment of all employees of the Board of Capitol Managers and the payment of all other expenses of supporting, conducting and maintaining of said buildings and grounds, for the fiscal years of 1915 and 1916.

Sec. 2. There is hereby appropriated out of the Capitol Building Fund the sum of twenty-four thousand five hundred dollars or so much thereof as may be necessary for alterations, repairs and improvements on the Capitol Building and grounds, for the replacing of old furniture and carpets, and supplying new furniture when required in the various departments therein.

Sec. 3. There is hereby appropriated out of the Capitol Building Fund fifteen thousand four hundred thirty-seven dollars, or so much thereof as may be necessary for improvements, furniture, and fixtures for the Colorado State Museum Building and grounds.

IV. CLASSIFICATION OF APPROPRIATIONS AND ORDER OF PAYMENT

From time to time the general assembly has passed laws classifying appropriations in the order in which they shall be paid in case funds are insufficient to pay all appropriations.

The law now in force on this subject was passed in 1913, and divides appropriations into five distinct classes to be paid consecutively by classes and rateably within each class. The classes are as follows:

- (1) Appropriations for the ordinary legislative, executive, and judicial departments of the state government and interest on the public debt, in full.
- (2) Appropriations for institutions in which the inmates are involuntarily confined and charitable institutions.
- (3) Appropriations for educational institutions.
- (4) Appropriations for any other officer or officers, board or bureau.
- (5) All other appropriations.¹

A classification of appropriations and order of payment are absolutely necessary under the common practice of each legislature of passing appropriation bills to a total amount of hundreds of thousands of dollars in excess of estimated resources. The appropriations of the fourth and fifth classes usually receive little or nothing after the three preceding classes have been satisfied.

By this system of classifying appropriations and of determining the order of payment it is possible to distribute practically the whole of the estimated resources for a fiscal period among the first and second classes of appropriations, at the same time avoiding criticism by granting the whole or part of the requests of other classes and leaving it to unexpected events to satisfy them. The greatest variable element in the estimated resources are the receipts from the inheritance tax. If these latter receipts are unusually large as in the present biennial period (1915-16), all classes of appropriations may be honored and everybody is happy. If the unexpected does not happen before the close of a biennial period, it is too late for the third, fourth, and fifth class appropriations to object.

The estimated general revenue for the fiscal period, 1911-12, as contained in the auditor's report² was \$2,789,370.00, while the total general revenue appropriations for that period amounted to \$3,850,583.34. The auditor's report for 1911-12³ showed that the fourth and fifth classes received nothing of the total sum appropriated and the third class only 52.46 per cent. It is also worthy of note that during the same period the unused balances for salaries and expenses in the first class amounted to \$162,709.13, notwithstanding the fact that \$127,256.42 in addition had been cancelled. At the close of the fiscal period in question there remained \$1,015,171.99 of the total general revenue appropriations, which was cancelled or not drawn on for lack of funds. In the next biennial period (1913-14), the estimated general revenue for the period was \$2,656,690.25, as against total general revenue appropriations of \$3,441,406.28. In the current fiscal period (1915-16), the general assembly appropriated out of the general fund \$3,417,311.39, while the total estimated general revenue for the period amounted to only \$2,743,700.00.

The folly and weakness of this system of passing appropriation bills and of providing for a fiscal period's appropriations must be apparent to all. It has been criticised and condemned by state auditors and other state officials, and it is a

(1) Laws 1913, ch. 13.

(2) Biennial Report of the Auditor of State, 1909-10, p. 24.

(3) Biennial Report of the Auditor of State, 1911-12, p. 13-14.

source of much embarrassment to both the officials and others. It interferes with the progress of work programs of all departments, boards, institutions, etc., not in the favored first and second classes. It is haphazard, unbusinesslike and wasteful. Under such a system there is almost no chance of retrenchment and saving. Unexpected resources, instead of going to pay appropriations, many of which were never intended to be honored, should be reserved in the treasury for meeting increased and pressing needs of the next biennial period or the reduction of taxation. Hundreds of thousands of dollars of deferred interest charges on state warrants now represent a large part of the bonded debt of the state, to say nothing of the hundreds of thousands of dollars of state warrants and certificates which were issued in the past without any means of paying them. A wise plan of administration of state finances would have taken these liabilities into consideration instead of leaving them to be saddled on the state in the form of a bonded debt and meanwhile each year exhausting to the limit the current resources by means of excess appropriations.

V. STATE REVENUES AND OTHER RECEIPTS

THE REVENUE AND OTHER RECEIPTS OF THE STATE OF COLORADO ARE DERIVED FROM SEVEN GENERAL SOURCES. THESE SOURCES AND THE SUBDIVISIONS THEREOF, IN SUMMARY FORM AND IN DETAIL, ARE AS FOLLOWS:

Table II.

Showing the relative percentage of each main class of revenue and other receipts to the total receipts.

	—Per Cent—	
	1911-12	1913-14
I. Receipts from taxation.		
1. General property tax.....	45.35	39.85
2. Inheritance tax	5.91	5.73
3. Flat tax	1.53	1.32
4. Poll tax	2.21	1.98
Total	55.00	48.88
II. Receipts from business, taxes, licenses, etc.		
1. State institutions	1.50	2.70
2. Executive departments	14.08	15.61
Total	15.58	18.31
III. Receipts from interest.		
1. On warrants (1)	0.89	1.83
2. On bonds (2)	0.53	2.04
3. On deposits	1.26	1.25
4. On delinquent taxes.....	0.41	0.41
5. Others .....	....	0.02
Total	3.09	5.55
IV. Receipts from state lands.		
1. Sale of lands.....	10.83	6.91
2. Leases and rentals.....	11.60	9.85
Total	22.43	16.75
V. Receipts from the U. S. treasurer.....	3.62	1.96
VI. Receipts from sale of bonds.....		8.07
VII. Miscellaneous receipts	0.28	0.47
Totals	100.00	99.99

1. Interest on warrants is interest earned by permanent funds invested in state warrants, payable from general revenues.

2. Interest on bonds is interest earned by permanent funds invested in state and other bonds. The interest of state bonds is paid from general revenues.

TABLE III.

SHOWING THE REVENUE RECEIPTS OF COLORADO FROM ALL SOURCES FOR THE BIENNIAL PERIODS ENDING NOV. 30, 1912, AND NOV. 30, 1914.

I. Receipts from taxation.

a. From the General Property Tax.

	1911-12	1913-14
1. Agricultural College	\$ 156,769.29	\$ 163,829.47
2. Insane Asylum	156,678.68	163,829.98
3. School for Mute and Blind.....	156,769.53	163,829.58
4. State Normal School, Greeley..	156,768.62	163,829.22
5. State School of Mines.....	156,769.32	163,838.46
6. University of Colorado.....	313,490.30	327,641.87
7. Capitol Building	391,557.51	389,819.23
8. Casual Deficiency Bonds, Sinking	1,525.21	107.57
9. Interest on Insurrection Bonds.	78,089.82	55,087.61
10. Interest on Funding Bonds, series 1910	61,497.34	116,749.67
11. Sinking Fund for Funding Bonds, series 1897.....	.....	41,660.86
12. Stock Inspection	52,256.10	51,983.09
13. State Levy for General Purposes	1,489,115.56	1,432,078.44
14. Miscellaneous Levies	1,318.78	187.86

Total General Property...\$3,172,697.06 \$3,236,472.91

b. From Flat or Corporation taxes...\$ 107,404.73 \$ 107,311.28

c. From the Inheritance tax..... 413,147.91 465,063.02

d. From the Military Tax..... 154,270.95 160,934.83

Grand total from taxation.....\$3,847,519.65 \$3,969,782.04

II. Receipts from Business Taxes, Licenses, Fees, etc.

a. From State Institutions.

1. Agricultural College .....	.....	\$ 31,864.86
2. Boys' Industrial School.....	\$ 14,567.40	16,102.72
3. Fort Lewis School of Agriculture .....	.....	5,754.97
4. Girls' Industrial School.....	39,135.10	43,921.41
5. Grand Junction School.....	.....	1,268.48
6. Gunnison Normal School.....	.....	4,819.10
7. Home for Dependent and Neg- lected Children	2,588.76	1,861.06
8. Insane Asylum	1,159.58	4,553.69
9. Penitentiary Convict Labor....	34,578.25	29,660.97
10. Reformatory	4,727.31	3,709.66
11. State Home for Mental Defec- tives	237.90	4,192.80
12. State Normal Institute.....	7,017.95	7,453.40
13. State Normal School, Greeley..	.....	55,626.93
14. State School of Mines.....	.....	7,215.47
15. State School for Mute and Blind .....	.....	1,462.66

Total from Institutions..... \$104,012.25 \$219,468.18

b. From the Executive Departments.

1. Adjutant General	\$ 3,750.00	\$ 10,193.14
2. Auditor of State, fees.....	272.90	191.30
3. Auditor of State, Building and Loan Department	3,167.25	3,055.00
4. Board of Capitol Managers.....	386.97	258.28
5. Board of Land Commissioners..	28,318.61	28,744.75
6. Brand Inspectors .....	.....	53,580.09
7. Civil Service Commission.....	292.00	1,555.00
8. Dairy Commissioner	1,463.00	292.00
9. Factory Inspector—Com'r Labor	6,407.00	.....

II. Receipts from Business Taxes, etc.—Continued.

	1911-12	1913-14
10. Free Employment Agencies.....\$	57.94	.....
11. Game and Fish Commissioner..	53,729.84	\$ 82,508.18
12. Governor	30.00	.....
13. Insurance Commissioner	456,564.89	541,477.14
14. Immigration Commissioner	364.12	.....
15. Private Employment Agencies..	.....	2,315.65
16. Secretary of State, fees.....	242,477.81	207,652.88
17. Secretary of State, motor taxes.	.....	63,425.91
18. State Board of Architect Exam.	3,750.00	600.00
19. State Board of Accountancy....	3.56	.....
20. State Board of Barber Exam....	.....	5,309.14
21. State Board of Health.....	336.00	618.95
22. State Board of Medical Exam....	7,625.00	7,300.00
23. State Board of Nurse Exam....	3,464.00	3,552.75
33. State Oil Inspector .....	.....	22,190.58
24. State Board of Pharmacy.....	.....	4,375.80
25. State Board of Optomet. Exam.	.....	2,019.00
26. State Board of Embalm. Exam....	.....	1,887.00
27. State Bank Commissioner.....	13,856.50	26,315.36
28. State Bank Commissioner, Licenses .....	.....	112.50
29. State Boiler Inspector.....	15,665.00	15,830.00
30. State Engineer	24,106.57	25,414.73
31. Stock Inspection Commissioners	.....	10,555.81
32. State Coal Mine Inspector.....	.....	39,905.53
33. State Oil Inspector.....	.....	22,190.58
34. Treasurer, Liquor Licenses.....	118,176.50	105,891.00
35. Treasurer, Detective Licenses..	1,100.00	900.00
36. Commissioner of Mines.....	9.50	22.50
37. Attorney Geenal	8.40	.....
Total from departments..\$	985,383.36	\$1,268,859.97
Total from fees, licenses, etc.....	\$1,089,395.61	\$1,387,528.15

III. Receipts from Interest.

a: On Investments.

(1) On warrants.¹

1. Agricultural College .....	.....	\$ 2,652.97
2. Internal Improvement Perma- nent Fund .....	.....	38,474.10
3. Internal Improvement Income Fund .....	.....	413.53
4. Public School Land Permanent Fund .....	.....	67.57
5. Public School Land Income Fund	\$61,998.51	71,995.64
6. University Land Permanent Fund .....	.....	35,136.16
Total on Warrants.....\$	61,998.51	\$ 148,739.94

(2) On Bonds.²

1. Agricultural College Land Income Fund	\$ 3,349.11	\$ 2,661.56
2. Dependent Children's Home Trust Fund	100.00	100.00
3. Internal Improvement Perma- nent Fund .....	.....	6,039.00
4. Internal Improvement Income Fund .....	.....	1,080.00
5. Public School Land Income Fund	33,850.50	148,993.50
6. University Land Income Fund..	.....	6,604.50
Total on Bonds.....\$	37,299.88	\$ 165,478.56

(1) See footnote on page 19.

(2) See footnote on page 19

III. Receipts from Interest—Continued.

	1911-12	1913-14
b. On Deposits.		
1. State Treasurer's Funds.....	\$ 88,069.88	\$ 100,943.90
2. Insurance Funds	458.97	494.27
Total on Deposits.....	\$ 88,528.85	\$ 101,438.17
c. On Delinquent Taxes.....	\$ 28,699.86	\$ 33,765.58
d. Miscellaneous.		
1. On insurance protest fees.....		\$ 1,367.42
Total rec'ts from interest..	\$ 216,527.10	\$ 450,789.67

IV. Receipts from State Lands.

a. From the sale of state lands.		
1. Agricultural College Lands....	\$ 19,800.80	\$ 12,638.34
2. Internal Improvement Lands...	154,266.66	113,316.92
3. Penitentiary Lands	814.74	561.14
4. Public Building Lands.....	1,031.60	1,154.00
5. Public School Lands.....	577,465.68	432,221.55
6. University Lands	4,415.77	1,572.80
Total from sale of lands..	\$ 757,795.25	\$ 561,464.75
b. From Leases and Rentals of Lands.		
1. Agricultural College Lands....	\$ 19,800.80	\$ 12,638.34
2. Internal Improvement Lands...	108,910.44	107,282.43
3. Penitentiary Lands	1,721.36	936.53
4. Public Building Lands.....	1,031.60	1,154.00
5. Public School Lands.....	674,456.76	644,530.25
6. Saline Lands	73.90	486.85
7. University Lands	3,493.20	2,337.80
8. Desert Lands	415.88	24.00
9. Mineral Lands	130.00	260.00
10. Land Commissioners' cash unapplied		25,170.22
Total from leases and rentals	\$ 811,483.20	\$ 799,803.52
Total from state lands....	\$1,569,278.45	\$1,361,268.27

V. Receipts from the Treasurer of the United States.

1. Agricultural College, Smith Lever Extension		\$ 5,000.00
2. Forests	\$ 156,437.52	111,263.06
3. Internal Improvement Fund....	52,138.39	9,361.52
4. Soldiers' and Sailors' Home....	44,582.14	33,670.55
Total from U.S. Treasurer..	\$ 253,158.75	\$ 159,295.13

VI. Receipts from Bond Issues.

1. Internal Improvement Perma- nent Fund		\$ 53,487.42
2. Public School Land Income Fund (bonds issued for warrants)		600,900.00
Total from bond issues....		\$ 654,387.42

VII. Receipts from Miscellaneous Sources.

	1911-12	1913-14
1. Agricultural College, Appropriation		\$ 9,030.00
2. Escheats		8,241.96
3. Clerk of the Supreme Court, Library	\$ 18,229.75	17,193.12
4. Fines—Motor Vehicle		2,905.13
5. Refund Court Fees	573.50	68.25
6. Refund Mileage		54.13
7. Refund Assessors' Bonds		196.65
8. Refund Freight Charges	60.25	
9. Refund	19.00	
10. Partition of Realty	95.53	
11. Legislative cash	554.78	
	<hr/>	<hr/>
Total miscellaneous receipts	\$ 19,532.81	\$ 37,689.24
	<hr/>	<hr/>
Grand total of state receipts from all sources	\$6,995,411.57	\$8,120,739.92

Receipts from General Property Taxes.

The general property tax is provided for in the constitution (Sec. 2, Art. X), which empowers the general assembly to provide by law an annual tax sufficient with other resources to defray the estimated expense of the state government for each fiscal year. The tax is levied upon a just valuation (full market value) of all property, real and personal, assessed the first day of April of each year by the county assessors. All public utilities are assessed by the Colorado tax commission. By statute it is provided that all taxes shall be levied for the fiscal year which shall end with November thirtieth (M. A. S. '12, 6182.) Adjustments and equalizations are made by the state and county boards of equalization and by the tax commission and must be complete and final by the third Monday in October of the year of the levy. (M. A. S. '12, 6347-6350.) Taxes are due and payable, one-half on or before the last day of February, and the remainder on or before the last day of July of the year following the one in which they were assessed. (M. A. S. '12, 6189.) Thus the levy for 1916 will not be collected until a lapse of from three to nine months after the close of the fiscal year for which it was levied to provide revenues to meet the expenditures incurred during that year.

The delay in collecting property taxes costs the state about \$35,000.00 a year in interest, the most of which goes to the credit of the public school income fund.

The use of the general property tax as a source of revenue for state purposes is on the decline in Colorado, and although it accounted for about 40 per cent of the state's revenue receipts for the biennial period ended November 30, 1914, it showed a decline of 5.15 per cent in comparison with the previous period. A further decline is to be expected with the increase of receipts from other sources, especially from the inheritance and business taxes, etc.

This tax is recognized by experts in taxation as the worst tax in history. The revenue derived from the general property tax at first formed almost the total funds available to the state government, but as other sources of income were tapped, the importance of this tax decreased. This resort to other sources of revenue, to a large extent, was forced upon the government. After the tax revision of 1902, the state was obliged to impose its maximum levy of four mills on each dollar of assessed valuation allowed by the constitution. (C. X, 3.) This was made necessary through the practice of competitive undervaluation adopted by county assessors. The assessed valuations of counties were, on a general average, on about a thirty-five per cent basis. The state could not exceed its levy of four mills so was compelled to turn to other sources of revenue, such as the inheritance tax, flat tax and various business taxes, licenses, and fees. In 1913 all county assessors were obliged by law to assess all property at its full valuation. But in order to avoid a three fold increase in the state's revenue from the general property tax, which would have resulted from this action, the law provided that the revenues from this source for state purposes should not exceed the amount of the previous year by more than 15 per cent, and that it should not be increased by more than 5 per cent a year in any succeeding year until the revenues became sufficient for state purposes, or until the levy reached the four mill limit. (Ch. 137, laws, 1913.)

Within the maximum limits established by the legislature the levy is set by the state board of equalization and the Colorado tax commission. By statute in 1915 several increases in the existing special mill levies, together with several new levies, were provided for by the general assembly. Levies for special purposes thus established by act of the legislature are not subject to change by the board of equalization or the tax commission.

Concerning the limitations on the board of equalization in the reduction of the levy for general purposes, a decision handed down by the supreme court in 1894 held that:

"The levy for state purposes is as much a legislative levy as the levy for any special purpose. It is a levy of four mills when no lower rate is directed by the State Board of Equalization. This, therefore, is to be treated as an absolute levy of four mills, subject to two conditions: First, that all prior levies, if not repugnant to constitutional requirements, shall be respected; second, a reservation of power in the State Board of Equalization to reduce the general levy. This levy is fixed by the legislature subject to the right of the State Board of Equalization to reduce the rate to an amount sufficient merely to meet appropriations, should the assessment justify such a reduction. In determining the rate the board has only to take the appropriations and the assessment into consideration and fix a rule that will produce the required revenue."¹

TABLE IV

STATEMENT SHOWING THE STATE LEVY FOR 1914 AND 1915 AS ADOPTED BY THE STATE BOARD OF EQUALIZATION AND THE COLORADO TAX COMMISSION, APPORTIONED TO THE VARIOUS FUNDS, AND THE ESTIMATED REVENUE BASED ON THE TOTAL VALUATION OF \$1,309,559,205 FOR 1914 AND \$1,249,199,210 FOR 1915

PURPOSE OF TAX	1914		1915	
	Mills	Amount	Mills	Amount
1. State Purposes (gen'l revenue)	0.600457	\$ 786,334.00	0.659976	\$ 824,441.50
2. Capitol Building Fund	0.151750	198,725.60	0.070000	87,443.95
3. Stock Inspection Fund	0.020280	26,557.85	0.020280	25,333.76
4. Mute and Blind Fnd.	0.071376	93,471.10	0.102336	127,838.05
5. Agricultural College Fund	0.071376	93,471.10	0.102336	127,838.05
6. School of Mines Fund	0.068000	89,050.00	0.171460	89,267.76
7. Normal School Fund (Greeley)	0.071376	93,471.10	0.102336	127,838.05
8. Insane Asylum Fund	0.071376	93,471.10	0.074836	93,485.07
9. University Fund	0.142752	186,942.20	0.204440	255,386.29
10. Normal School Fund (Gunnison)	0.071376	93,471.10	0.030000	37,475.98
11. Ft. Lewis School Fund	0.071376	93,471.10	0.020000	24,983.98
12. Agricultural College Fund (Experiment Station)	0.071376	93,471.10	0.022500	28,106.98
13. State Roads Fund	0.071376	93,471.10	0.500000	624,599.61
14. Interest on Funding Bonds, Series 1910 Fund	0.045667	59,803.65	0.048500	60,586.16
15. Interest on Insurrection Bonds Fund	0.057733	75,604.78	0.053000	66,207.56
16. Sinking Fund for Registering Funding Bonds, Series 1897	0.017857	23,384.80	0.018000	22,485.59
TOTALS	1.390000	\$1,820,287.28	2.100000	\$2,623,318.34

The purposes, in classified form, to which the above general property tax was devoted, were as follows:

	1914		1915	
	Amount	Per Cent	Amount	Per Cent
1. General Government (including revenue, capitol building and stock inspection funds)	\$1,011,617.45	55.58	\$ 937,219.21	35.74
2. Education and Agriculture	556,405.50	30.57	818,735.14	31.21
3. Insane Asylum	93,471.10	5.13	93,485.07	3.56
4. State Roads	93,471.10	5.13	624,599.61	23.81
5. Funded Debt	158,793.23	8.57	149,279.31	5.68
TOTALS	\$1,820,287.28	100.00	\$2,623,318.34	100.00

The total assessed valuation for 1916, as set by the board of equalization and the tax commission, was \$24,092,956 less than that of 1915; the total levy was 0.030000 mills less and the estimated receipts \$87,349.34 less than the same items for 1915. The only changes made in the mill levy were, that the levy for general purposes was cut 0.030000 mills, and the levy for interest on insurrection bonds a like amount, while the levy for interest on funding bonds, series of 1910, was raised by 0.030000 mills.

(1) People vs. Board of Equalization. 20 Colo., 229.

Other Cash Receipts.

The other six classes of receipts, besides general property taxes, are all credited to the general and special funds in the custody of the treasurer in accordance with the provisions of the state funds act of 1913. The only exceptions to the operation of the act are the cash receipts of the state university, which are by the constitution placed under the exclusive control of the regents, and the cash receipts of the industrial workshop for the blind, which are exempted by subsequent statute.

Fund Accounts.

Fund accounts, as the term is used in the laws and in accounting and reporting practice in the state government, comprehend practically every account set up on the auditor's and state treasurer's books (with the exception of appropriation accounts on the auditor's books), inasmuch as, with the exceptions noted, they all represent cash.

The number of fund accounts carried varies somewhat each year. Those described below were the accounts on the treasurer's books as shown in his report for the biennium ended November 30, 1914. This period was taken because it was the latest completed biennial period available for analysis of state revenues and expenditures. In general, however, the fund accounts are the same as those carried during the current biennial period (1915-1916).

The fund accounts of the state may be grouped, for convenience of description, into eight classes as follows:

- a. Tax account funds of state institutions.
- b. Cash account funds of state institutions.
- c. Funds of executive departments.
- d. Land grant funds.
- e. Trust funds.
- f. Funds established to meet bonded indebtedness.
- g. Funds for special purposes and miscellaneous funds.
- h. The general funds and the surplus fund.

Tax account funds of state institutions.

As shown in a previous table, there is a special levy for each of the several state educational institutions, but of the institutions for the care of delinquents, dependents and defectives, only the insane asylum enjoys a special tax levy. These separate funds are applicable only to the institutions for which the levies are made.

Cash account funds of state institutions.

1. Agricultural College Cash Fund.
2. Fort Lewis School Cash Fund.
3. Grand Junction Indian School Fund.
4. Gunnison Normal School Cash Fund.
5. Boys' Industrial School Fund.
6. Dependent Children's Home Cash Fund.
7. Girls' Industrial School Cash Fund.
8. Reformatory Cash Fund.
9. Penitentiary Convict Labor Fund.
10. Soldiers' and Sailors' Home Fund.*
11. State Home for Mental Defectives Fund.

Provisions for the use of these funds by the institutions in any manner that the respective boards of control thereof may deem proper, is usually included in special appropriation bills or in the acts creating the institutions, with the exception of the grants of money to the soldiers' and sailors' home from the United States government, which are utilized in the manner provided in the grants. Cash funds of the university and of the workshop for the blind are not shown on the treasurer's books. These institutions are, by law, permitted to retain their cash funds in their own custody.

Funds of the executive departments.

The funds of the executive departments are more easily classified according to the provisions governing the disposition of the funds, as follows:

(*) This fund includes earnings of the home and receipts from the U. S. Treasurer.

- a. Funds that are applied to the use of the collecting department only, and whose balances do not merge into the general revenues.
1. Brand Inspection Fund, fees for inspection.
 2. Game Cash Fund, fees for hunting and fishing licenses.
 3. Land Commissioners Cash Fund, fees for services.
 4. Private Employment Agencies Fund, fees for licenses.
 5. State Board of Medical Examiners Fund, fees from licenses and fines.
 6. State Board of Nurse Examiners Fund, fees for licenses.
 7. State Board of Pharmacy Fund, fees from licenses and fines.
 8. Coal Mine Inspection Fund, tax of $\frac{1}{2}$ cent per ton of coal mined.
 9. Stock Inspection Fund, tax levy of 0.02028 mills.
 10. Military Poll Fund, tax of \$1 per capita on all males between ages of 18 and 45.
- b. Funds whose balances are transferable to the general revenue after the expense of the particular department have been paid therefrom.
1. Civil Service Cash Fund, fees from persons examined.
 2. Insurance Fund, fees and taxes on insurance companies.
 3. Inheritance Tax Fund, tax on inheritance.
 4. Board of Optometric Examiners Fund, license fees and fines.
 5. Board of Embalming Examiners Fund, license fees and fines.
 6. State Oil Inspectors Fund, consists of moneys derived from an inspection fee of 1/10 of 1 cent per gallon of oil products inspected.
- c. Funds whose balances are transferable to funds other than the general fund after the expenses of the particular department have been paid therefrom.
1. State board of barber examiners fund, consists of licenses and fees and fines. Any balance over 250 at the end of the biennial period is transferable to the school fund.
 2. State board of architects examiners fund. Fees from licenses. Surplus over expenses of board to be set aside to establish chair in architecture at University of Colorado.

Land grant funds.

These funds arise from the sales and rentals of lands granted by the United States to the State of Colorado for certain specified purposes. ¹A permanent and an income fund have been established for each class of lands. The permanent funds are credited with the proceeds from the sales of public land, the permanent fund income accounts are credited with the earnings of the permanent funds and with moneys received from rentals and leases of public lands. The following is a list of such permanent and income funds:

Agricultural College Land Permanent Fund.
 Agricultural College Land Income Fund.
 Internal Improvement Permanent Fund.
 Internal Improvement Income Fund.
 Penitentiary Land Permanent Fund.
 Penitentiary Land Income Fund.
 Public Building Land Permanent Fund.
 Public Building Land Income Fund.
 Public School Land Permanent Fund.
 Public School Land Income Fund.
 Saline Land Permanent Fund.
 Saline Land Income Fund.
 University Land Permanent Fund.
 University Land Income Fund.

(1) See Revised Statutes of Colorado, 1908, Sec. 5194-98; also article IX, Sec. 3, State Constitution; also Enabling Act, Sec. 7-15.

The agricultural college land permanent fund was established from a land grant made by the United States Congress to the state in 1862 for the support of, at least, one agricultural college. The receipts from the sale of these lands constitute a permanent fund which must be invested at five per cent as provided in the grant. Ten per cent of the gross receipts may be used on authorization of the state legislature for the purchase of lands for sites or experimental stations. The income only may be used for the purposes of the grant.

The internal improvement permanent fund is used for the construction of roads and bridges. The increment consist of five per cent of the proceeds of the sales of agricultural public lands sold by the United States, subsequent to the admission of the state into the union, after deducting expenses, and of all moneys derived from the sale of lands granted by the United States for purposes of internal improvement. (Fed. R. S. 2378, and Sec. 12 of the Enabling Act.) By chapter 93 of the session laws of 1915, all moneys paid or to be paid into the internal improvement and income funds were to be transferred to the public roads fund.

The penitentiary land permanent fund was established by virtue of a grant of land from the United States for the purpose of enabling the state to erect suitable prison buildings with the proceeds of the sales of such lands. The increments of both the penitentiary land permanent fund and of the penitentiary land income fund are devoted to this purpose. (Enabling Act, Sec. 9.)

The public building land permanent fund, as also the income fund, is used in the construction of public buildings. The fund is derived from the sales of lands granted for the purpose by the federal government. The moneys in the funds must be appropriated by special act of legislature.

The federal congress, in the enabling act, section 7, granted sections sixteen and thirty-six of every township to the state to be used for the support of the public schools. Under article IX, section 3 of the constitution, the public school land permanent fund must forever remain inviolate. Provision is made, however, for the investment of the fund in certain classes of investments. The state must supply all losses that may occur in this fund. The income from the fund is apportioned to the counties for school purposes.

The saline land permanent fund was established to care for the moneys derived from the sale of lands granted to the state by section 11 of the enabling act. The moneys in the saline land permanent and income funds are subject to disposal as the legislature may direct.

The university land permanent fund is established like the other permanent funds and may be applied as the legislature may direct for the benefit of the university. Under the present law the permanent fund must be held intact and only the interest and rentals may be expended for the purposes of the grant. (R. S. '08, Sec. 5194.)

Trust Funds.

The dependent children's home trust fund is the only trust fund now on the books of the treasurer. It was created in 1909 by the gift of \$1,000 to the home. The proceeds of this fund are to be used for the purchase of Christmas presents for the inmates of the home.

Funds established to meet the bonded indebtedness of the state.

The constitution provides that the state shall contract no debt by loan unless provision is made by special tax levy to raise an amount of revenue sufficient to pay the interest and repay the loan at its maturity. Revenue so raised can be applied to no other purposes. (Const. Art. XI, Sec. 4.) A sinking fund and an interest fund must, therefore, be established for each bond issue or class of bond issues

The funds now standing on the treasurer's books to meet bond issues and interest thereon are:

1. Casual Deficiency Bonds Sinking Fund.
2. Capitol Building Bonds Sinking Fund.
3. Insurrection Bonds Sinking Fund.
4. Sinking Fund Insurrection Bonds, Series 1914.
5. Sinking Fund Funding Bonds, Series 1897.
6. Interest on Insurrection Bonds Fund.
7. Interest on Funding Bonds, Series 1910.

The purposes for which the first three of the above funds were established have been fulfilled and the bond issues cancelled. The receipts coming into these funds from delinquent taxes are transferred to the surplus fund and thence to the general fund. The other four funds are still active, their receipts coming from tax levies, delinquent taxes and interest on delinquent taxes.

The "sinking fund funding bonds, series 1897," was created by law, passed in 1897 (R. S. '08, Sec. 2701), which provides for a tax levy to raise sufficient funds to pay the interest on and redeem an issue of funding bonds covering the indebtedness incurred in suppressing the insurrection of 1896 and 1897. The amount of this issue was limited to \$225,000.00

The "interest on insurrection bonds fund" was created by law passed in 1895. (R. S. '08, Sec. 2694.) The fund is now used as a general fund for the purposes of paying interest on the various issues of insurrection bonds outstanding, including the series of 1909 for which no sinking fund has as yet been established.

The fund for "interest on funding bonds, series 1910," was created by chapter 175 of the laws of 1909, which provided for a tax levy to pay the interest on and to redeem a series of bonds issued to pay the principal and accrued interest of all outstanding warrants for the years 1887, 1888, 1889, 1892, 1893, 1894, and 1897. The amount of this issue was limited to \$2,115,000.00. No sinking fund to redeem this bond issue exists as yet.

The "sinking fund insurrection bonds, series 1914," was created by chapter 3 of the laws passed by the extraordinary session of 1914 to provide for the payment of interest and redemption of a bond issue to pay the expenses of suppressing the insurrection of 1913 and 1914. The bond issue was limited to \$1,000,000.00.

Funds for Special Purposes, and Miscellaneous Funds.

1. Agricultural College, Smith-Lever Extension Act Fund.

This fund was established to facilitate the handling of moneys paid by the treasurer of the United States to the state for the benefit of the agricultural college under the Smith-Lever Extension Act.

2. Escheats Fund.

Increments derived from escheated estates, the proceeds of which are held twenty-one years and then turned over into the school fund.

3. Forest Reserve Cash Fund.

Consists of 25 per cent of the revenues accruing to the United States from the sale of forest products, and is apportioned rateably among the counties in which forest reserves are located.

4. Interest on Deposits Fund.

This fund was established to facilitate the handling of moneys derived from state cash deposited in banks at 3 per cent interest. The receipts are apportioned to the general and the public school income funds.

5. Interest on Delinquent Taxes Fund.

Established under section 5539 of Revised Statutes of 1908. The moneys of the fund are apportioned rateably to the various tax levy funds.

6. Land Commissioners' Cash Fund (unapplied).

Consists of receipts from lands held pending the distribution thereof to the various land funds by the board of land commissioners.

7. Mineral Land Survey Fund.

Receipts are derived from persons who wish surveys of public mineral lands and the proceeds are used to pay the cost of such surveys.

8. Military Department Special.

Increments consist of receipts from sale of property purchased in 1913 and 1914 which are applied to the sinking fund for insurrection bonds, series 1914.

9. Penitentiary Administration Building Fund.
Created out of moneys appropriated from the penitentiary land permanent and land income and out of the saline land income funds, for the construction of an administration building.
10. Supreme Court Library Fund.
Consists of license fees for admission to the bar and other fees from the clerk of the supreme court, and is used to pay the expenses of binding the records and reports of the proceedings of the supreme court and to purchase additional volumes for the library. At times the legislature makes appropriations from this fund for other purposes than those mentioned.
11. School of Mines General Fund.
Consists of rents and miscellaneous receipts set aside as a saving fund.
12. School of Mines Testing Plant Fund.
Consists of an appropriation for the construction of a testing plant.
13. Stock Inspection Stallion Fund.
Consists of the fees from licenses and is used to pay premiums on stock at fairs and stock shows.
14. State Road Fund.
Consists of the receipts of the internal improvement land permanent and income funds, 50 per cent of receipts from motor vehicle licenses, and receipts from a tax levy of five-tenths mills, and is used in the construction and maintenance of the highways and roads of the state.
15. State Bank Commissioner's Loan License Fund.
Consists of fees for licenses issued to persons to loan money, and is paid into the general revenue.
16. State Board of Immigration Fund.
Consists of an appropriation and is for the use of the board.

General Revenue Funds.

These are a number of general revenue accounts carried by the state auditor and treasurer, one for each fiscal year back to 1906. These separate revenue accounts are carried because the general revenue expenses of one fiscal year cannot be paid out of the general revenue of another fiscal year. The following table shows the credits to the general revenue account for the biennial period ended November 30, 1914, and the fiscal year ended November 30, 1915.

TABLE V.

STATEMENT OF THE COMBINED RECEIPTS OF ALL GENERAL FUNDS OF THE STATE FOR THE BIENNIAL PERIOD ENDING NOVEMBER 30, 1914, AND FOR THE SINGLE YEAR ENDING NOVEMBER 30, 1915.

	1913-1914	1915
1. Tax levy for general purposes.....	\$1,348,307.35	\$ 783,219.43*
2. From levies prior to 1912.....	83,871.09	.....
3. Insurance Department	503,989.78	235,000.00
4. Inheritance tax	446,247.50	190,995.60
5. Secretary of State, fees.....	207,652.88	83,570.21
6. Flat tax	107,311.28	31,866.17
7. Interest on deposits	54,978.14	23,696.50
8. State Bank Commissioner	26,315.36	12,704.54
9. State Engineer	25,414.73	7,126.10
10. State Oil Inspector	13,412.26	9,000.00
11. State Boiler Inspector	15,830.00	9,400.00
12. Interest on delinquent taxes.....	14,705.23†
13. State Coal Mine Inspector	3,921.28	.....
14. Auditor of State, bldg. and loan, etc..	3,246.30	1,589.25
15. Clerk of Supreme Court.....	1,714.73	521.92
16. Civil Service Commission.....	1,091.71	.....
17. State Treasurer, liquor licenses.....	105,891.00	38,191.44
18. State Treasurer, detective licenses...	900.00	200.00
19. State Board of Health.....	618.95	89.00
20. Miscellaneous special levies.....	295.56	.....
21. State Dairy Commissioner.....	292.00	.....
22. Refund on assessors' bonds.....	196.65	197.63
23. Refund court fees	104.34	.....
24. Bank Commissioner's licenses	62.50	.....
25. Mileage refund	54.13	.....
26. Commissioner of Mines	22.50	5.00
27. Convict labor .....	.....	254.98
	<u>\$2,965,473.82</u>	<u>\$1,427,627.77†*</u>

(*) Estimate.

(†) Included under estimate of revenue from tax levy.

TABLE VI

SUMMARY TABLE OF CREDITS TO THE GENERAL REVENUE ACCOUNT WITH THE PER CENT OF EACH MAIN CLASS IN ITS RELATION TO THE WHOLE

	1913-14		Single Year 1915	
	Amount	Per Cent	Amount	Per Cent
1. Tax levy for general purposes..	\$1,432,078.44	48.30	\$ 783,219.43	54.88
2. Inheritance tax.....	446,247.50	15.05	190,995.60	13.38
3. Flat tax	107,311.28	3.62	31,866.17	2.23
4. Insurance Commissioner	503,989.78	15.99	235,000.00	16.42
5. Secretary of State, fees.....	207,652.88	7.00	83,570.21	5.85
6. State Treasurer, liquor licenses.	105,891.00	3.57	38,191.44	2.67
7. All others	162,302.94	5.47	64,784.92	4.57
Totals	\$2,965,473.82	100.00	\$1,427,627.77	100.00

The Surplus Fund.

As created by law, the surplus fund is made up of the surplus from the revenues of the state at the end of each biennial period, after the payment of all appropriations made therefrom. (L. '03, p. 103.)

The balances of this fund are ordinarily transferred to the general revenue fund of the year next following the close of the biennial period, but may also be appropriated by the legislature for any special purpose within the limits set by the constitution. Thus the surplus revenues for the years 1901, 1902, 1903 and 1904 were constituted a surplus fund to be applied to the payment of outstanding vouchers and other evidences of indebtedness issued for the support and maintenance of the state penitentiary, the reformatory, the insane asylum, the state industrial school for boys and the soldiers' and sailors' home, and for the state university for the years 1897-1898 and 1899-1900. (L. '03, p. 103.) From time to time a similar disposition has been made of the surplus fund thus established. This fund was placed under the control of the governor, the auditor and the attorney general.

Further comment on state revenues and fund accounts will be found in the following section concerning "state expenditures."

VI. STATE EXPENDITURES

There are five main classes of expenditures, according to the form of authorization and the source of funds from which they are payable as follows:

a. Expenditures from general and special appropriations, payable from general revenues.

b. Expenditures from continuing appropriations or appropriations authorized in acts creating certain departments, boards, etc., and payable from general revenue.

c. Expenditures from continuing appropriations authorized in creating acts, payable from cash receipts of departments, boards, etc., so authorized.

d. Expenditures authorized in special appropriation bills each session (in addition to the special appropriations) payable from the cash receipts of the departments, boards, etc., so authorized.

e. Expenditures from special tax levies, the authorization to spend being included in the acts creating departments or institutions, etc., or in special tax levy bills.

The following statements, summarized and in detail, give in revised form the expenditures of the state for the two fiscal years ended November 30, 1914, classified in accordance with main functional activities. In the preparation of these statements it was necessary to utilize the biennial reports of the state auditor and treasurer for the biennial period ended November 30, 1914, re-classifying the items of expenditures shown therein and in some cases estimating certain items for the

purposes of the statements,, where the expenditures for such items were included in the total of other items in the reports. Further, it was necessary to estimate the expenditures from certain cash funds of institutions which were not shown in either the auditor's or treasurer's reports.

TABLE VII.

SUMMARIZED STATEMENT OF THE EXPENDITURES OF THE STATE OF COLORADO FOR THE TWO FISCAL YEARS ENDED NOVEMBER 30, 1914.

General State Functions and Activities.

I. Legislative	\$ 296,711.84	
II. Judiciary	388,705.75	
III. Executive:		
General Adminis-		
tration	\$ 859,226.85	
Military Affairs	163,887.20	
Protection of Public		
Health	48,404.64	
Regulation and Super-		
vision of Labor . .	132,259.97	
Public Control of Cor-		
porations and		
Business	95,836.34	
Regulation of Profes-		
sional Occupa-		
tions	23,183.06	
Public Works	1,120,731.31	
Agriculture, Stock,		
Game and Fish..	225,466.99	
Public Instruction . .	2,505,654.44	
Care of Dependents,		
Delinquents and		
Defectives	1,368,690.73	
Regulation of Stand-		
ards	8,727.52	
Miscellaneous	59,415.32	
Total Executive.....	6,611,484.37	
Total Legisla-		
tive, Ju-		
diciary		
and Ex-		
ecutive	\$7,296,901.96	
IV. State Debt and Interest		
on Warrants	468,500.91	
Grand Total		
Expendi-		
ture	7,765,402.87	

TABLE VIII

STATEMENT SHOWING THE EXPENDITURES OF THE STATE OF COLORADO FOR THE TWO FISCAL YEARS ENDED NOVEMBER 30, 1914, AS COMPILED FROM THE BIENNIAL REPORT OF THE AUDITOR AND STATE TREASURER

FUNCTIONS, ORGANIZATION, UNITS AND OBJECTS OF EXPENDITURE	From general, special and continuing appropriations, payable from gen. revenue	From cash receipts of departments, institutions, etc.	From moneys derived from special tax levies	Total expenditures
I. Legislative				
Legislative	\$141,376.48	.....	.....	\$141,376.48
Joint Investigating Committees	1,430.28	.....	.....	1,430.28
Indexing and compiling House and Senate Journals.....	2,000.00	.....	.....	2,000.00
Printing House and Senate Journals	5,331.90	.....	.....	5,331.90
General legislative printing...	27,076.57	.....	.....	27,076.57
Supply and expense.....	4,140.77	.....	.....	4,140.77
Publishing Initiative and Referendum Bills	115,355.84	.....	.....	115,355.84
Total Legislative	\$296,711.84	.....	.....	\$296,711.84
II. Judiciary				
Court of Appeals.....	\$ 75,219.71	.....	.....	\$ 75,219.71
District Court	188,644.44	.....	.....	188,644.44
Supreme Court	119,766.66	.....	.....	119,766.66
Supreme Court Library.....	.....	\$ 3,656.03	.....	3,656.03
Law Examiners	1,418.91	.....	.....	1,418.91
Total Judiciary	\$385,049.72	\$ 3,656.03	.....	\$388,705.75
III. Executive				
a. General Administration				
Governor	\$ 28,700.00	.....	.....	\$ 28,700.00
Attorney-General:				
General Office	44,095.50	.....	.....	44,095.50
Inheritance Tax Department.....	.....	\$ 19,169.68	.....	19,169.68
Auditor of State:				
General Office	26,645.15	.....	.....	26,645.15
Public Examiner	49,432.14	.....	.....	49,432.14
Bureau of Building and Loan Ass'ns (See under (e) below).				
Secretary of State (See under (e) below).				
General Office, Corporation Tax Dep't, Motor Vehicle Tax				
Deputy Labor Commissioner (See under (d) below).	78,127.96	7,754.39	.....	85,882.35
Incidental State Supplies....	69,921.19	.....	.....	69,921.19
State Treasurer:				
General Office and Liquor License Dep't.....	50,420.90	.....	.....	50,420.90
Board of Capitol Managers:				
Capitol Bldg. Maintenance.....	.....	.....	\$135,511.65	135,511.65
State Museum (construction)	.....	\$12,000.00	\$235,999.07	265,999.07
Civil Service Commission....	11,007.96	493.74	.....	11,501.70
Tax Commission	35,082.05	.....	.....	35,082.05
Printing Commissioner	5,000.00	.....	.....	5,000.00
General State Printing....	25,463.04	.....	.....	25,463.04
Printing Session Laws.....	2,902.43	.....	.....	2,902.43
State Board of Equalization...	\$3,500.00	.....	.....	\$3,500.00
Total Gen'l Admin.....	\$430,298.32	\$ 39,417.81	\$389,510.72	\$859,226.85
b. Military Affairs:				
Adjutant General's Dept.....	.....	\$ 6,889.91	\$156,997.29	\$163,887.20
c. Protection of Public Health:				
Board of Health.....	\$ 40,450.77	\$ 167.77	.....	\$ 40,618.54
Chief Meat Inspector (See under (h) below).				
State Dairy Commissioner....	7,786.10	.....	.....	7,786.10
Total Protection of Public Health	\$ 48,236.87	\$ 167.77	.....	\$ 48,404.64

(1) Appropriated out of Public Building Land Permanent and Income Funds.

(2) Appropriated out of Capitol Building Fund.

(3) This item of \$3,500 was for the salary of the Secretary of the State Auditing Board.

TABLE VIII—Continued

FUNCTIONS, ORGANIZATION, UNITS AND OBJECTS OF EXPENDITURE	From general, special and continuing appropriations, payable from gen. revenue	From cash receipts of departments, institutions, etc.	From moneys derived from special tax levies	Total expenditures
d. Regulation and Supervision of				
Labor				
Deputy Labor Commissioner:				
Bureau of Labor Statistics..	\$ 11,143.74			\$ 11,143.74
Factory Inspection	17,936.49			17,936.49
Supervision of Private Em- ployment Offices		\$ 2,275.90		2,275.90
Colorado Free Employment Of- fices	17,357.54			17,357.54
Bureau of Mines.....	32,895.10			32,895.10
Coal Mine Inspector, Examin- ers of Coal Mine Inspectors.	8,254.67	27,572.29		35,826.96
State Steam Boiler Inspector.	13,878.33			13,878.33
Women's Wage Commission..	945.91			945.91
Total Protection of Prop- erty and Labor.....	\$102,411.78	\$ 29,848.19		\$132,259.97
e. Public Control of Corporations and Business:				
Public Utilities Commission... 1\$	5,945.70			\$ 5,945.70
Railroad Commission	22,207.35			22,207.35
Bank Commissioner	24,960.28			24,960.28
Insurance Commissioner		\$ 38,483.41		38,483.41
Bureau of Building and Loan Associations (under Auditor of State)	4,239.60			4,239.60
General Corporation Control ² ..				
Commission Merchant Inspec- tors ²				
Ore Buyers' Inspector ²				
Total Public Control of Corporations & Business	\$ 57,352.93	\$ 38,483.41		\$ 95,836.34
f. Regulation of Professional Occupations:				
State Board of Architect Exam. State Board of Barber Exam. State Board of Embalming Ex. State Board of Medical Exam. 3\$	500.00	5,279.42 1,822.54 7,360.00		\$ 5,279.42 1,822.54 7,860.00
State Board of Nurse Exam.. State Board of Optometric Ex. State Board of Pharmacy.....		4,294.79 1,919.38 2,006.93		4,294.79 1,919.38 2,006.93
Total Regulation of Pro- fessional Occupations ..	\$ 500.00	\$ 22,685.06		\$ 23,183.06
g. Public Works:				
State Board of Land Com'rs:				
General Office	\$ 43,613.69	\$ 25,360.12		\$ 68,973.81
Desert Lands		1,164.74		1,164.74
Mineral Land Survey.....		473.00		473.00
State Board of Immigration..	5,558.20			5,558.20
State Engineer	81,878.72			81,878.72
State Highway Commissioner:				
General Office	2,238.09	28,465.36		30,703.45
Apportionments to Counties.		716,400.12		716,400.12
Colfax Viaduct.....	50,000.00			50,000.00
Internal Improvement		556.34		556.34
Forest Reserve Fund Appor- tionments		165,022.93		165,022.93
State Forester (See (h) be- low).				
Total Public Works.....	\$183,288.70	\$937,442.61		\$1,120,731.31

(1) Succeeded the Railroad Commission.

(2) The cost of these items is included in the total of the Secretary of State, under (a) above.

(3) By transfer from general fund.

TABLE VIII—Continued

FUNCTIONS, ORGANIZATION, UNITS AND OBJECTS OF EXPENDITURE	From general, special and continuing appropriations, payable from gen. revenue			From cash receipts of departments, institutions, etc.	From moneys derived from special tax levies	Total expenditures
h. Agriculture, Stock, Game and Fish:²						
Horticultural Board	\$ 1,259.35					\$ 1,259.35
State Bee Inspector	2,666.08					2,666.08
State Entomologist	5,431.25					5,431.25
State Forester	7,998.50					7,998.50
State Horticulturist	1,661.25					1,661.25
State Pest Inspector	2,652.72					2,652.72
Board of Stock Inspection Commissioners:						
Stock Inspection					\$ 51,691.47	51,691.47
Brand Inspection			\$31,625.55			31,625.55
Stallion License Fund			3,295.50			3,295.50
State Veterinary Surgeon and Chief Meat Inspector..	4,747.15					4,747.15
Game and Fish Department..	39,068.91		73,369.26			112,438.17
Total Agriculture, Stock, Game and Fish.....	\$ 65,485.21	\$108,290.31		\$ 51,691.47		\$225,466.99
i. Public Instruction:						
Supt. of Public Instruction..	\$ 15,668.50					\$ 15,668.50
State Library	2,922.56					2,922.56
State Teacher for the Adult Blind	2,682.15					2,682.15
School Funds Apportioned to Counties		\$957,288.20				957,288.20
Permanent School Emergency Minimum Wage for Teachers.		4,835.00				4,835.00
Normal Institutes		12,595.65				12,595.65
Traveling Libraries	1,179.01		7,453.55			7,453.55
Sub-total for other than State Educational Inst's.	\$ 22,452.22	\$982,172.40				\$1,004,624.62
Agricultural College	\$ 66,811.45	\$ 54,100.96	\$157,246.16			\$278,158.57
Ft. Lewis School of Agriculture	35,548.87	868.41				36,417.28
Grand Jct. School of Forestry.		656.70				656.70
Gunnison Normal School.....	39,998.44					39,998.44
State Normal School (Greeley)	26,344.54	\$55,000.00	\$138,695.50			220,040.04
State School for Deaf & Blind	13,723.14		167,748.40			181,471.54
School of Mines.....		1,452.89	143,966.96			145,419.85
University of Colorado.....	119,876.81	\$121,331.19	332,183.68			\$573,391.68
State Geological Survey.....	24,264.02					24,264.02
State Historical and Natural History Society	1,211.70					1,211.70
Sub-total for State Educa- tional Institutions	\$ 327,778.97	\$ 233,410.15	\$ 939,840.70			\$1,501,029.82
Total for Pub. Instruction..	\$ 350,231.19	\$1,225,582.55	\$ 939,840.70			\$2,505,654.44
j. Care of Dependents, Delin- quents and Defectives:						
Bureau of Child and Animal Protection	\$ 15,564.18					\$ 15,564.18
Board of Charities and Cor- rections	14,454.97					14,454.97
Board of Corrections:						
Insane Asylum	197,487.06	\$ 4,553.69	\$187,341.95			389,382.70
Reformatory	101,181.69	2,394.99				103,576.68
State Penitentiary	231,032.17	38,864.21				269,896.38
Boys' Industrial School.....	161,906.93	21,238.13				183,145.06
Girls' Industrial School.....	20,024.90	55,400.65				75,425.55
Home for Dependent and Neg- lected Children	112,583.22	1,911.22				114,494.44
Home and Training for Mental Defectives	65,019.00	1,283.15				66,302.16
Industrial Workshop for the Blind	19,969.15					19,969.15
Soldiers' and Sailors' Home...	88,594.02	27,885.44				116,479.46
Total	\$1,027,817.29	\$153,531.49	\$187,341.95			\$1,368,690.73

(1) The Bee Inspector, Entomologist, Forester, Horticulturist and Pest Inspector are attached to the Agricultural College, and their salaries as regular professors are included in the item for that institution.

(2) Estimated amount expended out of cash receipts.

(3) Estimate. The total is the actual amount expended by the institution.

(4) Estimate based on the report of the treasurer of the university.

(5) The total is based on the report of the treasurer of the institution.

(6) This institution (Industrial Workshop for the Blind) does not report its cash receipts to the auditor or treasurer. (By statute has exclusive control of cash receipts.)

TABLE VIII—Continued

FUNCTIONS, ORGANIZATION, UNITS AND OBJECTS OF EXPENDITURE	From general, special and continuing appropriations, payable from gen. revenue	From cash receipts of departments, institutions, etc.	From moneys derived from special tax levies	Total expenditures
k. Regulation of Standards:				
State Inspector of Oils.....	\$	8,727.52	\$	8,727.52
l. Miscellaneous:				
Assessors' Expenses and Bonds.....	3,611.92	\$ 1,819.14	\$	5,431.06
General Contingent (expenses of presidential electors)....	263.70			263.70
Relief	391.00			391.00
Water Defense	36,664.10			36,664.10
Refunds	7,629.72	9,035.74		16,665.46
Total Miscellaneous.....	\$ 48,560.44	\$ 10,854.88		\$ 59,415.32
Grand Total Executive....	\$2,314,182.73	\$2,571,919.51	\$1,725,382.13	\$6,611,484.37
Grand Total Legislative. Judicial and Executive..	\$2,995,944.29	\$2,575,575.54	\$1,725,382.13	\$7,296,901.96
IV. State Debt and Interest on Warrants				
Bonds Redeemed		\$ 67,800.00	\$ 35,000.00	\$ 102,800.00
Interest on Insurrection Bonds			59,222.50	59,222.50
Interest on Funding Bonds....			219,735.00	219,735.00
Interest on Public School Bonds			4,318.19	4,318.19
Interest on Warrants.....	\$ 75,486.53			75,486.53
Casual Deficiency Certificates..			6,938.69	6,938.69
Total State Debt.....	\$ 75,486.53	\$ 67,800.00	\$ 325,214.38	\$ 468,500.91
Grand Total State Expend- itures	\$3,071,430.82	\$2,643,375.54	\$2,050,596.51	\$7,765,402.87

The table shows, further, that a number of departments, boards and commissions are financed by appropriations from general revenue, that a number are financed by both appropriations from general revenue and by cash receipts, that one department is financed by tax levy, and one board by both cash receipts and tax levy. Again the table shows that state institutions are financed by appropriations from general revenue, or by cash receipts, or by tax levies, or by combinations or any two of these sources, or by all three of them.

The distinction in the method of financing state expenditures may be carried still farther when it is remembered that there are general appropriations, special appropriations, and continuing appropriations payable from general revenue, and that the expenditures of some departments and institutions are paid from one or two of these classes of appropriations, also that special and continuing appropriations may be paid from general revenue, from cash receipts funds and from special tax levy funds.

As an example more concretely illustrating the different sources drawn on in providing funds for state activities, the following is submitted from the current period (1915-1916):

Authorization	Insane Asylum. Payable from	Amount
Special Appropriation....	General Revenue	\$207,000
Special Appropriation....	Public Building Land Permanent Fund	1,000
Special Appropriation....	Public Building Land Income Fund	1,500
Special Appropriation....	Supreme Court Library Fund....	27,500
Continuing Appropriation.	Cash Receipts	5,000 (est.)
Continuing Appropriation.	Special tax levy	180,492 (est.)

The disadvantages of the present system of financing state expenditures are numerous, chief of which may be cited:

- a. It complicates the preparation of a state budget.
- b. It complicates the accounting for and reporting of state expenditures.
- c. The classification of general revenue appropriations and order of payment makes all classes below the first uncertain as to what amount of their appropriations will be honored, thus, as previously stated, unsettling the work programs of the departments and institutions so affected.
- d. The cash receipts are in the main fluctuating and uncertain.
- e. The state auditing control over expenditures from cash receipts and tax levies for institutions is about what the institutions are willing to submit to, inasmuch as the law usually authorizes the heads of institutions to expend the funds as they deem proper in the case of cash receipts, and for general support, maintenance, and construction in the case of tax levies, to the full amount collected.

The receipts from tax levies for the support and maintenance of departments or institutions, have alone proved insufficient for the operation of the institutions receiving support from special tax levies. Not even with the addition of cash receipts have most of these institutions been sufficiently supplied with funds, and appropriations are usually found necessary during each biennial period. A tax levy, although it guarantees a certain sum to an institution or department, if it is insufficient to meet all the expenditures of support and maintenance, does not accomplish its purpose. If it is found necessary to make special appropriations for additional maintenance at every session of the legislature for the support of these institutions, the tax levy might as well not exist, as it simply serves to complicate the management of the fiscal affairs of the state.

It is recognized, of course, that a tax levy, even if insufficient alone to meet the current needs of an institution, provides the bulk of an institution's resources and, to the extent of being a tax levy, removes the question of tampering with it in each session of the legislature. Under the present classification of appropriations and order of payment, if an appropriation were made to take the place of a special tax levy, an institution might be seriously embarrassed financially in its operations, owing to uncertainty as to how much of its appropriations would be honored. An institution should not be placed in this uncertain position. The remedy, however, lies not so much in granting appropriations in addition to tax levies and free use of cash receipts, as in wiping out the classification of appropriations and special tax levies, preparing and submitting a state budget as recommended herein, and basing appropriation bills on the budget and within estimated revenues, thus permitting all branches of state activity to stand on the same footing with respect to drawing on their appropriations.

Concerning the practically uncontrolled use of cash receipts of departments, institutions, etc., these receipts should be converted into the general revenue in every case where no federal grants are involved or where the moneys are not of the nature of trust funds. Among the prominent recommendations recently made in several of the most progressive states in connection with a revision of their fiscal affairs, have been recommendations to provide by regular fiscal year appropriations for all branches of the state service and to deposit in the treasury as general revenues all cash receipts.

In this connection, reference is here made to a recommendation made in the state auditor's report for the biennial period 1913-1914:

"The legislature has been reappropriating to the various institutions all fees and earnings collected by them. The educational institutions collect fees mainly for tuition and the use of laboratories. The penal institutions from the sale of products; the charitable institutions collect fees mainly from pay-patients and from sale of products. These are all paid into the state treasury and drawn out by the institutions upon cash warrants in the same manner as the specific amounts appropriated by the legislature are drawn.

"The amount to be received in fees is so uncertain that these institutions ask for specific appropriations for amounts sufficient to run the institution and the amount of fees received is to the good.

"This tends to extravagance and useless expenditure of money. The legislature should make a point of not appropriating the cash fees or earnings and should expressly provide in each appropriation bill that all the fees and earnings received should be credited to the General Revenue Fund of the state."

VII. SUMMARY OF FINDINGS

The study of state finances and budget procedure, as outlined in this report, has necessarily been restricted to certain phases of the subject owing to the very short time available for the work. It is believed, however, that sufficient ground has been covered on which to base the following conclusions:

a. The legislature, in its handling of estimates of expenditures and revenues, and compilation of the data for the passing of appropriation bills, etc., is assuming each biennial period a function which is inherently executive and not legislative.

b. The legislature has admittedly failed to perform this function in the manner which its fundamental importance to the business of the state government demands. The legislature cannot do otherwise than fail in this without taking over the whole executive function of the state.

c. The members of the legislature in the main are unfitted by training and experience to prepare a state budget, and, as nearly as can be gathered, recognize their limitations in this respect and the weaknesses in the present system, and would welcome a change from a duty which would appear to have been thrust upon them rather than assumed as a legislative function.

d. Further, even if the legislature were competent to prepare a state budget (which is an almost impossible assumption, from the short period of its sessions, and meeting only once in every two years with a large percentage of new members), it would be putting the "cart before the horse" and would encourage "invisible government" and lobbies, and substitute influence for reason and sentiment for fact, and guesswork for scientific data.

e. Moreover the present practice of the legislature concerning the preparation of a state budget and financial program divides responsibility as between the legislature and the chief executive of the state, whereas, as a matter of fact, the responsibility under this system, should rest entirely on the legislature.

f. There is not a statement or report anywhere in the state government showing for a biennial or other period the exact financial status of the government, how much it costs to run the government of the subdivisions thereof, what property it has, or how much is spent for salaries alone by the government each year.

g. It is difficult, and impossible in some cases, to learn from published statements or reports, what the cost of even a single department or institution of the government may be for a biennial period. As an illustration of the confusion liable to result in the mind of a legislator, or other uninitiated person, attempting to utilize the present published reports submitted to him biennially, reference is made to the University of Colorado. The state auditor's report for the biennial period ended November 30, 1914, the state treasurer's report and the public examiner's report for the same period all contained different information pertaining to finances of the institution for that period, and the report published by the university covered a biennial period which ended September 30, 1914, and hence showed different financial results from the reports of the auditor, treasurer, and public examiners.

h. The central accounting system of the government is an accounting system in name only. Accounting is an exact science. The only exactness in the central accounting system of the state is confined largely to seeing that cash gets into the proper account and is taken out of the proper account in accordance with the law. It is absolutely incapable of furnishing the data necessary to the chief executive of the state or the legislature in the preparation of a budget each biennium without costly analysis of fund accounts, vouchers, etc.

i. The handicaps under which the legislature labors (this is the only branch of the government which under the present organization and methods appears to be concerned with the facts of government business from an executive standpoint, which shows the anomaly of the situation) are insurmountable in any effective administration of the state finances. A sound accounting system is the first step in a sound and efficient financial policy.

j. The law classifying appropriations and providing for an order of payment thereof is largely the direct cause of excessive appropriations, i. e., of general revenue appropriations, the total amount of which for a biennium exceeds usually by hundreds of thousands of dollars the estimated resources to pay such appropriations.

k. The provision of law regulating the assessment, levying and collecting of taxes, and also the legal provisions establishing the fiscal year are responsible in a considerable measure for the disorganized condition of the state finances and the diversity in funding state expenditures. In order to show chronologically the steps in the fiscal scheme of operations, a biennial period is taken as an illustration.

(1) December 1—The first fiscal year of the biennial period begins.

(2) First Monday in January—The general assembly meets.

(3) January or February—The general assembly passes the short general appropriation bill and other short special bills to provide temporarily for the continuance of the general government and for state institutions from December 1 to April 1. In general such revenues as are at hand are appropriated for this purpose and no special provisions relating to revenue are considered. All bills are generally introduced within thirty days after the opening of the session.

(4) January to April—Estimates of receipts and expenditures are secured by the finance and revenue committees of both houses of the general assembly and the general and special revenue and long appropriation bills amended and reported back to the houses.

(5) April 1—Tax schedules are submitted to the county assessors and transmitted to the tax commission.

(6) April or May—The long general appropriation bill, providing for the support of the general government, and the special bills, providing for the support and maintenance of state institutions, etc., are passed. Bills relating to the raising of revenues and establishing tax levies for various purposes, if any changes are made in the existing levies, are also passed at this time.

(7) May—The legislature usually adjourns.

(8) April to October—Public utilities are assessed by the tax commission and claims relating to over-assessment heard and determined.

(9) First Monday in October—The State Board of Equalization meets to adjust and to equalize assessments.

(10) Third Monday in October—The state board of equalization finally determines upon the valuation for the whole state and for each county and sets the levy for state purposes. In this it is limited only by the maximum levy set by the legislature and the rates of special levies.

(11) October to February—The final assessments and levies charged against each county are sent to the auditor of state who transmits them to the clerks of the several counties. The county treasurers correct their rolls and send out their tax notices.

(12) November 30—The first fiscal year of the biennial period ends.

(13) Last day of February—The first installment of taxes levied for the preceding fiscal year is due and payable and the moneys derived therefrom are available to pay the expenses of the fiscal year ended November 30.

(14) July 31—The second and last installment of the taxes is due and payable and available to pay the expenses of the fiscal year ended November 30.

The operation for the second fiscal year of the biennial period is the same as above except that the legislature does not meet.

From the foregoing procedure it will be seen that the legislature is passing upon appropriation bills and providing for the fiscal operations of the biennial period when several months of the period have already elapsed and "short" bills are necessary in the interim. All salaries and expenses which are not statutory must be held up pending the passage of relief measures. Further, general property taxes for a fiscal year are not collected for from three to eight months after the fiscal year has closed for which they are collected or may be applied. This delay in collecting general property taxes has cost the state on an average \$35,000 a year in interest charges on warrants issued against the general revenue fund.

The levying of special taxes for certain departments and institutions and the practice of permitting the almost free use thereof and of cash receipts is practically an outgrowth of the defects in the system of levying and collecting taxes, inasmuch as these departments and institutions are not restricted to fiscal year limitations in the application of their special collections or of their other cash receipts. If all branches and activities of the state service were financed entirely by means of regular biennial appropriations, payable from the general revenue, the interest charges on warrants would of course be many times greater each year than they are now, owing to the correspondingly larger amount of general revenue taxes which would not become available until several months after the close of the fiscal year for which they are levied and collected.

This, however, should not be an argument for the retention and extension of the practice of special tax levies. Practically, receipts from special tax levies are just as much general revenues as any of the sources of receipts now credited to the general revenue account. The whole question may be solved by merely changing the fiscal year dates and making certain other changes in dates of assessments, collection of taxes, etc., as outlined herein under "recommendations," thus making available, in the year for which they are levied, all collections of taxes and saving in addition the \$35 000 per year interest on warrants.

1. The present system of providing revenues from several different sources for funding state activities is directly responsible for lack of any effective central auditing control over all state expenditures or of any standards governing alike the expenditures of all departments, boards, institutions, etc. It is very easy for the legislature in passing special appropriation or tax levy bills to avoid trouble by merely stating in the bills that the appropriations or levies may be expended for certain broad, general objects which may include anything and everything, but this does not permit of any real auditing control by the state auditor.

The weaknesses in auditing control are emphasized when it is remembered that special appropriation bills, special tax levy bills, and fees and earnings of departments and institutions, etc., the expenditure of which is usually authorized in broad, general terms with only rare itemization and this only in connection with special appropriation bills, constitute approximately 49 per cent of the total expenditures of the state for all purposes. If we deduct from the total expenditures those items which are merely apportionments to counties, such as road fund, forest reserve fund, and school fund apportionments, etc. (a total of \$1,872,594), the above percentage is increased to over 65 per cent of expenditures incurred in accordance with broad general authorizations which make auditing control as strict or loose as the state auditor and the state auditing board can force the departments and institutions to abide by. In numerous cases of expenditures from cash funds and tax levies, institution heads cannot be forced out of any attitude they adopt or deem proper for the best interest of their institutions, and the general terms of the language of appropriation bills and statutes support them in their position of independence.

It is not desired to intimate in any way by the above remarks that institution heads misapply or are wasteful of state moneys or that they are the cause of any of the unsatisfactory conditions referred to in this report. The causes are more fundamental. Heads of institutions and departments have been forced to get all the control of their funds that they could in order to reduce to a minimum official interference with local policies and management by persons not always competent to judge of the merits of these policies or of the management. What it is desired to show in this report is that under able, disinterested, and sound business administration and control of all state matters by a central organization, institutions, departments, etc., would fare better than they are even under the existing conditions of more or less independence and administrative freedom.

VIII. RECOMMENDATIONS

A budget, as the term is defined in the first part of this report, should be compiled under the direction and supervision of the governor and submitted by him to each session of the legislature for each biennial period. In order that the governor may be able to carry out this recommendation, it is suggested that there be created for the purpose the office of Budget and Efficiency Commissioner, with the necessary expert staff, qualified to make all necessary studies of every branch of the state government's activities with the object of using the results of such studies in the revision of the estimates of departments, boards, institutions, etc., and the compilation of a budget.

All estimates of expenditures, regardless of the source of funds by which the estimated expenditures may be financed, should be submitted by all state departments, boards, institutions, etc., to the budget and efficiency commissioner acting for the governor, and these estimates together with estimates of receipts, and with recommendations, should be compiled by the commissioner for the information and action of the governor.

That the state auditor should establish in his office a system of accounting and classification of expenditures which shall give the facts relating to the business of the state in such detail as will avoid unnecessary analysis of accounts in the preparation of statements of costs and other statements needed by the chief executive or the budget and efficiency commissioner.

That the state auditor should furnish to the budget and efficiency commissioner acting for the governor, statements of appropriations, expenditures, contract or other encumbrances, for the biennial period preceding the meeting of the legislature, together with statements of estimated revenue for the succeeding biennial period.

The budget and efficiency commissioner referred to should be empowered to make examinations and investigations of the organization of departments, boards, institutions, etc., and of the methods and procedure of carrying on the activities of the government, not necessarily for the purpose of auditing, but for the purpose of making recommendations for promoting economy and efficiency in the state government.

The above recommendations represent what is believed to be the only basis or premise on which the chief executive of the state can effectively fulfill certain of the important duties of his office and give to it that position and responsibility which it is commonly presumed to have.

In the last session of the legislature a bill to establish a "state budget" was submitted to both houses, but failed of passage. This bill was incomplete in its fundamental provisions and had one serious defect in that it provided for a budget committee consisting of the governor, auditor, treasurer, and attorney-general. This provision would have divided the responsibility for any budget submitted by the committee and it would have left the chief executive in almost the same unsatisfactory position in which he now finds himself in this respect. Moreover, the bill made no provision for a staff to perform the actual work of compiling the estimates, of making investigations, etc.

It may be remarked here as a statement of fact that no permanent improvement in budget making and in financial management will result through a combination of elective, executive officers, such as was provided in the budget bill presented to the last legislature. Elective officers are not responsible to any power but the people, but at the same time this responsibility is not for state policies and their execution. Further, such a board consisting of department heads, each with his own interests and influences, would be incapable of bringing to its work that singleness of purpose, expert knowledge and technical skill demanded, and which would be required of an appointive commissioner.

Coincident with the foregoing recommendations, there are a number of subordinate details to be considered in making effective the adoption of a state budget compiled and directed by the governor, and localizing in that officer responsibility for financial legislation. These details may be briefly summarized as follows:

- a. That all special tax levies should be discontinued and regular biennial appropriations substituted therefor.
- b. That all cash receipts of departments, institutions, etc., not restrictive, such as the school fund, federal grants, trust funds, etc., should be converted into the general revenue as miscellaneous receipts and regular appropriations provided in exchange.

c. That the time for submitting the budget to the legislature by the governor should be set for the 15th day of February.

d. That the budget received by the legislature should be the basis for the enactment of appropriation bills and should thereafter be the work program to be followed by the chief executive in carrying out the intentions of the legislature as indicated in the appropriation bills.

e. That appropriation bills should, as closely as possible, be enacted in the order of the budget plan and in accordance with the classification outlined therein, that is, by functions, divisions, and main objects of expenditure, thus leaving executive and administrative officers reasonable administrative freedom and elasticity of action.

In the forms submitted in the appendix to this report, the form of the proposed budget is shown with sample entries of the detailed objects of expenditures in certain cases.* The purpose of the detail in the budget is to indicate clearly to the legislature the objects for which requests for funds are proposed to be expended as nearly as may be determined in advance, and to enable the legislature to exercise reasonable judgment in passing on the requests. Thus, if the legislature deems it necessary to decrease any request it will have available the items to indicate what it desires to reduce instead of otherwise having to make a horizontal cut and leaving it to the chief executive and administrative officials to guess its intention.

As suggested in the foregoing, after the legislature has enacted the appropriation bills for expenditures proposed in the budget, the budget should then be the work program in support of appropriations and serve the governor as a means of control over departments, institutions, etc., and the auditor as a basis for audit of expenditures, in addition to the terms of the appropriation acts, and supplemental thereto. The work program should be amended in its details whenever such action seems desirable by the governor on the recommendation of the budget and efficiency commissioner and the petition of a department or institution head, provided such change is within the appropriations of each department.

This authorization to adjust the items within the appropriation for any department, institution, etc., will remove one of the greatest obstacles to a budget. It will permit that elasticity and reasonable freedom of executive judgment which are now recognized as fundamental in carrying on efficiently governmental activities. The legislature meets once in every two years. Changed conditions in the interim of legislative sessions may require a change in certain appropriation items. Through the assistance of the budget and efficiency commissioner, the governor will have an agency for studying such questions and will be able to determine in each case the merits of a proposed change in the items of the appropriation of any department, institution, etc.

In addition to the changes recommended above in budget procedure and financial legislation, there are several changes affecting the dates of the fiscal period and concerning general property taxes which are of equal importance and should be considered at the same time. These changes are as follows:

a. The dates of the fiscal year should be changed to cover the twelve months beginning July 1st and ending June 30th.

b. The dates for submitting tax schedules to county assessors, for assessing property, for setting tax levies, etc., should be changed to conform with the change in the fiscal year and to make tax receipts available for the year in which they are collected.

*Lack of time prevented the completion of these forms.

The reason for these changes has already been discussed in previous sections of this report. The dates affected by the proposed changes in time of submitting tax schedules, assessing property, etc., are as follows:

	Present.	Proposed.
Tax Schedules submitted to County Assessors	April 1st	August 1st.
State Board of Equalization meets to adjust and equalize assessments, etc.	First Monday in October	First Monday in February.
State Board of Equalization settles its work, sets levies, etc.	Third Monday in October	Third Monday in February.
Assessments and levies against counties sent to auditor, notices sent to counties, county treasurers correct rolls and send tax notices, etc.	October to February	February to June 30th.
First installment of taxes due and payable	Last day of February	July 1st.
Second and last installment of taxes due and payable	July 31	January 1st.

The effect of the above changes in fiscal year and tax dates will be to bring into each fiscal year the revenue from taxes which are levied to meet its obligations. The proposed changes in dates of assessing and collecting taxes, it will be noted, merely advance the dates of the present procedure with the same periods intervening between steps in that procedure, without going into the question as to the wisdom of the time allowed for each process in determining the assessments and tax rates. Such questions are outside the scope of this report.

The changing of the dates of the fiscal period and of the time of levying and collecting taxes, will require also certain changes to finance the government during the period of changing from one system to another. It will be remembered that property taxes for general revenue purposes are not collected under the present system until from fifteen to twenty months after the beginning of the fiscal year for which they are levied, or from three to nine months after the close of the fiscal year in which they can be expended. (Special tax levies are levied and collected at the same time as the general tax for general revenue, but the former are expended in the fiscal year in which collected or in any fiscal year in which they are available.)

Thus, in order to bring the property tax for general revenue purposes into the fiscal year in which it shall be available for meeting current obligations, it will be necessary slightly to increase this tax levy at the next assessment as of April 1, 1917, to provide for the estimated expenditures from this source for the period from December 1, 1916, to June 30, 1919. The next assessment then following that of April 1, 1917, would not be made until August 1, 1918, for the fiscal year beginning July 1, 1919, and annually thereafter. In accordance with this plan, the tax levy for general revenue on the assessment of April 1, 1917, would be divided into two parts, the regular levy of 2.07 mills (as based on the 1916 levy) and an extra levy of 1.233726 mills (also based on the 1916 levy).

The regular levy of 2.07 mills will provide revenue for the following periods and purposes.

a. For general state purposes, for the fiscal year from December 1, 1916, to November 30, 1917;

b. For special purposes, for the fiscal year from December 1, 1917, to November 30, 1918.

The extra levy of 1.233726 mills will provide revenue for the following period and purposes:

a. For general state purposes, for the fiscal period from December 1, 1917, to June 30, 1919.

The extra levy above, necessary to adjust the changes in fiscal periods and time of collecting property taxes, may, with increased revenues from sources other than general property taxes, be correspondingly reduced or eliminated. In order to relieve taxpayers of the necessity of meeting the whole of the proposed taxes in the present two installments, arrangements could be made whereby the collection thereof is made in at least three installments.

There are two other possible methods for bringing tax revenues into the fiscal year for which they are levied, if the method outlined above is not deemed expedient, viz: by increasing the sources of revenues other than from general property taxes, or by negotiating a temporary loan, to be repaid from miscellaneous revenues and subsequent tax levies.

The state of Ohio in 1915 changed the dates of its fiscal year owing to unsatisfactory conditions in its fiscal affairs somewhat similar to those existing in Colorado, although Ohio was not a year or more behind in the collection of its property taxes. New York state, also, recently changed its fiscal year to begin July 1st.

Advantages of the Proposed Recommendations.

The advantages of the recommendations made in this report concerning the preparation of a state budget, the creation of the office of budget and efficiency commissioner, the changing of the fiscal period and time of levying and collecting taxes, etc., may be briefly summarized as follows:

a. Committees of the legislature will be relieved of much of the work now devolving on them in connection with the enactment of appropriation and revenue bills, thus giving them more time for their real legislative functions.

b. A state budget will be prepared and submitted to the legislature each biennium based on the result of careful and exact studies of the needs of each department, board, institution, etc., of the state, and of the state as a whole, compared with complete knowledge of all estimated resources.

c. The financial needs and resources of the state will be studied and planned in advance of a biennium instead of after several months of the biennium have elapsed.

d. The change in the fiscal period and the adoption of a state budget as proposed will avoid the necessity of providing relief measures or "short" bills for carrying on the state business, at the same time saving the labor of preparing such bills and the cost of their printing. Further, there should result a considerable saving in the cost of printing many appropriation or finance bills which are "killed" in both houses of the legislature each session.

e. The budget will to a certain extent standardize the form and contents of appropriation bills and establish a more effective executive and auditing control of expenditures. It will, also establish a standard classification of objects for which money is expended.

f. Responsibility for financial legislation and for economical administration will be more clearly defined and established.

g. The proposed budget and efficiency commissioner will provide the chief executive with the expert knowledge and data upon which he may take such executive action as the law permits in the execution of policies and work programs, and in effecting economy in government expenditure. There will also be available for original research a trained staff whose prime function will be the promotion of economy and efficiency in state business.

h. Property taxes will be collected in the year for which they are levied, thus being available for meeting current obligations and saving thousands of dollars yearly in interest charges on state warrants.

i. The cost of the budget and efficiency commissioner and his staff, will partly, if not wholly, be offset by the saving alone effected by the proposed change in levying and collecting taxes.

j. The financial procedure and policy of the state will be simplified and placed on a more business-like basis.

The recommendations submitted in this report, as outlined in the foregoing pages, have been confined to those changes which may be made by statute or by changes in house and senate rules. There are certain other changes which it would be desirable to effect but which would require amendment to the constitution, such as the right of the governor and heads of departments, institutions, etc., of the state to appear before the legislature in defense or explanation of requests for funds; provision for executive control by the governor over all executive departments, boards, commissions, offices or institutions; that the legisla-

ture be restricted to reducing any item in the governor's budget for the executive branch of the government and be not permitted to raise any of those items; that budget estimates for the judiciary may be increased by the legislature but not reduced; that no special bill making an appropriation shall be enacted by the legislature unless special provision is made to raise the revenue therefor; provision that all appropriations recommended in the budget be authorized and included in one bill; also provisions protecting the interests of the state in the event of a dead-lock between the governor and the legislature on the budget and appropriation bills.

The importance of these constitutional amendments in a scheme of sound executive management and control of state business, with the responsibility for every official action definitely placed, hardly needs further comment here. Responsibility for actions and for results accomplished is a very elusive element in most of our state governments. In a document recently published by the board of control of California concerning the work of compiling a budget for that state, the governor of the state is quoted as taking the stand of refusing to sign any appropriation bill which had not been approved by the board of control, a body with considerable inquisitorial power in the matter of state affairs and holding a relationship to the governor similar to that suggested for the budget and efficiency commissioner proposed in this report. Evidently the governor of California, in taking the stand quoted, refused to assume a responsibility for certain measures which offered no foundation for a safeguard of his responsibility. This attitude has a double significance in connection with recommendations made in this report; the only way in which the chief executive of a state may assume a responsibility thrust upon him is to have available the means whereby he may protect that responsibility; the only means is an independent source of inquiry whose findings and judgment may be accepted as sound and based on fact. Such a source of inquiry is the board of control of California, the commission on economy and efficiency of Massachusetts, and various other similar bodies created in other states in recent years as a branch of the state government. Such also, it is believed, would be the budget and efficiency commissioner proposed for Colorado.

APPENDIX

A Summary of Budget Procedure as Proposed
or Enacted in Certain States
in Recent Years

CALIFORNIA

ILLINOIS

MARYLAND

MINNESOTA

NEW YORK

NEW JERSEY

OHIO

CALIFORNIA

There is no specific budget provision in the constitution of the State of California, but nevertheless, an effective budget system has been introduced chiefly through the personal influence of Governor Johnson.

The compilation of the data and the preparation of the budget is by statute delegated to a controller and a state board of control.

The controller is required to send out blank forms to the heads of institutions and departments to obtain their estimates of needs for the two fiscal years next ensuing. These estimates must be accompanied with a brief explanation of the statements. He also submits similar forms to the members-elect of the legislature by means of which each member-elect shows the appropriation which he intends to propose to the legislature. Within ten days after the opening of each regular session of the legislature the controller furnishes to the governor and to each member of the legislature a tabulated statement of the various amounts requested by heads of institutions, departments, etc. This statement is required by law to show:

- (1) The total for each department or institution,
- (2) A brief description of the purpose for which each request is made.

In 1911, the state board of control was established. This board consists of three members appointed by the governor and a clerical staff. This board is required to "examine and expert" the books of the various state departments and institutions, and obtain from the officers in charge any information touching "books, papers and contracts, and other matters pertaining to their respective offices." It is also required to visit at least once a year all institutions and departments maintained in whole or in part by appropriations to ascertain the condition of the same and their wants and requirements. The board also makes up its report and recommendations at least thirty days before the meeting of the legislature, and gives to the controller, at such time as he may demand, a statement showing all its recommendations for appropriations.

With the provisions above outlined, together with the constitutional right of the governor, to submit a message and to veto any item or items in appropriation bills, as a base, California introduced an effective although not a complete budget system.

In 1915 the budget recommendations were ready and in the hands of the governor two weeks before the legislature met and copies were immediately printed and circulated throughout the state. It was also announced that this budget was a statement of the financial program of the administration to be taken up at the coming session of the legislature, and that if anyone had any objection it should be urged before the legislature.¹

One of the chief factors making for the success of the California plan was the stand taken by Governor Johnson. He is reported to have said:²

"Those appropriations which have been studied and approved by the Board of Control and State Controller, acting as a budget commission, will receive executive sanction. Those which have not been approved by the budget commission will fail. Of necessity no Governor could personally in the time at his disposal examine the justice of all these financial bills. Common sense demands a business-like and scientific budget. We have one, and, mark well what I tell you, the time will never come again in your lifetime or mine in California when any politician will dare put this government back on the old log-rolling basis."

ILLINOIS

In 1913 the legislature of the State of Illinois passed an act establishing a legislative reference bureau and conferring upon that bureau the duty of receiving, compiling and preparing the requests for appropriations from the several state officers, boards and institutions. In 1915 the legislative reference bureau submitted to the legislature a compilation of appropriation requests. These requests were itemized in minute detail in accordance with a general classification and formed a long step in advance toward a true budget.

The fundamental weakness in the Illinois plan, as pointed out by Professor

(1) J. F. Neylan, Chairman, State Board of Control: California's State Budget, *Annals of Am. Acad.*, Nov. 1915, p. 70.

(2) *Ibid.* p. 71.

John A. Fairlie,¹ was the "jack of any reasonable responsible recommendations for the estimates as a whole." The bureau was given no authority to make recommendations, and the supervision exercised by the governor over the estimates was not as complete as it should have been. The compilation therefore consisted chiefly of the estimates of the heads of departments and institutions themselves. The total estimates exceeded those for the preceding biennium by twenty per cent and large reductions were made in the legislative committees and sanctioned by the general assembly.

In 1913 a joint legislative committee was appointed for the purpose of making a survey of all departments of the state government and to recommend a plan to reorganize and centralize the administrative system with a view to economy and efficiency. In its report to the legislature in 1915, this committee called attention to Article V, Section 7, of the Illinois Constitution, which provides that the governor at the commencement of each regular session of the General Assembly shall "present estimates of the amount of money required to be raised by taxation for all purposes," and comment thereon as follows:²

"So far as your committee is aware, no governor has heretofore ever compiled with this important constitutional duty. The failure to do so has undoubtedly been due in the main to the fact that the executive authorities as organized have not afforded the governor the facilities needed to perform this duty. Just as the number of minor officers and boards under his nominal supervision prevents any effective control over their action; so to it prevents any adequate examination of their requests for appropriations on which the governor can base his recommendations.

"The compilation of estimates for appropriations requested to be prepared by the Legislative Reference Bureau is a step in the right direction; but this can hardly be considered an entirely satisfactory budget system.

"In the opinion of the Committee, the constitutional provision referred to above contemplates that the Governor shall present to the General Assembly a detailed budget of appropriations recommended by him for the ensuing biennium, together with an estimate of the revenues of the State from sources other than direct taxation during the biennium, and a statement as to the amount to be met by taxation. The careful preparation of such a budget would be a potent factor in securing economy and efficiency throughout the executive departments. But to make this possible requires not only new methods of preparing and analyzing estimates, but also extensive reorganization and consolidation of the executive departments, so that the estimates from each group of related services may be based on adequate consideration by competent officials."

Thus it will be seen that that machinery in Illinois, with the exception of the legislative reference bureau, was very similar to that of Colorado, and the recommendations of the Illinois committee may be considered as having a pertinent bearing on the situation in Colorado.

MARYLAND

In the January, 1916, session of the general assembly of Maryland, an act was passed providing for an amendment to Section 52 of Article III of the Constitution.

This amendment to the constitution of Maryland provides for the introduction of a budget system similar to that outlined in the draft of a constitution submitted to the people of New York and rejected by them in the spring of 1916.

The budget procedure as outlined in the Maryland bill is essentially as follows:

First: The governor within twenty days after the convening of the general assembly shall submit to it two budgets, one for each of the two next ensuing fiscal years. Accompanying each budget must be a statement showing:

- (1.) The revenue and expenditure for each of the two fiscal years next preceding;

(1) Budget methods in Illinois *Annals of Am. Acad.*, Nov. 1915, p. 88.

(2) Report of the Committee on Efficiency and Economy for the State of Illinois, 1915, p. 22-23.

- (2.) The current assets, liabilities, reserves and surplus or deficit of the state;
- (3.) The debts and funds of the state;
- (4.) An estimate of the state's financial condition as of the beginning and end of each of the fiscal years covered by the two budgets above provided;
- (5.) Any explanation the governor may desire to make upon any feature of the budget.

Second: Each budget must be in two parts designated "Governmental appropriations" which shall include all appropriations for the legislative, judiciary, and executive branches of the government, appropriations for the public debt, for constitutional and statutory salaries and for the public schools, and appropriations otherwise required by the constitution or the statutes, and "General Appropriations" which shall include all other estimates of appropriations.

The governor is required to deliver to the presiding officer of each house these budgets together with a clearly itemized and classified "budget bill." He may also amend or supplement the budgets at any time prior to final passage by the legislature.

The legislature is restricted in its power to amend the budget bill in that it must observe constitutional and statutory appropriations for debt, schools, etc., it can amend the estimates for the judiciary only by increase, and it can amend other items in the bill only by reducing or striking out.

The governor and the heads of the departments have the right and it is made their duty to appear before either house of the legislature to explain any feature of the budget.

Neither house shall consider other appropriations until the budget has been passed. Such other appropriations must be made by separate bill subject to the veto of the governor.

Power is given the governor to extend the session of the legislature in case that body fails to pass the budget within the time limit set for the session. The budget bill is the only bill that may be considered in such extended session.

Full power is given the governor to compile estimates and provide for public hearings on the same.

MINNESOTA

Chapter 356 of the session laws of 1915 provides a modified budget system for the State of Minnesota. This law provides that estimates be prepared by every officer, board, commission or institution having the expenditure of public money. The estimates must show (1) the items for which they are requested, citation from statutes and constitution, former appropriation with increase or decrease and explanations of the same, anticipated revenues, and requested appropriations for each year of the biennium.

All estimates must be submitted by the heads of departments, etc., to the governor not later than the first day of December preceding the regular session of the legislature. It is then the duty of the governor to assemble the data and prepare a "budget" which must be by him submitted to the legislature not later than the first day of February. Printed copies of the proposed budget must be furnished to every legislator and every chief executive officer of the state.

Each officer, board, commission etc., must make allotments of their appropriations not later than thirty days after the passage of the budget bill. Such allotments may however, be changed within certain limits set by law.

The procedure followed by the legislature in passing appropriation bills has not been changed by the new law.

NEW YORK

The constitution submitted to the voters of New York in 1915 by the constitutional convention has probably gone farther in accepting the fundamentals of a true budget system, than any other plan of fiscal control before or since adopted by any state of the union. This constitution was, however, rejected by the people.

Article V of the rejected constitution laid down the fundamentals upon which the proposed budget system was to have been based. It provided,

First: That the head of each department of the state government shall submit to the governor "itemized statements of appropriations to meet the financial needs of such departments, including a statement in detail of all moneys for which a general or special appropriation is desired at the ensuing session of the legislature, classified according to relative importance and in such form and with such explanation as the governor may require.

Second: That the governor (to whom these estimates must be submitted on or before the fifteenth day of November) hold public hearings, revise them according to his judgment and submit them in budget form containing a complete program of contemplated expenditures and proposed revenues to the legislature on or before the first day of February. This budget thus submitted was required to contain in addition:

1. A bill or bills for all proposed appropriations and reappropriations, clearly itemized;
2. A statement showing the estimated revenues for the ensuing year, the estimated surplus or deficit for the current year, together with the measures of taxation;
3. A statement of current assets, liabilities, reserves and surplus or deficit of the state;
4. A statement of the debt and the state funds;
5. An estimate of its financial condition as of the beginning and end of the ensuing fiscal year;
6. A statement of revenues and expenditures for the two fiscal years next preceding the current year for purposes of comparison.

Power was also given the governor to supplement or amend the budget prior to final action by the legislature.

Third: That the governor and heads of departments shall have the right and that it shall be their duty when called upon, to appear and be heard before either house of the legislature to answer any question or explain any matter relating to the budget.

Fourth: That the legislature shall not increase any item or items in the bill, but that it shall have the power to reduce or strike out any such items, and that the bill upon final passage by the legislature shall become a law without further action by the governor except in the case of appropriations for the legislature and judiciary which remain subject to his regular veto.

Fifth: That the legislature shall have the power to initiate further appropriations after the governor's entire budget has been disposed of. They must be made by separate bill subject to the governor's veto.

Sixth: That, with certain specified exceptions, no public moneys shall be appropriated for the construction or improvement of any public work until plans and estimates of the cost of such work shall have been submitted to the secretary of state by the superintendent of public works together with a certificate by him as to whether in his judgment the general interests of the state require that such improvement or public work be made at state expense.

In November, 1915, Governor Whitman of New York took it upon himself insofar as the constitution of 1894 permitted, to bring greater efficiency and economy into the management of the state's fiscal affairs. To this end he submitted to the legislature a "tentative budget proposal" and a brief statement of the appropriations of the previous year and of current departmental requests supplemented by executive recommendations as to expenditures and a large volume of supporting data. The legislature, however, did not accept the governor's proposals, and finally passed an appropriation bill drawn up in the old way by the Senate Committee on finance and the House Committee on ways and means

Nevertheless, the governor's action resulted in the passing of a more specifically itemized appropriation bill than had up to that time been passed.

Governor Whitman's plan presented, according to B. E. Schultz,¹ five distinct features which were deemed advances over former practices:

- "1. It brought all appropriations for each institution or department together in one bill, at the same place in that bill, and under one heading in that bill.
- "2. It provided for a separate 'lump sum' personal service appropriation, instead of including it as formerly in the appropriation for maintenance.
- "3. It provided a detailed itemization of each of the appropriations under the schedules for personal service, maintenance other than personal service, repairs and construction.
- "4. It provided for executive supervision and control of administration by making it incumbent upon the institution or department, before transferring any of the amounts in the detailed itemization under a schedule, to obtain the authorization to do so from the governor.
- "5. It abolished the supply bill (similar to the general short bill in Colorado) by including a statement of amounts to be immediately available, if necessary, in the statement of the total amount appropriated under each schedule."

Together with his budget, Governor Whitman submitted through Senator Mills, January 25, 1916, a bill which provided for certain changes in the procedure involved in making up estimate and passing finance bills. The bill, however, failed of passage. Its essential provisions were:

1. For the submission to the governor on blanks furnished by him of estimates in detail of all requests for appropriations by the heads of departments, boards, bureaus, institutions, etc., except the legislative and judicial branches of the government, on or before the first day of November annually.
2. For the vestment of the power of investigation into the needs of departments, boards, bureaus and institutions in the governor.
3. For the preparation by the governor of consolidated estimates of expenditures, etc., to be submitted to the legislature on or before February first annually; such estimate to include:
 - (a) Requirements of boards, bureaus, officers, etc., for the ensuing year.
 - (b) Requirements of boards, bureaus, officers, etc., to meet deficiencies of current fiscal year.
 - (c) Requirements to complete undertakings authorized the past fiscal year.
 - (d) Requirements for any additional activities which the governor may recommend.
4. For the preparation by the governor of financial statements to be submitted by him to the legislature with his consolidated estimates of expenditures: such statements to include:
 - (a) Actual and estimated revenues and balances of unexpended appropriations for the fiscal year to be financed and for the two next preceding fiscal years.
 - (b) All unexpended appropriations with their outstanding liabilities, balances, and requirements to complete undertakings under way.
 - (c) Such revenue measures as are deemed necessary to meet financial needs.
 - (d) Such measures for borrowing and such other information and suggestions as the governor may deem expedient.

1. The History of Appropriations in the Legislative Session of 1916, New York State, New York Bureau of Municipal Research, April, 1916, page 3.

5. For the report to the legislature of a single appropriation bill by the senate committee on finance and the house committee on ways and means at least ten days before the day fixed for final adjournment to be considered in committee of the whole on "at last six full legislative days" as the special order of the day, with the governor and heads of departments present to answer questions of members.
6. For separate vote in committee of the whole on the appropriation for each department, office, bureau and institution, etc.

NEW JERSEY

The legislature of New Jersey, during the 1916 session, adopted a modified form of the executive budget plan for financing the state government.

This law provides:

1. That "each department of the State, government, board, commission, charitable or correctional institution or any other agency" which includes the judicial and legislative branches of the government, shall, through their heads or other designated officers, submit to the governor annually on or before the fifteenth day of November, requests for appropriations upon blank forms submitted by the comptroller and approved by the governor.
2. That these requests shall show the purpose for which the appropriation is requested, and shall be accompanied by a balance sheet of the department or body for the preceding fiscal year.
3. That the comptroller and the treasurer shall submit, jointly, to the governor a summary of the financial condition of the state for the next preceding fiscal year, and a similar estimate including the probable sources and amount of revenue available for appropriation for the following year.
4. That the governor shall transmit to the legislature a summary of such requests and reports together with his recommendations in his message, which shall be published for general circulation, and that he may from time to time send special messages for additional appropriations or other changes.
5. That the governor shall also have the power to carry on investigations into the needs of departments, boards, bureaus, etc.
6. That "the governor shall not recommend to the legislature appropriations in excess of the anticipated revenue. Should he believe that additional appropriations are necessary, he shall, if he deems it advisable, suggest plans for raising sufficient revenue to meet such appropriations."
7. That "no money shall be drawn from the treasury except by the General Appropriation Bill, and it is the intent of this act that no supplemental, deficiency or incidental bill shall be considered."
8. That flexibility shall be secured by allowing transfers of any specific items within the appropriation for a department, board, institution, etc., at the request of the heads of such departments, and boards and the approval of the "State House Commission," except "that no sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose."

OHIO

An act establishing a budget system for the state officers, departments and institutions was passed by the Ohio legislature and approved by the governor in 1913.

This budget act is described by W. O. Heffernan, Ex-Budget Commissioner of Ohio as follows:¹

"The law provides that on or before the fifteenth day of November, biennially, in the even numbered years, all state activities requiring appropriations should submit to the governor a statement of their wants for the next biennium. It also provided that the Auditor of State should furnish the Governor a statement showing the balance standing to the

1. State Budget Making in Ohio: Annals of Am. Acad., Nov., 1915, pp. 92-93.

credit of the several appropriations for each department, institution, commission, and office of the state, for each and every current purpose of the state government at the end of the last fiscal years in which appropriation accounts had existed, a statement showing the monthly average of such expenditure from each of the accounts for the fiscal year and also the total monthly average from all of them for the last four fiscal years. It was further provided that all of the departments, institutions, commissions, and officers of the state, upon request, should furnish to the Governor any information desired in relation to the affairs of their respective departments, institutions or officers."

"The budget act also provided that, at the beginning of each regular session of the General Assembly, the Governor should submit to the General Assembly the estimates of the departments, institutions, commissions, and offices of the state together with his budget of current expenses of the state for the biennial period beginning on the first day of July next thereafter. The act carried the usual appointive power and gave to the Governor the power to examine without notice, the affairs of any departments, institutions, or public works, commission, or office of the state for the purpose of ascertaining facts, and to make findings and recommendations relative to increasing the efficiency and curtailing the expenses therein. The governor or his appointees had the power to compel the attendance and testimony of witnesses, administer oaths, and examine such persons as they deemed necessary, and to compel the production of books and papers. The orders and subpoena issued by the Governor or his Budget Commissioner in pursuance of the authority in them vested by the provisions of this act could be enforced upon the application of the Governor by proceedings in any court of common pleas."

The general assembly also provided for a change in the fiscal year. Under the old plan Ohio had an appropriation year beginning February 16, and ending February 15, and a fiscal year beginning November 16 and ending November 15, with different years for state institutions and departments. A bill was passed fixing the year for the beginning of all state activities from July 1, to June 30. A short appropriation bill was passed to bridge over the period between February 16 and June 30.

Acting under authority of the above law, the Governor caused comprehensive estimates of receipts and expenditures of the various divisions of the state government to be compiled and then called the legislature in extraordinary session to repeal the appropriations passed in 1913 and re-enact them in accordance with the estimates which he had caused to be prepared. The result was a saving of nearly one million dollars.

The compiled estimates of appropriations submitted by the budget commissioner to the legislature for the fiscal year beginning July 1, 1915, and ending June 30, 1917, were made in accordance with the act of 1913. In this report the budget commissioner says:

"The Governor should keep his hand upon the expenditures of money in the various departments and only through a budget commissioner can this be done. Duplications and overlaps should be eliminated and the budget should bring the legislature and executive departments closer together in the formulation of an annual work program—one that can be intelligently voted by the legislators and intelligently O. K.'d by the governor."¹

The commissioner also points out that a budget should not be merely an executive recommendation but it should be an official program of both the legislative and executive branches, and that it does not deprive the legislature of its power to originate legislation, nor does its preparation involve the acquiescence of the legislative majority in advance. It carries to the legislature practical information and suggestions for a business-like system of balancing income and expense.

Itemized "specific" appropriations such as were recommended in this budget are by nature very inflexible when compared with "general" lump sum appropriations. In order to meet this difficulty the recommendations were based on requirements slightly higher than the minimum with provisions for the transfer of funds where contingencies should make this necessary. It was recommended that all transfers of funds should be made upon authority of a board consisting of the governor, budget commissioner and the auditor of state.

1. The Budget, State of Ohio, February 16, 1915, to June 30, 1917, p. 4.

Report

on a Survey of the Administration of Public
Service Functions Relating to
Regulation and Supervision
of Labor



Report No. VIII



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

SENATOR DAVID ELLIOT, Colorado Springs.

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C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

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E. W. Pfeiffer.

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State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,
State Home for Dependent and Neglected Children,
Industrial School for Girls,
State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,
The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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THE ADMINISTRATION OF PUBLIC SERVICE FUNCTIONS

REGULATION AND SUPERVISION OF LABOR

INTRODUCTION

The function of regulation and supervision of the health, safety and welfare of labor under the present organization rests with eight departments and bureaus as follows:

- I. Bureau of Labor Statistics.
- II. Department of Factory Inspection.
- III. Colorado Free Employment Agencies.
- IV. Supervision of Private Employment Agencies.
- V. Department of Coal Mine Inspection.
- VI. Bureau of Mines.
- VII. Department of Boiler Inspection.
- VIII. Industrial Commission.

There are peculiar difficulties to be met in attempting to appraise the existing governmental machinery of these various departments and divisions. Each department and division, in varying degree, is an independent entity in itself, and yet the Industrial Commission, included above, is clothed with powers and duties, which, if actually in force and operation, would cover the powers and duties delegated by law to the other departments and divisions. The heads of these departments hold office for varying terms and are appointed by various methods. One of the officers, the Commissioner of Mines, is constitutional and the others statutory. Some collect fees, while others do not. Lack of uniformity is one of the most patent features of the present organizations. The problem, therefore, which confronts the state is that of centralization.

I. BUREAU OF LABOR STATISTICS

1. Organization and Functions.

The Bureau of Labor Statistics was created in 1887 by statute, which was materially amended in 1909. This act made the Secretary of State ex-officio Labor Commissioner and provided for a Deputy Labor Commissioner to be in direct charge of the administration of the department. Subsequent legislation delegated various powers and duties to this official. In 1911, the law creating the Factory Inspection Department made the Deputy Labor Commissioner the chief factory inspector and entrusted him with the duty of enforcing the labor laws relating to conditions of employment. The laws of 1907 provide for the establishment of Colorado Free Employment Offices under the supervision of the Deputy Labor Commissioner, and in 1909 his regulative powers were extended to cover private employment agencies.

Due to this centralization of control under one head, the affairs of these four departments and bureaus are administered from one office. Although the payroll title of each employee specifies to what particular department such employee is assigned, it is, however, not indicative of the duties which each may perform. An employee in one department may without distinction perform work for another or for all as assigned by the Deputy Labor Commissioner.

The personnel of the Bureau of Labor Statistics is as follows:

	Per Annum
Deputy Labor Commissioner and Chief Factory Inspector.....	\$2,500
Acts in an executive and directory capacity in the enforcement of the laws relating to health, safety and welfare of laborers throughout the state; inspects factories and investigates special, more important, matters in person when these seem to demand it; directs the compilation of statistics; and may act as arbitrator in labor disputes when called upon.	
Statistician and Clerk.....	\$1,500
Compiles statistics for the biennial report and performs other assigned clerical duties. By law he may be called upon by the Industrial Commission to do statistical work; also performs clerical duties.	
Clerk and Assistant Statistician.....	\$1,200
Makes up files and compiles statistics on occasion. (Name does not appear on any payroll, as salary comes out of the general incidental fund of the Secretary of State.)	
Stenographer and Bookkeeper.....	\$1,200
Performs stenographic work for the Deputy Labor Commissioner and keeps the accounts of all four departments under that official.	

2. Statutory Duties.

The statutory duties of the Bureau of Labor Statistics are: (a) gathering statistics, (b) enforcing all laws relating to labor, and (c) arbitrating labor disputes.

a. Labor Statistics.

The first duty of the Bureau of Labor Statistics, as set forth by the act of 1909, is to collect, systematize and present in biennial reports to the Governor, and by him to the Legislature, statistical data relating to all branches of labor pursued within the state, showing, (1) hours and wages of labor, (2) cost of living, (3) amount of labor in demand, (4) estimated number of persons depending upon daily labor for their support, (5) estimated number of persons employed by the several industries within the state, and (6) the operation of labor-saving machinery in its relation to hand labor. The law requires also that statistics be gathered on thirteen specified classes as follows:

1. Agriculture.
2. Mining.
3. Mechanical and manufacturing industries.

4. Transportation.
5. Clerical and other skilled and unskilled labor not included in the other four classes.
6. The amount of cash capital invested in lands, in buildings and machinery, severally, and means of production and distribution generally.
7. The number, age, sex and condition of persons employed; the nature of their employment; the extent to which the apprenticeship system prevails in the various skilled industries; the number of hours of labor per day; the average length of time employed per annum; and the net wages received in each of the industries and employments within the state.
8. The number and condition of the unemployed, sex and nationality, together with the cause of their idleness.
9. The sanitary conditions of lands, workshops, dwellings; the number and size of rooms occupied by the workers, etc.; the cost of fuel, rent, food, clothing and water in each locality of the state; also the extent to which labor-saving processes are employed in the displacement of hand labor.
10. Statistics relating to the number and condition of Chinese in the state.
11. The number, condition and nature of the employment of the inmates of the state prisons, reformatories and jails and the extent to which their employment competes with that of other labor.
12. All such other information in relation to labor as the commissioner may deem essential to further the objects sought to be attained by this statute.
13. A description of the different kinds of labor organizations in existence in the state, and what they accomplish in favor of the class for which they were organized.

The officers of municipal and quasi-municipal corporations, owners, operators or managers of factories, mills, etc., are required to report to the bureau, upon blanks furnished by the bureau, such reports and returns as the Commissioner may require.

This act is a verbatim copy of the law in California, passed in 1883, and some of its features are inapplicable to the State of Colorado. The total number of Chinese in this state is probably less than one hundred. Instead of gathering statistics on Chinese only, as specifically mentioned in the act, it would be more fitting to compile data on all foreign labor within the state. The requirement as to causes of unemployment is without question one which cannot be met. The causes of unemployment are so deeply interwoven with the social and economic organization as to be almost without the pale of statistical compilation. No provision is made whereby other departments in charge of agriculture, mining, transportation, etc., are required to report to the Bureau of Labor Statistics, statistics relating to their special fields.

The statistics as presented are unorganized, entail a great waste of space in the report, and are not attractively nor intelligently presented to the public, and for scientific purposes are almost valueless. This is due to the fact that those who have been employed as statisticians have known absolutely nothing of the science of statistics. Many tables have been compiled without any regard whatever to the relation which the material bears to other data. Summaries and averages seem to have been treated as an undesirable requirement of the law. Further, the biennial statistical report has been employed as a medium for criticism of other departments of the state government. The statistician of the Bureau is at times loaned to other departments, such as the Industrial Commission, to compile statistics for that Commission, while still remaining on the payroll of the Bureau of Labor Statistics.

An act requiring the registration with the Bureau of Labor Statistics of all factories, workshops, restaurants, hotels, laundries, and mercantile and manufacturing establishments, with suitable penalties for refusal to register, would go a long way in enforcing and facilitating the gathering of statistics.

b. Enforcing Labor Laws.

The second duty of the Deputy Labor Commissioner as head of the Bureau of Labor Statistics is to enforce all the laws regulating employment of women

and minors; laws relating to the protection of health, life and limb of operators in factories, mills, smelters, etc., and such laws as are enacted for the protection of workers in general. The Deputy Labor Commissioner has power to subpoena and examine witnesses under oath.

The most important laws relating to the protection of labor which are now in force in the state are (1) eight-hour laws for males and females, (2) child labor laws, (3) laws relating to the payment of wages, wage brokers and wage claims, (4) labor union acts, (5) railway employes acts, (6) an act limiting employment in coal mines, (7) assumption of risks, and (8) a mechanic's liens act. A brief discussion of these laws follows:

1. Eight-Hour Laws for Males and Females.

The Constitution of Colorado (Art. V, Sec. 25a) provides that "the General Assembly shall provide by law, and shall provide suitable penalties for the violation thereof, for a period of employment not to exceed eight hours within any twenty-four (24) hours, except in cases of emergency where life or property is in imminent danger, for persons employed in underground mines or other underground workings, blast furnaces, furnaces, smelters; and any ore reduction works or other branch of industry or labor that the General Assembly may consider injurious or dangerous to health, life or limb." (Adopted 1902.)

The act of 1894 provides an eight (8) hour day for mechanics, workingmen or laborers employed directly or indirectly by any municipal or quasi-municipal corporation in the state, except in cases of emergency.

Acting upon the constitutional provision above quoted the legislature, in 1911, passed a measure providing that employment in all underground mines, underground workings, open cut workings, smelters, reduction works, stamp mills, concentrating mills, chlorination processes, cyanide processes and coke ovens is injurious to health and dangerous to life and limb and shall not exceed eight (8) hours per day except in case of emergency. The act was referred to the people and approved, 1913.

Employment of females in all manufacturing, mechanical and mercantile establishments, laundries, hotels and restaurants was made subject to the same limitations by initiative petition in 1912; in force January 23, 1913.

2. Child Labor Laws.

The child labor law, passed in 1911, provides in substance that:

No child under fourteen (14) years shall be employed, permitted or suffered to work at any gainful occupation in any theatre, concert hall, or place of amusement where intoxicating liquors are sold, or in any mercantile institution, store, office or hotel, laundry, manufacturing establishment, bowling alley, passenger or freight elevator, factory or workshop, or as a messenger or driver therefor except as provided in the act.

No child under fourteen (14) years shall be employed at any work performed for wages or other compensation while the public schools of the district are in session with few exceptions.

No such child may begin work before 7 o'clock in the morning nor work more than eight hours in any one day nor after 9 o'clock p. m.

Children under sixteen (16) years are forbidden to engage in any work which is dangerous to health, life or limb, such as employment underground or in the surface workings of mines, in smelters, mills, or where dangerous machinery is in use, steam of electrical generating apparatus, or where compounds dangerous to health or goods for immoral purposes are manufactured.

Female children under sixteen (16) years shall not be employed at any employment where they must remain standing constantly, nor shall females under ten years sell newspapers or periodicals on the streets.

It shall be unlawful for any person to exhibit or cause to be exhibited any child under sixteen (16) years or apparently under sixteen years, as an actor or performer in any concert hall where liquors are being sold, or given away, or in any variety theater, or for any illegal, obscene, indecent or immoral purposes, exhibition or practice whatsoever, or for any business, or in any place, situation or exhibition or vocation injurious to morals or health, or dangerous to life or limb of such child. Certain exhibitions which are for the benefit of the child, such as education or physical culture, are exempted, as are also exhibitions for the benefit of charities, churches and schools. Special exemptions may be granted by the proper authorities.

All employers such as named in (1) above, must place on file in the place of occupation a correct list of all minors under sixteen (16) years who cannot read at sight and write legibly simple sentences unless such child is attending night school. Certificates are open to inspection by the factory inspectors. An age and school certificate approved by the superintendent of schools or the superintendent of a parochial school must be filed with the chief factory inspector and with the employer by all children under sixteen (16) years. The child's age is to be verified by school census, birth certificate or by oath of parent or guardian. The employer must surrender such certificate to the minor when he leaves the service of the employer, or if not claimed by such child within thirty (30) days, to the superintendent of schools.

No minor over fourteen (14) years and under sixteen (16) years who cannot read at sight and write legible simple sentences shall be employed, unless he is a regular attendant at an evening school.

3. Payment of Wages, Wage Brokers and Wage Claims.

All private corporations doing business in the state except railroad corporations, shall pay once every 15 days, all wages earned up to within five days of the pay day. Railroad companies are required to pay at least once a month. Failure to comply makes the corporation liable to liquidated damages of five per cent of the salary due. A six months time limit is set for the recovery of any such penalties. The act does not apply to corporations exclusively operating ditches, canals or reservoirs. (S. L. 1901.)

The laws of 1899 provide that the use or employment of the truck system, (giving kind instead of money wage) and the use of script is illegal. A contract to work implies that the wages are to be paid in lawful money of the United States.

Wage brokers are required, by law of 1909, to obtain a license from the county commissioners or town authorities and to give a bond before engaging in money loaning on the wages or salary of any employe. Two per cent of the amount borrowed may be taken as compensation. Only written contracts are valid, and in case of married men, the consent of the wife is necessary. The employer must be notified. It would be a better arrangement to have the licensing power vested in a state board such as the department of labor.

By law of 1899, any claims for wages held by laborers against any contractor or sub-contractor employed in the erection or construction of any public works shall be withheld from the payment of moneys due such contractors by the officials of municipal or quasi-municipal corporations of the state and applied to the payment of such wage claims when found to be just. The act was amended in 1915 and now requires contractors and sub-contractors to give bond to municipal or quasi-municipal corporations to guarantee payment of employes.

4. Labor Union Acts.

No employer shall prevent or interfere with formation of labor unions by employes, nor discriminate against them, nor compel them to sign an agreement not to enter a union. (Law of 1897, extended 1911.)

It is unlawful to obtain employes, to replace employes at strike or about to strike, by false representations and advertisements, and in such cases the employe has a right of action at law.

The law of 1911 also provides against employment of armed guards to protect strike-breakers, or the arming of strike-breakers without a written permit from the governor. No employer shall discharge any employee between the ages of eighteen and sixty solely upon the ground of age, if such employe is otherwise qualified, 1903.

5. Railway Employes Acts.

No railway company operating in whole or in part within the state shall require or permit any conductor, engineer, fireman, brakeman, telegraph operator, or any trainman who has worked in his respective capacity for sixteen (16) consecutive hours, except in case of casualty, to again go on duty to perform any work until he has had at least ten (10) hours rest, 1901.

Telegraph operators are, by law of 1891, required to be at least eighteen (18) years of age and to have had not less than one year's experience as telegraph operators.

6. Age of Coal Mine Employes, 1913.

No males under sixteen (16) years of age and no females shall be employed in or about the coal mines or coke ovens, except in an office in a clerical capacity. (This act is enforceable by the chief factory inspector and by the chief coal mine inspector.)

7. Assumption of Risks Act, 1913.

Assumption of risk shall be no defense in case of injury or death of employe due to negligence of employer.

8. Mechanics' Liens.

Claims for any work done or for any materials furnished by any contractor sub-contractor and all persons of every class performing labor on improvements on real estate or in the development of mining properties or sinking or operation of wells to secure water, gas or oil, or in the construction or operation of railroads, reservoirs and irrigation canals, become liens upon the property. (S. L., 1899.)

9. Defects in Laws.

There are several patent defects in these laws.

- a. There is no established minimum wage for women and children. California has such a clause incorporated in the state constitution. In 1913 the General Assembly of the State of Colorado passed an act creating, for a period of two years, a Commission which was empowered to investigate the wages of women over eighteen (18) years of age and of minors under eighteen (18) years of age in all mercantile, manufacturing, laundry, hotel, restaurant, telephone or telegraph business in the state, and to specify and prescribe a minimum wage for such employees, any violation of which order is made a violation of the law punishable by fine or imprisonment or both, but the findings and recommendations of this commission have not been acted upon by the legislature.
- b. A law establishing a time limit during which payment of wages shall be made in case of discharge or voluntary resignation of employes is needed to apply to all employers in order to avoid unnecessary delays and dilatory tactics of employers.
- c. There is necessity for a law governing the payment of seasonal wages, e. g. wages which are to be paid on the completion of employment when such employment lasts longer than one month. Such a law would apply directly to beet workers where it is most needed. Such wages, whether the place of performance of work is within or without the state, should be made payable within the state, if the labor has been employed within the jurisdiction of the state, and power should be given the Labor Commissioner to conduct investigation of any differences arising between such employer and employe.
- d. In the enforcement of the labor laws of the state the Labor Commissioner is obliged to hear and to attempt to settle approximately one thousand wage claims and other complaints of employes each month. The department is without an attorney to whom it can assign the conduct of legal matters relating to such claims. It is found to be impractical to leave this duty to the District Attorney or to the Attorney General. The Bureau of Labor Statistics should therefore have its own legal department.
- e. The law requiring semi-monthly pay days applies to corporations only. It should be extended to apply to all employes in private employments.

c. Arbitrating Labor Disputes.

The third duty of the Bureau of Labor Statistics is that of arbitration of labor disputes. By statute it is the duty of the Deputy Labor Commissioner, as head of the bureau, upon hearing of any employer or employes having differences, to visit them and make a careful inquiry into the cause thereof, and to advise the respective parties what ought to be done or submitted to by either or both

to adjust the dispute, or in case of failure to bring about a settlement, to endeavor to get the parties to agree to submit their differences to a board of arbitration, consisting of three members, one selected by the employer, one by the employes and the other by these two, the proceedings to be held before the Deputy Labor Commissioner and the award to be final.

The powers granted to the Industrial Commission by chapter 180 of the Session Laws of 1915, pertaining to the settlement of disputes between employer and employe, are much more comprehensive and in all probability will prove to be much more effective than the limited powers conferred upon the Labor Commissioner in the matters of arbitration, so that it is not advisable to extend the jurisdiction of the latter on this subject.

3. Books, Records and Accounts.

Itemized accounts of all expenditures are kept in appropriate books. All expenditures are made upon regularly approved voucher requisitions and paid monthly. All requisitions for printing must pass through the state printer and be approved by him before being submitted to the State Auditing Board.

The bureau keeps on file all letters and correspondence relating to the affairs of the office. These are separately indexed under nature of correspondence and names of parties. The reports of the factory inspectors are also kept on file in the office of the bureau and are available sources for statistics which are compiled only as needed. In addition to this the bureau keeps on file, and indexed, all permits issued to minors by the Juvenile and other Courts, permitting them to engage in certain occupations.

Appropriations for the Bureau of Labor Statistics follow the general plan of establishing separate funds for salaries, traveling expenses and incidental expenses. The total amounts thus appropriated were \$10,400, \$1,000, and \$1,200 respectively. Incidental expenditures, for the fiscal year ending November 30, 1915, amounted to \$234.20; and in the case of traveling expenses to \$487.25, leaving a balance of \$965.80 and \$512.75, respectively. Moneys appropriated for these two funds cannot be utilized except in the manner indicated and balances revert back to the General Fund at the end of the biennial period. The appropriation for individual expenses in this case far exceeds the requirements of the bureau, but any such balance is not available for use in extending its activities. This matter, however, is dealt with more fully in the survey of the Auditor's office.

4. Reports and Bulletins.

The only report required by law of the Bureau of Labor Statistics is the biennial statistical report. These reports, as explained before, have been utilized at times for the publication of material of interest on special subjects which is a divergence from the requirement of the law. The report covering the years 1913 and 1914 entered into a discussion of the coal miners' strike of 1913 and an arraignment of other state departments with the result that the circulation of the report was suppressed by the Twentieth General Assembly. Two thousand copies of the report, costing \$811.87, are stored in the sub-basement of the Capitol, a total loss to the state, without counting the cost of the clerical and other labor involved in the compilation of the contents of the report.

Bulletins on various subjects have, from time to time, been issued. A pamphlet of the compiled Labor Laws of the State of Colorado appeared in 1915. This bulletin cost the state about \$85.00 for printing, and contains 98 pages, of which 29 pages contain laws which, at the time of the printing, had already been superseded, were inoperative, or extraneous to the subject.

5. Comments and Suggestions.

The Secretary of State is ex-officio Commissioner of Labor Statistics. The manifold duties and activities required by law of this official, many of them unrelated to one another, (see other section of this report relating to Secretary of State) are such that it is difficult for the Secretary to exercise effective administrative control over all these activities. The Bureau of Labor Statistics, by statute under the administration of the Secretary of State, is, in fact, for all practical purposes, administered by the Deputy Labor Commissioner, very much as if the bureau were an independent department of the State Government.

The deputy and his staff are appointed by the Secretary of State, it is true, but to that extent the supervision and direction of the affairs of the bureau are left almost entirely to the deputy. Aside from the question of administration, however, a more important question arises in connection with the duplication of functions and activities in different state departments. The functions of the Bureau of Labor Statistics are duplicated in the act creating the Industrial Commission.

There is an effort on the part of the bureau and the commission to avoid overlapping and duplication of work and activities, but the very anomaly of the laws establishing two independent departments with similar duties tends to duplicate a certain amount of work and records relating to the same subject.

Further, the compilation of statistics relating to agriculture and to mining, and also concerning "the amount of capital invested in lands, in buildings and machinery, severally, and means of production and distribution generally," may be more efficiently compiled and prepared by the County assessors, the Bureau of Mines, and the Chief Coal Mine Inspector, respectively, in so far as agricultural and mining statistics are concerned, inasmuch as these officials and departments gather such data in the course of their regular work. With respect to the statistics relating to the amount of capital invested in lands, etc., there is no department in the state government, with the possible exception of the Tax Commission, which could fill this requirement of law.

There are other departments and institutions of the state, in addition to those referred to above, which are gathering and compiling data and statistics relating to their work. There is no central department, however, wherein all data and statistics published by the state may be compiled and co-ordinated—a department, in other words, which has the responsibility for the editing, assembling, tabulating and publishing of all statistical data required or desirable to be published by the state. Such a central statistical department would naturally have to have the co-operation of, and a close working arrangement with, every department, board of institution in the state government. It must be conceded that a central department such as that suggested would effect a saving in the cost of data published, annually by the state, through the elimination of duplicate matter and a standardization of the whole field of statistics and reports.

In the light of the foregoing facts, and in the interest of efficiency and economy, the following recommendations are made concerning the Bureau of Labor Statistics:

- a. A bureau of statistics should be established by law, to be under the direct control of the Governor, and to have the duty and responsibility for the editing, compiling and publishing of all statistical data and reports required by law to be published or which it may be desirable, in the opinion of the Governor, to have published. The operation of a bureau as suggested above, would not interfere with such constitutional provisions as require executive or other officers to make annual or biennial reports.
- b. The Bureau of Labor Statistics should be transferred from the office of the Secretary of State and made a bureau or division under the Industrial Commission. The bureau should have the same duties and responsibilities as it is now charged with, as amended by the preceding recommendations, and be under the immediate direction and supervision of the Industrial Commission.
- c. The labor laws should be amended to provide for the following:
 1. A minimum wage for women and children.
 2. A time limit during which payment of wages must be made.
 3. The payment of reasonable wages.
 4. An attorney to advise and assist in the settlement of labor disputes and wage claims.

II. DEPARTMENT OF FACTORY INSPECTION

1. Organization and Functions.

The main function of the Department of Factory Inspection is to secure the safety, health and convenience of laborers employed in certain specified occupations by enforcing the requirements of the law.

The personnel of the department is as follows:

Chief Factory Inspector, per annum.....\$1,200

The Deputy Labor Commissioner is ex-officio chief factory inspector and receives no additional compensation for this added duty. He has general administrative supervision and control over the department.

Clerk, per annum.....\$1,200

Attends to the settlement of wage claims; answers telephone and performs other clerical duties and assists the statisticians of the Bureau of Labor Statistics.

Stenographer and Clerk, per annum.....\$1,200

Indexes all schedules returned by the factory inspectors; sends out certificates of inspection and records them; assists in the compilation of wages schedules, and performs such typographical work as may be assigned by the Chief Factory Inspector.

Deputy Factory Inspectors (four), per annum.....\$1,200

The duties of the deputy factory inspectors, as provided for in the law creating the department, are "to inspect all factories, mills, workshops, bakeries, laundries, stores, hotels, boarding and bunk houses, or any kind of an establishment wherein laborers are employed or machinery used, for the purpose of protecting said employes or guests against dangers arising from imperfect or dangerous machinery, or hazardous or unhealthy conditions under which guests are protected or laborers are employed, by providing individual towels in place of roller towels in hotel wash rooms, and nine-foot top sheets for beds." (M. A. S., 1912, Sec. 2829.) (By establishment is meant smelters, oil refineries, cement works, mills of every kind, machine and repair shops, and in addition any other kind or character of manufacturing establishment.)

An appropriation of \$600.00 per annum for each deputy inspector is provided for by law, as an expense fund.

The deputy factory inspectors, the clerk and the stenographer are appointed by the Secretary of State, from a list recommended by the Chief Factory Inspector, but no provision is made for their removal. This interferes with the proper control that should be exercised by the head of the department over his subordinates. Although not required by law, each Deputy Factory Inspector is under bond.

2. Laws Enforceable by the Chief Factory Inspector.

The chief laws to be enforced by the Department of Factory Inspection are (a) the law creating the department and a safety appliance act, (b) a sanitary closets act, (c) an act for the protection of workers in building occupations, (d) a locomotive headlights act, and (e) a mattresses and bedding act.

a. The Law Creating the Department of Factory Inspection.

The law creating the Department of Factory Inspection was passed by the General Assembly in 1911. It provides in effect:

1. That all open and dangerous machinery and appliances in any factory, mill, workshop, etc., shall be provided with belt shifters and other safeguards, and if defective are not to be used; that adequate ventilation be provided so as to render harmless all gases, vapors, dust or other impurities; that all trap doors, elevators, stairways, etc., in any kind of an establishment where laborers are employed shall be adequately protected.

2. That all factories, mills, workshops, bakeries, laundries, stores, hotels, offices, etc., shall be equipped with more than one way of egress

in case of fire, such exits to be marked by a red light at night. All exit and entrance doors must open outward. Hand rails are required on all stairways, which, when for use of females, must also be adequately screened. Rope or rope ladder fire escapes must be attached at all windows above the first floor of all bunk and boarding houses, and hotels. Approved outside fire escapes must be provided for all of the above named places.

3. That the Chief Factory Inspector or his deputies shall inspect annually, and from time to time, all factories, mills, workshops, bakeries, stores, hotels, or any kind of an establishment wherein laborers are employed or machinery used, to determine whether they conform to the provisions of the law and to grant or refuse certificates of approval.
4. That employes may submit complaint in writing to the Chief Inspector to force employers to conform to the requirements of the law.

b. The Sanitary Closets Act.

The sanitary closets act was passed in 1911. It requires that properly screened and ventilated closets shall be supplied by all employers; and where males and females are employed together, there shall be separate closets for each sex.

c. The Building Employes Act.

An act for the protection of building employes (1913), provides that all scaffolding, hoists, stays, ladders or other mechanical contrivances which are unsafe, unsuitable or improper, and which are not so constructed, placed and operated as to give proper protection to life and limb of persons employed in the construction or repair in any way of any building, are prohibited. Each floor in each entire tier of iron or steel beams must be planked over. All elevator shafts piercing such floors must be enclosed. The enforcement of this act is placed in the hands of the local building inspectors and the factory inspectors.

d. The Locomotive Headlights Act.

The locomotive headlights act providing that no locomotive headlight of less than 1,200 candle power shall be used by any railroad operating within the state was passed and approved in 1913.

e. The Mattresses and Bedding Act.

A mattresses and bedding act, which provides that all mattresses and bedding manufactured, sold, or exposed for sale, must be labeled to show whether the materials used in their construction are new or second hand, was adopted in 1915.

3. Operation of the Laws, Conflicts and Remedies.

As a whole these laws have worked well and have secured greater protection for the laborer. There are, however, a few defects in the code.

1. The headlights act seems to come more properly under the sphere of public utilities regulation rather than under factory inspection.
2. There is no provision in the laws which requires a co-operation between the deputy factory inspectors and the local or state boards of health. An act providing for such co-operation between the departments of factory inspection and health relating to the reporting of occupational diseases, especially in relation to lead poisoning, arsenic, anthrax and compressed air illness, is highly advisable and much could thereby be accomplished.
3. The laws are broad enough to include inspection of both metalliferous and coal mines, and also the inspection of all steam boilers. In the former case there is a visible encroachment upon the field of the Chief Coal Mine Inspector and the Commissioner of Mines, but any conflict of authority or duplication of work relating to coal mines has been adjusted by a line of demarcation provided for in the coal mine inspection laws. In the case of metalliferous mines no such arrangement exists and conflicts are frequent. The most suitable way of adjusting this difficulty is to give the Bureau of Mines full control over the inspection of mines, or in case this proves impracticable, to divide the sphere between the two departments giving the inspection of the surface machinery to the

Chief Factory Inspector and the inspection of underground workings and operations to the Commissioner of Mines. There is no reason, however, for believing that the former suggestion would not prove satisfactory, for, as a general rule, mine inspectors are graduate engineers and have training in mechanical engineering and steam boiler construction. Inspection of boilers and machinery would, therefore, naturally fall into their field.

4. The department of State Inspector of Steam Boilers performs a branch of work which could well be consolidated with that of factory inspection. He has the organization and makes inspections of machinery and engine and boiler rooms. The work of inspecting steam boilers can be performed with a change in the qualifications of factory inspectors and with, perhaps, an increase in the number of inspectors from four to six, with a large saving to the state.

4. Procedure.

Under the supervision of the Chief Factory Inspector the deputies have been assigned to more or less well defined districts. One is located at Pueblo and has charge of inspections in the southeastern part of the state west to the mountains and north to Colorado Springs. Another is located at Palisades, and is in charge of the western part of the state. Two are located at Denver, one, a woman, being entrusted largely with the enforcement of the women and child labor laws, while the other is assigned to the rest of the state. At certain times of the year all four inspectors are summoned to Denver where the most of the inspection work is to be found.

No attempt is made to divide the inspectors according to any special qualifications which might be required. Appointments have been chiefly of a political nature and much time has been lost in training "green" inspectors.

Inspections must be made at least annually. For each place inspected a certificate of approval is issued if the conditions under which it is operated prove satisfactory. If conditions are found to be unsatisfactory, the inspector makes certain written orders which are transmitted through the Chief Factory Inspector to the operator, or owner, with a notice, that if they are deemed unjust, to notify that official. A compliance blank is attached to each recommendation order to be returned by the operator to the office of the Chief Factory Inspector upon compliance with the order. Upon receipt of this compliance slip at the office of the Chief Inspector another inspection of the place is made to verify the installation of the required improvements. The certificates of approval are revokable at any time for cause by the Chief Inspector.

If the required improvements ordered by the deputy factory inspectors are considered unfair, appeal may be taken by the employer to a board of arbitration. This board of arbitration consists of three members, one selected by the Chief Factory Inspector, one by the employer, and the other by the two thus appointed. The cost of arbitration must be borne by the party not sustained, or in case the contention of each is partly conceded, by both. Five dollars (\$5.00) a day is allowed the arbitrators for their services. (M. A. S., 1912, Sec. 2834.)

With few exceptions, the arbitrations carried on under this clause have proved favorable to the employer and have been a burden to the state. Where appeal lies to the head of the department, arbitration should not be necessary, and this method of adjustment should be abolished.

The head of the department keeps in close touch with his inspectors, even when these are in the field. Each inspector must report on specially provided blank forms, in minute detail, the condition of each establishment visited, and forward these daily to the Chief Inspector. He must also keep a daily account of all his expenses while traveling and submit a monthly report of his daily work and expense to his chief. Complete records of the work of each inspector are kept on file in the office of the department.

The department co-operates closely with the Bureau of Labor Statistics, the Colorado Free Employment Agencies, and the Supervisor of Private Employment Agencies, all of which are under the direction of the Deputy Labor Commissioner who is ex-officio Chief Factory Inspector.

5. Books, Records and Accounts.

Appropriations are made for salaries, traveling expenses and incidental expenses. Statutory provisions limit the traveling expense of each inspector to \$600 per annum. The expenses of some of the inspectors exceed the amount of the annual appropriation and additional sums expended by such inspectors in the performance of their duties must be debited against the fund of other inspectors,

causing the financial report to be somewhat misleading. Appropriations for traveling expenses should be made in one lump sum to cover all four inspectors. This would add greatly to the comprehensiveness of the statement. As a whole, the appropriation for traveling expense seems to be adequate to continue inspection as it is now carried on, but increased efficiency may demand increased appropriations for this purpose.

The records of the department are complete since the organization of factory inspection in 1911. They consist of files of certificates of inspection, protested and unprotested; complete daily record of each inspector, showing orders issued, complied with and not complied with, and of the inspection certificates issued; and files of monthly reports of inspectors as checks upon the daily work and expense accounts.

Factory inspectors are furnished with separate, distinct report forms for cigar factories, hotels, restaurants, boarding and bunk houses, mercantile establishments, manufacturing establishments, mills and workshops, laundries, and supplementary reports. This arrangement is provided to facilitate the compilation of statistics, the reports being filed under their distinctive headings.

6. Reports and Bulletins.

No special reports or bulletins are made or issued by this department. The Deputy Labor Commissioner as Chief Factory Inspector includes in his biennial report to the Governor such information as he deems necessary concerning factory inspection.

7. Comments and Suggestions.

There is conflict between the Bureau of Mines and the Department of Factory Inspection because of overlapping of inspectorial jurisdiction. This can be adjusted by limiting the sphere of one or the other. The best arrangement, however, would be to give the Bureau of Mines a clear field in the inspection of surface as well as underground workings and appliances of mines and their directly connected mills. These details may be left to the discretion of the Industrial Commission, as the Bureau of Mines is also recommended, in another part of this report, to be transferred to the Industrial Commission.

Section 14 of the Workmen's Compensation Act, (Ch. 179, L. 1915), provides that whenever the Industrial Commission hears of an unsafe place of employment it may investigate and proceed summarily without notice. After investigation it shall call the attention of the Deputy Labor Commissioner, in his capacity as Chief Factory Inspector, or other officer authorized to inspect or regulate such matters, and shall order changes which are necessary to make such places safe. The result of this section is virtually to take much of the work of the Factory Inspection Department out of its hands should the Industrial Commission so desire. This arrangement would result only in disagreeable conflicts.

Section 15 of the Workmen's Compensation Act, (Ch. 179, L. 1915), vests the Industrial Commission with power and jurisdiction to have such supervision of every employment and place of employment in the state as may be necessary to adequately ascertain and determine, (1) conditions under which employes labor, (2) the extent of compliance with the laws relating to safety, protection of life and health, and to enforce all provisions of the laws relating thereto, and to administer the act with regard to the relations between employers and employes. Here again the duties and functions of the Industrial Commission are duplications of similar duties and functions vested in the Bureau of Labor Statistics and Department of Factory Inspection. By placing the Department of Factory Inspection under the Industrial Commission there would be removed any conflict in authority and duties. It has been suggested in a previous section of this report on the Bureau of Labor Statistics to place this Bureau, also, under the Industrial Commission.

The statutory expense allowed for each inspector is \$600 per annum. This means that each inspector has a separate expense fund which cannot legally be transferred to the use of another inspector. All expense appropriations for a single bureau should be made in a lump sum and not confined to limited amounts for each inspector. Some of the inspectors of this department do very little traveling and need scarcely any expense fund, while others whose duties take them into mountainous regions incur heavy expenses.

Concerning the matter of the time consumed in making inspections, it is not the actual inspection which consumes so much time as the delay in making train and other traveling connections. These delays amount to considerable, especially in the southern coal fields region where small stations are from five to fifteen miles apart and only a daily train service. Under such a condition a Ford roadster would greatly facilitate the work of the inspector.

III. COLORADO FREE EMPLOYMENT OFFICES

1. Organization and Functions.

Free employment offices were created by act of April 5, 1907, as follows: "One in each city of not less than twenty-five thousand and two in each city containing a population of two hundred thousand or over, for the purpose of receiving applications of persons seeking employment, and applications of persons seeking to employ labor. Such offices shall be designated and known as "Colorado Free Employment Offices."

The Deputy Labor Commissioner recommends and the Secretary of State, who is ex-officio Labor Commissioner, appoints for a term of two years a Superintendent and Assistant Superintendent for each of the offices. The offices now in operation under this act are two in Denver and one each in Colorado Springs and Pueblo.

The personnel operating the Colorado Free Employment Offices is as follows:

	Per Annum
Superintendents of Free Employment Offices (four).....	\$1,200
Charged with the management of Colorado Free Employment Offices and with securing positions for the unemployed.	
Assistant Superintendents (four).....	1,000
Seek positions and work for unemployed men and women and perform some clerical duties.	

2. Procedure, and Books, Records and Accounts.

The Superintendents receive and record in books kept for that purpose, names of all persons applying for employment or help, designating opposite the names and addresses of each applicant the character of employment and help desired. Separate registers for applicants for employment showing the age, sex, nativity, trade or occupation, the cause and duration of non-employment, whether married or single, the number of dependent children, together with such other facts required by the Bureau of Labor Statistics, and required in order to facilitate the compilation of labor statistics.

The Superintendents communicate, also, with the principal manufacturers, merchants and other employers of labor, and co-operate with them in securing the objects and purposes of the employment offices. They may also advertise in the columns of newspapers and other suitable publications to secure positions for applicants.

No charge or fee of any kind may be exacted from any applicant for employment or help.

Statement of expenditures for year ending Nov. 30, 1915.

Salaries	Appropriation	Expenditure	Balance
Four Superintendents at \$1,200.....	\$4,800.00	\$4,800.00	0.00
Four Assistant Superintendents at \$1,000...	4,000.00	3,646.00	\$ 354.00
*Incidental	4,000.00	2,597.17	1,402.83
Totals	\$12,800.00	\$11,043.17	\$1,756.83

Balances for unexpended salaries revert back to the General Fund at the end of the fiscal year, while the balance for the incidental expenses is carried over and reverts back at the end of the biennial period. This is due to the fact that appropriations for salaries are made on the annual basis, while those for incidental expenses are biennial. This inconsistency should be corrected.

*Appropriation made for biennial period.

3. Reports.

All free employment offices are required to make a detailed weekly report to the Deputy Labor Commissioner of the number and character of positions secured, unfilled applications for help and unfilled applications for employment.

An annual report containing a statistical review of the work of the department must be made not later than December, to the Deputy Labor Commissioner.

4. Comments and Suggestions.

The Colorado Free Employment Offices should be transferred and placed under the control and supervision of the Industrial Commission.

The superintendents and assistants in charge of employment offices should be appointed by the Industrial Commission.

The efficiency of the free employment offices should be increased by the removal of such complaints made by employers of labor as that the quality of labor furnished by the free employment offices is inferior to that furnished by private agencies.

IV. SUPERVISION OF PRIVATE EMPLOYMENT AGENCIES

The law requiring the registration with the Deputy Labor Commissioner of all private employment agencies in the state was passed in 1909. It provides in effect that no person, firm or corporation in this state shall open, operate or maintain a private employment agency for hire, or where a fee is charged to either the applicant for employment or for help, without first obtaining a license from the Deputy Labor Commissioner. Applications for license must be accompanied by a bond in the penal sum of \$1,000. The fee varies from \$50 per annum in cities of over twenty-five thousand (25,000) population, to \$10 in cities and towns under five thousand (5,000) population. Every licensed agency must keep a register in which it shall keep a record of the name and address of every applicant for employment or help, which register shall be open to inspection by the Deputy Labor Commissioner or his agents.

No such agency shall send a female to a house of ill fame, publish fraudulent notices or make fake entries in the register. No fee greater than \$1.00 may be charged for filing an application for work as a day laborer, mechanic, artisan, or household or domestic servant, nor greater than \$2.00 for professional positions. The fee must be returned to the applicant for position when demanded by him within thirty days after application if no position has been secured within five days.

This law is broad enough to include teachers' and other employment agencies, but the courts have held that such agencies may contract with applicants to charge any fee contained in such contract. Thus teachers' agencies will contract to receive 5 per cent of the annual salary of the applicant if position is secured.

This condition of affairs could be remedied only by a statute providing a maximum compensation for services rendered by employment agencies.

The moneys received from registration fees are applied to the enforcement of the act, except the fee of \$1.00 charged for the registration of the bond, which goes to the Secretary of State. Any violation of the act is made a misdemeanor punishable by a fine of from \$100 to \$200, or jail imprisonment of six months, or both.

The enforcement of this act is in the hands of the Deputy Labor Commissioner and a Supervisor of Private Employment Agencies, appointed by the former. No traveling expenses are allowed except in the case of emergency, most of the inspections of the outlying agencies being made by the Deputy Labor Commissioner during the course of performance of other duties which call him to various parts of the state. The supervisor gets a salary of \$125 per month when employed.

1. Books, Records and Accounts.

A cash book is kept in which is recorded the name of each employment agency to which a certificate is issued, together with the amount received for such certificate and the sum of \$1.00 for filing the bond. The entries are regularly transferred to a monthly ledger. Deposits are made daily with the Treasurer, who credits the receipts to the Private Employment Agencies Fund, out of which payments are made upon the proper customary requisitions. All accounts are checked with those of the Auditor at the close of the fiscal year.

Complete records of certificates issued, with appropriate indexes, are kept on file in the offices of the Bureau of Labor Statistics, as are also records of all correspondence relating to the enforcement of the laws relating to private employment agencies.

Collections from the sale of licenses to private employment agencies are accredited to a permanent fund which is applied to meeting the expenses of supervision.

Fiscal year ending November 30, 1915:

Receipts	\$1,915.75
Salaries	\$1,346.42
Expenses	156.16
	<hr/>
	1,502.58
Balance	\$ 413.17

At the end of the biennial period the balance is transferred to the General Fund.

2. Comments and Suggestions.

The laws relating to private employment agencies are lax and need amendment. Time did not permit of a study of the laws in such detail as to permit of construction suggestions at this time. It is recommended, however, that the supervision of private agencies should be transferred, together with the Bureau of Labor Statistics and the Colorado Free Employment Offices, to the Industrial Commission.

V. CHIEF COAL MINE INSPECTOR

The act providing for coal mine inspection, under which the office of Chief Coal Mine Inspector now operates, was approved April 4th, 1913. The bill was drafted by a committee consisting of the Chief Coal Mine Inspector, two coal mine operators, and two miners' representatives. It has proved very satisfactory in its operation, but many minor defects have been brought to light, and the act is now being revised by the chief inspector.

1. Organization and Duties with Statutory References.

The personnel of the department is as follows:

Chief Coal Mine Inspector.....\$3,000

The Chief Coal Mine Inspector is in charge of the office, and has general supervision thereof. He directs the Deputy Coal Mine Inspectors in the performance of their duties and, when necessary, personally, either singly or jointly with the District Inspector, makes inspections of mines and investigations of catastrophes. He may assist the mine foreman in securing suitable subordinates to fill vacancies, revoke licenses of mine officials, may fill vacancies in offices of Deputy Coal Mine Inspectors, and appoint subordinates, or may request the removal of any subordinate by the Board of Examiners. He is empowered to enforce the various provisions of the act, compel all owners or operators of coal mines to supply the miners with copies of the mining laws of the state, and institute proceedings in courts to enforce the law.

He is ex-officio a member of the Board of Examiners of Coal Mine Inspectors, but does not sit when a Chief Coal Mine Inspector is to be chosen. The Chief Coal Mine Inspector is appointed for a term of four years by the Governor from a list of eligible candidates certified to by the Board of Examiners of Coal Mine Inspectors, which consists of the two coal miners, a coal mine owner or operator, an engineer and the Chief Coal Mine Inspector. (S. L. 1913, Ch. 56, Sec. 5 and 21.) He is subject to removal by the Governor at the request of the Board of Examiners. Complaints may be filed against him or any inspector under bond. (S. L. 1913, Ch. 56, Sec. 34-36.)

(For duties of Board of Examiners see S. L. 1913, Ch. 56, Sec. 6-12 and 34-36.)

All necessary traveling expenses are provided for by statute. He furnishes a bond in the sum of \$5,000 filed with the Secretary of State.

Deputy Coal Mine Inspectors (four), each.....\$2,100

The act of 1913 provides for the appointment of five deputies, but in the opinion of the Chief Inspector four can do the required work, and previous to May, 1915, only three were employed.

The Deputy Inspectors are appointed by the Chief Coal Mine Inspector from eligible lists furnished by the Board of Examiners. (S. L. 1913, Ch. 56, Sec. 11-12.)

Each deputy furnishes bond in the sum of \$3,000.

All necessary traveling expenses are allowed, under which provision each Deputy Inspector has been supplied with a Ford car to facilitate the work of inspection.

The duties of the Deputy Inspectors relate chiefly to the enforcement of the laws relating to safe and healthy conditions of employment in coal mines. They judge as to the competence of mine officials and miners, approve methods of closing up abandoned entrances and means of removing noxious gases, enforce regulations as to width of entries, make timbering agreements, test cages, test weights and measures where no local inspectors of weights and measures are employed, supervise ventilation and wiring, prevent accumulation of dust, enforce the signal code and approve the use of powder, report all death and accidents incapacitating for more than five days, are present at coroner's inquests, and make the required mine inspection, accident, etc., reports to the Chief Coal Mine Inspector.

Chief Clerk.....\$1,500

This employe, classified under the civil service, has charge of most of the clerical work of the office, sends out all orders and blank forms for reports, files all reports, compiles data for reports, and receives and deposits all moneys received from sale of copies of State Coal Mining Laws.

Stenographer and Assistant Clerk.....\$1,200

This employe is under the classified service, and is engaged chiefly in stenographic work with some clerical duties.

The Board of Examiners of Coal Mine Inspectors.

The Board of Examiners of Coal Mine Inspectors is provided for in Sections 5, 6 and 7 of Chapter 56, S. L. 1913. It consists of five members, viz: two coal miners, appointed by two District Judges of the coal mining districts; a coal mine owner appointed by a third District Judge of a coal mining district; a coal mining engineer appointed by the Governor; and the Chief Coal Mine Inspector. A new board is appointed every fourth year. The compensation of members of the board, except in the case of the engineer, who receives \$10.00 per day, and the Chief Coal Mine Inspector, who receives nothing except his regular salary, is \$6.00 per day and all traveling expenses. It is convened by the Governor.

The duties of this board of examiners are to examine candidates for the position of Chief and Deputy Inspectors of Coal Mines, to examine miners for positions as mine officials, and to report the names of the successful candidates to the Chief Inspector of Coal Mines. In case the examination is for a Chief Inspector of Coal Mines, another member is selected by the remaining members of the board to sit in place of the Chief Inspector. By statute, sessions of the board are limited to a period of sixty days during a biennial period.

The following is a list of the examinations conducted by the board:

Certificates granted to Coal Mine Officials by Board of Examiners of Coal Mine Inspectors.

Position—	Issued	
	1913	1915
Mine Examiners and Mine Foremen.....	49	46
Mine Foremen, first class.....	89	135
Assistant Mine Foremen, first class.....	14	20
Fire Bosses.....	35	51
Mine Foremen, second class.....	34	97
Assistant Mine Foremen, second class.....	8	19
Assistant Mine Foremen, second class (for specified mine) .....	..	11
Shot-firers (gaseous mines).....	..	264*
Shot-firers (non-gaseous mines).....	..	228*
Total, exclusive of shot-firers, both classes.....	229	379
Total, including shot-firers, 1913-1915 inclusive... ..	..	1,100

2. Finance and Accounts.

A tax of one-third of a cent per ton on every ton of run-of-mine coal produced, payable not later than the fifteenth day of July, October, January and April of each year, is collected from each coal mine operator. Each mine owner or operator is required to make a monthly report to the Chief Coal Mine Inspector of the total tonnage of coal produced. This report forms the basis for the tax of one-third of a cent per ton. (S. L. 1913, Ch. 56, Sec. 167.) A notice, stating the amount of coal produced as reported by the operator, and the amount of the tax due, is sent by the Chief Inspector to each coal mine operator. Attached to the notice is a blank on which is to be filled out the amount remitted to the State Treasurer. The blank must then be returned to the Chief Inspector. All remittances are made direct to the State Treasurer and credited to the Coal Mine Inspection Fund, subject to disposal upon proper demands of the Chief Inspector. A record of the tons of coal produced and the amount of the tax collected from each operator is maintained at the office of the chief inspector. Money received in payment for copies of the Coal Mining Laws of the State is received by the Chief Inspector and deposited monthly with the State Treasurer to the credit of the Coal Mine

*These figures are for both years.

Inspection Fund. A cash book, in which the amounts of these sums are recorded under headings, designating the foreign language in which the laws are printed, records the sales. The charge is 10 to 20 cents per copy, according to the foreign language in which the books are printed. The law requires the Chief Inspector to submit a complete report to the Governor after an annual audit of his accounts has been made. Collections may be enforced through the Attorney General (S. L. 1913, Ch. 56, Sec. 168.)

Following is a statement of the financial transactions of the year 1915:

**Statement of Receipts and Disbursements from
January 1st to December 31st, 1915**

RECEIPTS

Tax collected on coal mined.....	\$24,780.42
From sale of copies of Coal Mining Laws.....	768.40
	<hr/>
Total Receipts.....	\$25,548.82

DISBURSEMENTS

Salary Chief Inspector.....	\$3,000.00
Salaries four Deputy Inspectors*.....	7,641.66
Salary Chief Clerk.....	1,500.00
Salary Assistant Clerk.....	1,200.00
Expenses of Chief and Deputy Inspectors.....	4,750.24

Office Expenses—

Printing	676.86
Stamps**	360.00
Stationery, File Cases, etc.....	289.94
Instruments	173.71
Telephone and Telegraph.....	52.72
Express	4.19
Miscellaneous	107.19
Fees and Expenses of Examining Board.....	1,968.05
	<hr/>

Total Disbursements..... 21,724.56

Surplus for the period.....	\$ 3,823.26
Surplus January 1, 1915, brought forward.....	16,287.85
	<hr/>

Surplus January 1, 1916.....\$20,111.11

The Coal Mine Inspection Fund can be used only for defraying the expenses incurred under the act creating the department, and no balances from this fund may be, by law, transferred to the "General" or any other fund.

The balance, which for 1915 averaged about \$20,000, remains to the credit of the fund and, in accordance with the law, is invested at the rate of 2½ per cent per annum.

Supplies are purchased on the sole responsibility of the Chief Coal Mine Inspector, so long as the amount of each purchase does not exceed \$25.00. If it exceeds this amount the approval of the Governor is necessary and the Chief Inspector also submits the voucher to the Auditing Board for approval. This latter operation, however, seems to be merely a matter of comity on the part of the Chief Inspector, and not a requirement of the law. The reason assigned by the framers of the coal mine inspection law for dispensing with the approval of the State Auditing Board was, that this process caused great delay and that in many instances the inspectors were forced to remain idle through lack of the

*The statutory salaries for inspectors are \$2,100 per annum, but the inspector for the Fourth District was not appointed until May, 1915.

**This item appears large because of the large number of copies of Coal Mining Laws and the number of report books which are sent out. These are sent by parcel post when practicable. The examinations for certified mine officials, conducted by the board of examiners, makes a heavy demand upon the postage of the department.

necessary fund. He must keep correct account of all purchases and make report thereof to the Secretary of State at the end of the fiscal year and to his successor at expiration of his term of office. All shortage of papers, books, instruments and properties is covered by bond.

3. Records, Reports and Bulletins.

Comprehensive monthly and annual reports are made by each coal mine operator and filed in the office of the Chief Coal Mine Inspector. These reports furnish many of the data for the Chief Inspector's annual report to the Governor. The monthly reports contain data on the name of the mine, number of employes, amount of coal mined, ventilation system, mine foreman's reports, on weekly air measurements, fatal and non-fatal accidents. (Ch. 56, L. 1913, Sec. 165 and 166.) An operator's annual report contains similar data but of a more summarized nature. All the original reports are kept on file, but the monthly reports are in addition, summarized in a loose-leaf record book as they arrive.

An attempt is made to keep a record of all nationalities employed in the coal mines of the state in order to determine the approximate number of copies of the Coal Mine Laws required to be printed in each language. It has not proved successful, due to the mobility of the labor.

There is also a record and file of all certified mine officials. These are divided into eight classes, viz: mine examiners and mine foremen, first class mine foremen, assistant first class mine foremen, fire bosses, second class mine foremen, assistant second class mine foremen, shot firers (gaseous mines), shot firers (non-gaseous mines).

The inspectors' reports on the condition of each mine, together with all correspondence relating to matters of inspection, and recommendations made in relation thereto, are carefully filed. These reports give minute detail on the air supply, number of men, area of entry, sanitary conditions and the recommendations of the inspectors.

Every operator is by law required to file with the Chief Coal Mine Inspector an accurate map, corrected every six months, of the workings of mines, and also a map of the surface topography. All back maps are kept on file for future reference. There are several thousand such maps stored away in the sub-basement of the State Capitol, where they are not readily available, but they cannot be kept in the office because of lack of space and other facilities.

In addition to these records, the office keeps a file of all timbering agreements signed by the operators and the inspectors, of coal analyses, and a coal mine directory.

The Chief Coal Mine Inspector prepares blank report books to be kept by mine officials. They are subject to examination by the Coal Mine Inspectors when inspecting the mine. They consist of a mine foreman's report on weekly air measurements and daily reports on the condition of the mine, an assistant mine foreman's daily report book, a fire bosses' daily report, and a mine foreman's weekly report. As soon as these books are completely filled in, or at the end of the year, they are sent to the office of the Chief Coal Mine Inspector, where they are filed.

The annual report which the Chief Coal Mine Inspector submits to the Governor contains valuable suggestions and many valuable data on tonnage produced, taxes received, number of men employed in the coal mining industry, including coke ovens, fatal and non-fatal accidents, thickness of coal bed, kind of mine opening, character of coal; also a roster of certified coal mine officials and a directory of coal mines. The law provides for the printing of not more than 2,000 copies of this report without the special consent of the Governor. The printing is paid for out of the Coal Mine Inspection Fund. (Cr. 56, L. 1913, Sec. 37.)

The "Coal Mining Laws of the State of Colorado," in so far as they relate to miners or mine officials, are printed in ten different languages. Each operator is obliged to supply every miner with a copy in a language that he can understand. The translations were made and the proof read by miners, so that there would be no confusion of terms, and the language would be such as the miner could understand. The printing of these laws is paid for out of the Coal Mine Inspection Fund and they sell for 10 and 20 cents per copy, according to the foreign language employed.

4. Procedure.

The act creating the department contains a section (Ch. 56, L. 1913, Sec. 2.) which provides that none of the duties and functions of the Chief Coal Mine Inspector's department shall encroach upon the duties of the factory or boiler

inspection departments. The department, therefore, confines itself chiefly to supervising actual mining operations, for the greater part conducted underground. There is nothing in the act relating to supervision over coke ovens, but the broad provisions of the act (Ch. 56, L. 1913, Sec. 2) gives the department supervisory power over coal mines and "They shall include all parts of the mining plant, whether on the surface or underground, which contribute directly or indirectly to the handling of coal."

The department co-operates closely with the Industrial Commission. The Chief Coal Mine Inspector furnishes the latter with all data and facts on fatal accidents and receives in return reports on all non-fatal accidents.

All printing is obtained through the Commissioner of Public Printing except the printing of the state coal mining laws, which, because of their peculiar nature (they are in ten different languages), is carried on independently of the printing department. Previous to January, 1915, no requisitions of any kind were submitted to the State Auditing Board for approval, but since that date the auditing board has assumed that all vouchers incurring a liability to the State must be signed by that body. All requisitions for a greater sum than \$25.00 are now submitted to the auditing board for approval.

Where there is no county inspector of weights and measures, the coal mine inspectors perform these services for the public in connection with coal mining. At present the only coal mining counties of the state which have their own inspectors of weights and measures are El Paso and Las Animas counties. The standard of this work, on the whole, however, is poor, due chiefly to lack of proper facilities and standards.

Nearly all of the office and field equipment, filing cabinets, instruments, etc., and also a Ford car for the use of each inspector, have been purchased with money out of the Coal Mine Inspection Fund. The cars have proved very well suited to the requirements of the district inspectors, and are expected to pay for themselves through economy in time and a corresponding increase in efficiency.

The office methods of the Chief Coal Mine Inspector's department are excellent and quite efficient. All letters and reports are systematically filed, and all annual reports carefully compiled from the data collected. These data are also freely exchanged with the United States Bureau of Mines, which has initiated a movement to secure uniformity of reports and closer co-operation between the departments of coal mine inspection maintained by the various coal mining states. To secure this end, the Federal Bureau has issued several bulletins as to forms of reports, statistics, etc., seeking to standardize this work. Many features of these forms have been thought by the Chief Coal Mine Inspector's department to be too complex to allow of profitable use in relation to the coal mining industry of this state, and have not been acted upon.

Summary of the Work Performed by the Chief Coal Mine Inspector's Department, 1915.

	Chief		Deputy		Totals
	Inspector		Inspectors		
	Dist. No. 1	Dist. No. 2	Dist. No. 3		
Number of mines inspected, *40.....	40	85	67	192	
Number of inspections made, *55.....	182	202	261	545	
Fatal accidents investigated.....	18	22	11	51	
Coroner's inquests attended.....	16	11	9	36	

The inspector for the fourth district was not appointed until the end of May, 1915, and figures in reference to his work are not here given, as the data therefor was not available.

5. Laws Enforced by the Chief Coal Mine Inspector

The laws now on the statutes, which are required to be enforced by the Chief Coal Mine Inspector, are limited to the act of April 4, 1913, the chief provisions of which, other than such as relate to the organization of the department, are here briefly stated.

- a. The laws provide for the appointment of a Board of Examiners of Coal Mine Inspectors, and require all coal mine officials to be examined before this board and certified by them to be competent to hold such positions.

*Joint and single inspections not included in totals.

- b. The coal mining laws of the state are required to be printed in foreign languages and distributed by employers to their employes.
- c. Inspection of coal mines must be made at least once every ninety days by the inspectors, who may close dangerous mines if it is impossible to make them safe, or where the operator fails to comply with the recommendations made by them.
- d. The act places the entire responsibility for the safe, healthful and sanitary condition of the mine, especially in regard to ventilation, removal of dust, timbering, reporting and removing explosive gases, providing shelter holes, and keeping entries and passages clear, upon the mine foreman. This official is also required to keep a daily record of the general condition of the mine, to see to it that there is a proper amount of material on hand for the safe working of the mine, and to make a weekly report on all air measurements made by him. He must report any violation of the act to the inspectors.
- e. The act establishes the duties of (1) the assistant mine foreman, who is substitute for the mine foreman during the latter's absence, (2) the fireboss, who has the duty of detecting and removing explosive gases from the entries, and who must make complete records of all inspections in a report book furnished him by the Chief Coal Mine Inspector.
- f. Certain provisions relating to safety, such as requirement of fireproof mine buildings, emergency windlasses, phlanges on brake drums, special safety cages, speed of cage, which is set at 600 feet per minute when hoisting men, are set forth in the act. It would be more practicable not to have the statutes set a speed limit in hoisting, and allow more differentiation in different mines, as conditions warrant. This should be left to the Chief Coal Mine Inspector, in the same way that it is left to the Bureau of Mines in the case of metalliferous mines.
- g. The provisions for aid and rescue appliances are: (1) That every mine employing twenty-five men or more underground shall be equipped with resuscitating apparatus, (2) that the owner of every mine employing less than one hundred men underground shall endeavor to have trained two crews of four men each, and those employing over one hundred, three crews trained in rescue work.
- h. Every coal mine opened since 1913 is required to have at least two openings, with separate hoisting plants, to furnish adequate means of escapement for the miners in case of explosion.
- i. As an aid in rescue work and inspection, each operator is required to file a topographical and underground map of each mine, corrected every six months, with the Chief Coal Mine Inspector.
- j. Minors under sixteen years of age and women are prohibited from working underground in coal mines.
- k. Inspection of scales may be undertaken by the deputy coal mine inspectors in counties where there is no county inspector of weights and measures. A check weighman may be employed, but the miners must pay him. The operator, however, cannot prohibit the employment of such check weighman.
- l. Provisions relating to the supply of pure air are very strict. For every man employed underground, one hundred cubic feet per minute, and for every horse or mule, five hundred cubic feet per minute, to be circulated by the "split system," are required. Underground fans are prohibited, and all underground doors must be self-closing.
- m. A signal code for use in hoisting is set down in the statutes, which also provide that the code be printed and copies posted in the engine room at the collar of the shaft and at each level or station in each mine.
- n. Careful statutory regulations are laid down to be followed by the shotfirer in the care and use of explosives. Some of the provisions are as follows: (1) The Chief Inspector is to make rules as to what constitutes permissible powder, (2) each miner is allowed to take

into the workings of the mine only one day's supply of powder, (3) all shots must be inspected and approved by a certified shotfirer before firing, (4) the manner of making shots is minutely prescribed.

- o. Notice must be given of every death through accident and each death must be investigated by a deputy coal mine inspector and reported to the Chief Inspector. The deputy may also attend coroner's inquests.

6. Comments and Suggestions.

Coal mining, as far as the miner is concerned, is inherently a dangerous business. Previous to the passage of the act of 1913, conditions in our coal fields were very bad. Many mine explosions occurred, and the percentage of fatalities even in 1913 was 8.6 per 1,000 employed. Under the operation of the present act this high percentage of fatalities has been reduced to 5.1 per 1,000 employed, but even this is the fifth highest rate of coal mine fatalities in the United States. There is still much that can be done to reduce it. In 1915, 64 fatal accidents in the coal mining industry were reported, 59 occurring underground and five on the surface. Through these accidents 31 widows and 92 children were left without their means of support. In addition to this, 712 non-fatal accidents, incapacitating the individual for more than five days, were recorded. Of these, 184 were "serious," incapacitating for five weeks or more, 291 were "minor," incapacitating from three to five weeks, and 237 were "trivial," incapacitating from five days to three weeks. Assuming an average for each of these classes to be respectively forty-two days, twenty-four days and fourteen days, the total days of incapacitation during 1915 were 18,030. It is apparent that coal mining as carried on in this state today still claims far too many victims, and any new rules and improvements in safety devices that can be adopted and enforced, and that would reduce the number of accidents, demand the earnest consideration of the legislature.

It is the duty of the Chief Coal Mine Inspector and his deputies to devise these rules and see to it that these safety devices are instituted. The ever-changing conditions within the mines demand frequent and careful inspections. One or more inspections every three months is not excessive. In fact, many mines require much more frequent inspection. Some of the larger coal mining companies have their own company inspectors; and these concerns give the state inspectors little trouble; but the small mine owners, operating generally a single mine, are very careless in their compliance with the provisions of the law and the rules of the Chief Coal Mine Inspector, and it is these that require frequent and careful attention.

The efficiency with which the work of this department has been carried on is ascribed chiefly to its independence and centralization of authority. All responsibility is centralized in the Chief Coal Mine Inspector, who appoints his subordinates, and who is himself responsible only to the Governor. It is evident from the method of appointment from lists of eligibles that the possibility of a political appointment is remote. Examinations for the eligible list to appointments as inspectors of coal mines, although not conducted by the Civil Service Commission, are very thorough and complete, and minimize the possibility that inefficient inspectors might be appointed. Under the present conditions of civil service in this state it is inadvisable to place the power of conducting examinations in this department in the hands of the Civil Service Commission.

The function of inspection and supervision of coal mines is carried on under the police power of the state. For this purpose the state may levy a reasonable fee sufficiently large to cover the cost of maintaining the inspection. The fee of one-third of a cent per ton of coal mined may, at present, not be excessive, but with increased production of coal and consequent increased receipts the annual balance in the hands of the Chief Coal Mine Inspector can be expected to grow, unless the fee is correspondingly lowered. It remains, however, with the courts to decide when the fee assumes the nature of a tax for revenue purposes, and becomes in consequence unconstitutional. The present revenues are adequate for all proposed extensions of the services of the department. The special fund should be discontinued. In its present form, it meets the approval of the operators as well as the approval of the miners, and has been a step towards the solution of the coal mining problem, but it stands in the way of a complete budget system of control of finances. All revenue receipts of the department should be deposited with the State Treasurer to the credit of the general fund and the department provided for by appropriation.

The Chief Coal Mine Inspector has at times been forced to appeal to the courts to enforce his orders, but the great delay in securing the trial of a case before the

proper court has, at times, proved a serious obstacle to the department in enforcing compliance with the laws and with its own orders. There is an alternative of closing up a mine, which has been resorted to in a few instances, but this does not secure a speedy compliance with requirements that would not ordinarily necessitate such drastic measures. Some system should be instituted by which a more speedy decision of the courts upon matters touching the exercise of the powers of the state can be secured.

The State of Colorado has no established mine rescue service. The only such service maintained at present is that of the United States Bureau of Mines, which maintains a mine rescue car in this state. This service trains men in the various large mines to undertake rescue work. It is, however, quite inadequate, in that it is impossible for the men in charge of this work to come to a mine oftener than once in eight or nine months. The small mines are left entirely without attention. During such long intermissions the men are apt to forget much of the valuable training which they have received. It is possible under the present organization of the Department of the Chief Coal Mine Inspector, to equip trucks, adapted to rail or road, as mine rescue cars, and to maintain such trucks in the coal mining districts. Good inspection can minimize the danger of explosion, but it cannot always prevent disasters so destructive of human life. It is, therefore, essential that some sort of mine rescue service be established. For this purpose legislative action will be necessary, as the law creating the department does not provide for the appointment of additional employes.

The work of the Chief Coal Mine Inspector and the Industrial Commission overlap. Each collects data on accidents, both fatal and non-fatal, and each is required to investigate the conditions which brought about such accidents. The inspectors employed by the Industrial Commission are not acquainted with the conditions in the various mines, and are at best ill qualified to make such an investigation in a coal mine. In case of an explosion or a serious mishap in a coal mine, they are prevented by the Chief Coal Mine Inspector from entering and performing their duties. These two departments have not yet come to any agreement over a line dividing their sphere of operations, and continual conflicts occur. In order to prevent this overlapping of functions, the department of Chief Coal Mine Inspector should be consolidated with the Industrial Commission and be a division thereof under the direction and supervision of the commission.

VI. BUREAU OF MINES

1. Organization and Functions.

The office of Commissioner of Mines was provided for by Section 1 of Article 16 of the Constitution, wherein it was also provided that the commissioner shall be appointed by the Governor, by and with the advice and consent of the Senate, for a term of four years, his salary and duties to be established by statute. The statute of April 10, 1899, created the "Bureau of Mines of the State of Colorado" under the supervision and charge of the Commissioner of Mines. (M. A. S., 1912, Sec. 4987.) The bureau confines itself to the supervision of metalliferous mines and has nothing at all to do with coal mines.

The personnel of the department is as follows:

	Per Annum
Commissioner of Mines.....	\$3,000
Is head of the Bureau of Mines, applies his full time to duties of his office; enforces all statutes for the protection of miners employed in the metalliferous mines of the state and all rules and regulations governing mining operations issued by the Bureau of Mines; supervises the collection of minerals and is custodian of the state mineral collection; supervises the collection of statistics and data on the mining industry, and at times personally inspects the workings of mines. Gives bond in the sum of \$20,000.	
Inspectors of Metal Mines (four).....	\$1,800
Maintain branch office of Bureau of Mines in their districts; inspect machinery and mechanical equipment; ventilation, safety devices, storing of explosives and oils, mine boarding houses; investigate accidents; report findings to commissioner; make recommendations and enforce all laws relating to supervision of mines in the interest of safety and employes. Give bond in the sum of \$5,000, each.	
Chief Clerk and Curator.....	\$1,500
Is chiefly engaged in performance of clerical duties; makes up reports, keeps accounts; attends to the collection of mineral specimens.	
Stenographer and Assistant Clerk.....	\$1,200
Performs stenographical work, typewriting, and is assistant filing clerk.	

2. Finance and Accounts.

Accounts of financial transactions are kept in a cash book under the headings of receipts and expenditures. Receipts consist of the biennial appropriation, no fees being collected by the bureau for its inspection work. Reports and bulletins are distributed free to all county and state officials, publishers of newspapers and state institutions. Expenditures are for salaries, expenses and incidental supplies under the headings of printing, postage, telephone and telegraph, and miscellaneous. All supplies are obtained through the Secretary of State and the Commissioner of Public Printing.

The Commissioner of Mines is authorized by law, with the approval of the Governor, to draw upon the funds of the bureau to pay the salaries and traveling expenses of himself and inspectors and the salary of the clerk and other assistants, printing of bulletins and necessary expenses of his office. All requisitions take the regular course through the Auditor's and Treasurer's offices. Duplicate vouchers are kept on file in the offices of the bureau.

A financial statement of the department follows:

Financial Statement of the Bureau of Mines
Biennial period ending November 30, 1915.

Receipts.

Appropriations:

Salaries—

Commissioner of Mines at \$2,500.....	\$ 5,000.00
Deputy Commissioners (4), at \$1,800.....	14,400.00
Clerk and Curator at \$1,500.....	3,000.00
Stenographer at \$1,200.....	2,400.00
	\$24,800.00

Traveling expenses for Commissioner and four deputies

10,000.00

Incidental fund.....

1,500.00

Fees collected*.....

23.00

Total receipts

\$36,323.00

Disbursements.

Salaries—

Commissioner of Mines.....	\$ 5,000.00
Deputy Commissioners (4).....	14,400.00
Chief Clerk and Curator.....	3,000.00
Stenographer	2,333.32
	\$24,733.32

Expenses—

Commissioner of Mines.....	\$ 1,996.40
Deputy Commissioners.....	6,677.88
	8,674.28

Incidental

1,442.15

Total expenditures

\$34,849.75

Balance, November 30, 1915**.....\$1,473.25

3. Reports and Bulletins.

By Section 4494, M. A. S., 1912, the Commissioner of Mines is required to make a biennial report to the Governor. All such biennial reports issued up to the present time, have, according to legal requirements, presented a review of the mining and milling industry; sources of power for mines and the geology of Colorado; have contained a number of papers on special subjects relating to the mining industry; and have regularly placed before the public the statistical data on mine accidents, development of rare metal industry, production of rare metals by counties, together with such other material as is required by law. It is the intention of the bureau to cut down the size of this report and present only so much as will keep it within the requirements of the law. Other materials to be of any value, must be presented as carefully compiled scientific treatises, which can best be published in the form of bulletins.

The bureau has on hand bound volumes of the reports of inspectors and mine operators and complete records of all accidents. The accident records are now gathered by the Industrial Commission on blanks furnished by the Bureau of Mines, and are identical in form with those of the United States Bureau of Mines. They classify accidents according to kind of work, nature and degree of injury, cause of injury, etc. Previous to 1915, they were bound at heavy expense, but now this has been discontinued; they are summarized and published in the biennial reports which then form the record.

The data and specimens of ores and minerals collected by the bureau are exchanged for like materials with foreign countries. In this manner many valuable specimens and mining reports of nearly all the major countries of the world have been secured.

Bulletins on special subjects are issued from time to time by the bureau. These cover many subjects, but their publication is hindered through lack of funds, being dependent upon special appropriation. The printing of the 1916 bulletin on "Mining Laws," Federal and State, with the rules and regulations of the bureau

*The only fees collected by this department are those for making certified copies of reports.

**All balances are turned into the general fund at the end of the biennial fiscal period.

appended, was undertaken on the personal responsibility of the commissioner, because there was no appropriation made for the purpose, and the publication was deemed by the commissioner absolutely essential. This bulletin is for sale at fifty cents per copy, the proceeds being applied to the payment of the printing bill, any surplus going to the Bureau of Mines fund. According to the commissioner, there is great need of bulletins on the mineral resources of economic value in each county, such as will indicate their commercial possibilities.

All owners or operators of metalliferous mines, mills, or metallurgical plants employing two or more men are required to make detailed reports to the Commissioner of Mines on the number of days worked, names of claims, number of men employed, kind of work performed, etc. The necessary blanks are furnished by the commissioner.

4. Procedure.

For purposes of inspection, the act creating the bureau, divided the state into four districts. An inspector is appointed to each district by the Commissioner of Mines with the consent of the Governor. He holds office for a term of two years, and must have had at least seven years' practical experience in mining in Colorado before being eligible for appointment to the office. Each inspector establishes in his district a branch office of the Bureau of Mines. Such offices are located for District No. 1 at Black Hawk, for District No. 2 at Cripple Creek, for District No. 3 at Alma, and for District No. 4 at Durango. The inspectors are entrusted with the duty of inspecting all surface machinery, including engines, boilers, hoisting apparatus, etc., all underground workings and the storing of power and oil, and examine into the use of signals. The enforcement of the laws and the securing of safety for the employes is the chief object of inspection. Where non-compliance with the laws is found to exist, a written notice is sent to the owner apprising him of the penalty. Recommendations relating to safety measures founded upon orders of the commissioner are usually given orally to the operator, who, in most cases, complies. Written recommendations are made only as a last resort. Appeal to the courts to enforce any order is taken only where there is urgent necessity. Copies of all orders, whether verbal or written, are filed in the offices of the Bureau of Mines.

The Commissioner of Mines is empowered to make rules, regulations and orders relating to the safety of employes. Under this power he has regulated the speed of hoisting, provided safety cages for hoisting men, automatic controllers on engines and hoists, safety collars on shafts, and many other devices. All rules, regulations and orders must be complied with without delay, but if they are deemed unfair the mine operator may institute proceedings in the District Court to enjoin the commissioner from enforcing them. In case of unwillingness to comply with a statutory provision the Commissioner of Mines must appeal to the courts to enjoin or restrain the operator from working until he complies with the requirements of the laws. Under these provisions an order of the bureau is easier to enforce than the statutory provision. In the former case the operator must comply and may then appeal for relief, and in the latter he may refuse to comply until forced to do so by the courts. The former method of coercion is obviously to be preferred.

The code of rules and regulations issued by the Commissioner of Mines includes rules on ventilation, sanitation, storing of explosives, and reporting of fatal accidents; a series of general rules relating to safety devices on all mechanical appliances, and miscellaneous rules for underground men on behavior, signaling, candle lights, materials and tools, timbering, care of explosives, signal code for hoisting, etc. This code is enforced by the commissioner through his inspectors.

Each inspector reports daily to the Commissioner of Mines the work performed during the day, where he was engaged, distance traveled, approximate expenses incurred, together with general information on accidents, new properties, mines which have closed down or opened up, new strikes, and matters of general interest to those engaged in the mining industry. He may be called to any mine at any time to report upon fatal accidents and must see that all accidents are properly reported.

5. Comments and Suggestions.

The Bureau of Mines duplicates, or is required by law to perform, in whole or part, in so far as the supervision over metal mining is concerned, the activities and duties of the following departments:

a. The Department of State Inspector of Steam Boilers.

Boiler inspectors are by law required to inspect all boilers. A similar duty, restricted to mines, mills and smelters, is placed upon the inspectors

of metalliferous mines by statute. The latter, however, do not perform this duty, but leave it to the state boiler inspectors. This duty as far as it concerns metal mines, mills and smelters, is one that falls entirely within the functions of the Bureau of Mines and should be performed by its inspectors, who are qualified by training and experience to perform this work.

b. The Industrial Commission.

While the Bureau of Mines and the Industrial Commission are coordinate departments, each is required by law to investigate accidents in metalliferous mines, although the former is required to report on fatal accidents only. A compromise has been struck between the departments so that the inspectors of the Bureau of Mines perform the actual work of inspection of fatal accidents, while the Industrial Commission takes all minor accidents which fall more directly into its field of workmen's compensation. Reports are made in duplicate, a copy being filed in the office of each department. By placing the Bureau of Mines under control of the Industrial Commission greater co-operation in securing the health, safety and comfort of miners employed in metalliferous mines can be secured.

c. The Department of Factory Inspection.

This department is required to inspect the conditions under which laborers work in all establishments where laborers are employed. This includes mines, mills and smelters. The same duty in regard to these industries is imposed upon the Bureau of Mines. There is no need of requiring factory inspectors to inspect mines. This should be left entirely in the hands of the Bureau of Mines. Inspection of blast furnaces and steel works is also a function given to both. This could well be placed with the factory inspectors, allowing the Bureau of Mines to confine itself more closely to the mining industry.

The Bureau of Mines is a state activity having to do primarily with industrial relations. It is an exercise of the police power of the state. As such it has been entrusted with the protection of laborers in metal mines, mills and smelters. There are, however, two other duties of this bureau which have nothing to do with the exercise of the police power. They are (1) the collection of geological and mining data for the advancement of the mining industry of the state, and (2) the collection and exhibition of mineral specimens. The former of these two functions belongs to the State Geologist, while the latter would best be placed in charge of the State Museum or also under the State Geologist. At present the collection contains over 90,000 specimens from all parts of the world and is on exhibition in the State Museum building. It is in the care of a watchman who understands nothing at all about minerals and consequently such visitors as are especially interested in various ores become a burden to the employes of the Bureau of Mines during business hours.

In 1907 the legislature passed an act establishing a State Geological Survey, which act was approved and in force April 24, 1907. This act provides for a study of the geological formations of the state with special reference to its economic mineral resources, an examination of the topography and physical features of the state with reference to their practical bearing upon the occupations of the people, such co-operation with the Bureau of Mines as shall be mutually beneficial, and the preparation and publication of maps, reports, etc., concerning the geology and natural and mineral resources of the state.

The field investigations, preparation of reports and maps, and the executive functions of the survey are placed under the personal supervision of the professor of geology in the University of Colorado, who shall be also the State Geologist. An advisory board, composed of the Governor (chairman and the Presidents of the University of Colorado, State School of Mines and State Agricultural College, directs the work of the survey.

Thus those activities of the Bureau of Mines which have to do with the collecting of geological and mining data appear to have been amply provided for in the state geological survey act referred to above. The extent to which the State Geologist has covered the geological and natural and mineral resources of the state, in compliance with the act in question, is not the particular concern of this report, which relates solely to the regulation and supervision of labor and the consolidation of related activities. The establishment of the State Geological Survey, however, provides a means for taking over similar work now only partially performed by the Bureau of Mines owing to the larger demands on the services of

the bureau in the performance of its chief function, viz.: the protection of laborers in metal mines, mills and smelters.

Traveling expenses for the Bureau of Mines are made specifically and for the same amount to each inspector. In districts where mines are scattered and traveling expenses heavy this is a handicap, as it limits the activity of the inspector in those districts. The expense fund for one inspector cannot be legally transferred to another, and cannot therefore be applied in the most efficient manner by the head of the bureau.

From the foregoing findings, therefore, concerning the activities of the Bureau of Mines and the relation of those activities to similar activities performed by or required of other organizations of the State Government, the following recommendations are made:

- a. Section 1 of Article XVI of the Constitution, establishing the office of Commissioner of Mines, should be amended to abolish this office as a constitutional office, and thus smooth the way for the placing of the head of the Bureau of Mines in the classified service in the interest of efficiency and continuity of service.
- b. The Bureau of Mines should be made a division of mine inspection in the Industrial Commission.
- c. The head of the proposed division should be placed in the classified service.
- d. The duty of collecting geological and mineral data, now partially performed by the Bureau of Mines, should be taken over by the State Geologist, an office created especially for such work.
- e. Expenses of inspectors of metal mines, etc., should be provided for in the general appropriation act in such form that the appropriation therefor may be utilized to the fullest extent in the inspection service.

VII. STATE INSPECTOR OF STEAM BOILERS

1. Organization and Duties, with Statutory References.

The office of State Inspector of Steam Boilers was created by a statute of 1889, and amended in 1911. This act (Sec. 7006-7016, M. A. S., 1912) provides for the appointment by the Governor by and with the advice and consent of the Senate of one Chief Inspector of Steam Boilers and three deputies, to serve for a term of two years. No provision is made for removal, but there is a penalty of from \$100 to \$1,000 fine or from two months to a year imprisonment for failure to perform the duties of the office (M. A. S., 1912, 7014). The inspectors are under the civil service, and have taken examinations in conformity with the law (S. L. 1915, Ch. 51, Sec. 11). In addition to this they are required by law to be qualified by five years' actual experience in the construction and use of steam boilers, engines and steam apparatus, and must devote their entire time to the duties of the office.

The duties of the boiler inspectors are to inspect and test, annually, every stationary boiler and steam generating apparatus under pressure used for stationary power, to issue certificates of inspection, and to require that needed repairs be made to insure the safe use of boilers.

The personnel of the department is as follows:

	Per Annum
1. Chief Inspector of Steam Boilers.....	\$2,500
2. Deputy Inspector of Steam Boilers.....	1,800
3. Deputy Inspector of Steam Boilers.....	1,800
4. Stenographer and Clerk.....	1,000

The stenographer and clerk is employed by the Chief Inspector of Steam Boilers, and is also under the civil service. The duties of the position are to keep the books and records of the office and attend to other clerical work.

The traveling expenses of the chief inspector are limited to ten cents per mile traveled, and of the deputy inspectors to \$600 per annum. (M. A. S., 1912, Sec. 7006.)

2. Finances.

The fees are \$5.00 for each boiler inspected, and are payable before a certificate of inspection is issued. They are deposited to the credit of the General Fund with the State Treasurer, who must sign each certificate upon receipt of the fee. No fees are collectible from state institutions. The inspector issues receipts for all fees collected.

At the end of each month each \$5.00 deposited with the State Treasurer must be covered by a certificate, and the State Auditor checks the Treasurer's receipts with the certificate stubs and counterchecks from the record book.

3. Books, Records and Accounts.

All books and records of the office were seized by the court in 1909 as evidence in an action against the Chief Inspector of Steam Boilers, at that time. They have not been returned. The present records date from 1910, and are as follows:

- A check book in which is recorded the number of each check received, the name of the drawer, the date, for what inspection it is in payment, date of deposit with treasurer, the amount and number of boiler inspections paid for.
- Certificate stub books, showing date, to whom issued, number of boilers covered by certificate, and pressure allowed by the inspector.
- A cash book, showing the number of a certificate, the date of issue, name of operator, location of boiler, the number of boilers covered by the certificate, and the amount received in payment for the certificate. It contains also a record of delinquent collections and credits.

- d. A delinquent book, containing the records of all inspections which have been paid for after the expiration of a year following the time of inspection.
- e. A record book, in which is recorded the name of the owner, address, location of boiler, number, date of issue and expiration of certificate, the number of boilers, pressure allowed and the amounts collected.
- f. A file of copies of all reports issued for boilers inspected.

4. Reports and Bulletins.

The Chief Inspector of Steam Boilers makes an annual typewritten report to the Governor covering the fiscal year, as required by law. (M. A. S. 1912, Sec. 7007.) These reports contain only a general summary of the work of the inspectors for the period, and show separately the state institutions from which no fees are collectible. They are of little value, either as showing the number of boilers in the state or the percentage of such boilers inspected. A full account of all boiler explosions within the state is required.

A bulletin leaflet containing the act establishing the office has been issued for circulation.

5. Method of Procedure.

The chief inspector maps out the routes to be followed in making inspections at the beginning of every month. Each inspector then receives a copy of the route when he returns to Denver to file his monthly report to the chief inspector. During the course of each inspection tour the inspectors notify the owners of boilers by postcard of the date upon which they will make inspections, and the latter are required to have their boilers ready. Only about half the boilers of any single battery are inspected internally at one time, while the others are inspected externally. In some cases on back trips the other half is inspected, but as a rule this is left until the next regular annual inspection, at which time also one boiler previously inspected is examined. Boilers in cities having their own boiler inspectors are exempt from inspection by the state inspector. These cities are Denver, Pueblo and Lamar. In 1915 the boiler inspector's office inspected 1,990 steam boilers, at a salary expenditure of \$5,116.61 and traveling expenses of \$1,498.48, or at an average cost per boiler of \$4.33 per inspection.

The appropriation of \$19,600 in the long appropriation bill of 1915, providing for the office of State Inspector of Steam Boilers, was vetoed by the Governor to the amount of \$14,450, leaving but \$5,150 for the maintenance of the office for the biennial period of 1915-1916. The Attorney General, however, held that the Governor's veto power did not extend to appropriations provided by statute otherwise than by appropriation bills. The result of this was that the office has been partly maintained by money taken from the general incidental fund.

6. Comments and Suggestions.

There is no necessity for a separate department or bureau of boiler inspection. The work could as well be done by the factory inspectors, who are required to inspect machinery and all other appliances to secure safety of employes. With the addition of two inspectors to the force of factory inspectors, and with the co-operation of the Bureau of Mines, all boilers in the state could easily be examined. The Bureau of Mines could be entrusted with the inspection of all boilers used in metalliferous mines and mills.

The statutes require a full report on all boilers in use in the state, and all owners, users or operators of steam boilers are required to report to the inspector (under penalty of \$50.00 for neglect to do so) the installation and the location of their boilers. There are many boilers, however, operating sawmills, mines and traction engines, which have never been reported, and the District Attorneys who have the enforcement of the law, fail to prosecute if the boiler has been in use for a period longer than one year, owing to the peculiarity of the wording of the law.

Other departments, such as the Bureau of Mines, the Factory Inspection Department, and State Forester, that are in a position to know the location of boilers, are not required to report them to the State Inspector of Steam Boilers, and do not co-operate in this matter. They should be required by law to do so.

Although the inspector is required by law to inspect the boilers of all state institutions without charging a fee, in 1915 he reported having inspected the boilers

of only seven out of fourteen state institutions. This would indicate negligence in the performance of the duties of the office, as the force was admitted to be adequate to inspect all the known boilers in the state.

The department of State Inspector of Steam Boilers as a separate department should be abolished and its work placed in the hands of the factory, coal mine and metalliferous mine inspectors. This would require legislative enactment.

The charge for the inspection of cast-iron boilers for heating purposes is the same as that for steel, fire tube, and water tube boilers. The time required for inspection of the former is less than fifteen minutes, and consists of testing the gauge and setting the safety. A charge of \$3.00 instead of \$5.00 would be more in keeping with the purpose of the act.

The statutory salaries for boiler inspectors are adequate, but the traveling expense of \$600 per inspector per annum is not large enough under the present system.

The law relating to notice of installation and location of boilers should be changed so that those who fail to report shall be subject to prosecution for negligence, regardless of the elapsed time of such negligence.

VIII. THE COLORADO INDUSTRIAL COMMISSION¹

1. Organization and Functions.

The Colorado Industrial Commission was created by two acts of April 10, 1915, and began its work of organization in the following May.

The commission is composed of three members appointed by the Governor, by and with the advice and consent of the Senate, for a term of six years. Not more than two may be of the same political party, nor may more than one representative of employers and employes serve on the body. The commission is empowered, upon the approval of the State Auditing Board, to employ during its pleasure a secretary and such deputies, experts, statisticians, accountants, inspectors, clerks and other employes as it may deem necessary.

The function of the Industrial Commission is so broad that it includes complete supervision of all matters relating to the health, comfort and safety of employes of all classes. Much of this work of inspection and regulation is still carried on by independent departments, described in previous sections of this report, the commission confining itself to the arbitration of labor disputes, the compilation of statistics, and the enforcement of the workmen's compensation acts. The latter function is divided into the management of the compensation insurance fund and the settlement of claims.

The personnel and staff of the commission is as follows:

1. Arbitration and General Office.

Commissioners (three)	Salary \$4,000
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Perform general administrative duties; investigate all labor disputes and attempt to effect a settlement thereof through arbitration or otherwise, and administer the laws relating to workmen's compensation.

Secretary	\$2,500
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Handles all correspondence of a general nature relating to labor matters; makes all purchases in accordance with general regulations governing such; supervises accounts; issues all writs; subpoenas, processes, warrants, etc., which require the seal of the commission; supervises keeping of records of all proceedings of the commission, acts as special investigator of labor disputes, and has supervision of the collection of statistical data.

Stenographer to Secretary	\$1,200
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Performs all stenographic work for the members of the commission and for the secretary; supervises all filing for the department; makes out and records all vouchers, requisitions, etc., and assists the secretary with general work.

Clerk and Telephone Operator	\$1,200
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Posts, records and files all accident reports and operates telephone switch-board of the department. (Paid from general incidental fund of Secretary of State.)

2. Compensation Insurance Fund.

Actuary Manager	\$3,000
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Advises the commission in workmen's compensation insurance matters; administers the details of compensation insurance; manages the compensation fund; performs actuarial work; supervises compilation of statistics and accidents; secures publicity with regard to workmen's compensation, and assists at standardization of rates among various companies.

Assistant Manager	\$1,400
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Supervises underwriting and claim adjustments (resigned August 1, 1916, and duties taken over by the underwriter.)

⁽¹⁾ Time did not permit of an extensive survey of this department. Nevertheless sufficient data is on hand to warrant the conclusions arrived at in this report.

Auditor and Bookkeeper.....	\$1,600
Keeps books and accounts; is cashier of the State Compensation Insurance Fund, all funds passing through his hands before being deposited with the State Treasurer.	
Underwriter	\$1,100
Interviews prospects for state compensation insurance; underwrites employers; handles correspondence relating to underwriting; audits payrolls of employers and adjusts premiums; and substitutes for the auditor and bookkeeper. (Has taken over the duties of assistant manager since August 1, 1916.)	
Stenographer	\$1,200
Performs general stenographic work and filing.	

3. Claim Department.

Chief of Claim Department.....	\$1,600
Supervises affairs of the department; adjusts compensation claims, conducts investigations; briefs questions of law, and attends to all matters arising under the Workmen's Compensation Laws.	
Clerk and Assistant	\$1,200
Assists in adjustment of claims when called upon; supervises filing and making of claims; examines into and reports upon compensation agreements; examines and checks physicians' reports and statements of services, and answers letters pertaining to claims.	
Filing Clerks (two).....	\$1,200
File agreements and all supplemental reports of insurance companies and perform other clerical duties. (One filing clerk was paid for four months by State Engineer.)	
Stenographers (two).....	\$1,200
Perform general stenographic duties for Chief of Claim Department. (One is paid from general incidental fund of Secretary of State and the other is on the payroll of the Commissioner of Insurance.)	

4. Department of Statistics.

Statistician	\$1,500
Compiles statistics on workmen's compensation and general status and condition of employes. (The statistician is on the payroll of the Bureau of Labor Statistics and is loaned to the Industrial Commission.)	
Assistant Statistician and Clerk.....	\$1,200
Assists in compilation of statistics, files records of claims and sends out the warrants in relation to compensation. (Paid from the automobile license tax fund by the Secretary of State.)	

The total number of employes in the department, exclusive of the three commissioners, is sixteen, of whom eleven are on the payroll of the Industrial Commission and five are paid by other departments. Of these, two stenographers at \$1,200 per annum are paid from the general incidental fund of the Secretary of State, one stenographer at a like salary is on the payroll of the Commissioner of Insurance, and a statistician and assistant statistician at a salary of \$1,500 and \$1,200 per annum respectively are paid from the funds of the Bureau of Labor and from the automobile license tax fund by the Secretary of State. The duties of the statistician are by law divided between the Industrial Commission and the Bureau of Labor Statistics. The annual payroll of the Industrial Commission, inclusive of the salaries of the three commissioners, amounts to \$29,200. If the salaries of employes of the commission paid by other departments were included in the payroll of the commission the total payroll would amount to \$35,500.

Section 11 of the act of April 10, 1915, establishing the Industrial Commission gives the duties which the General Assembly confers upon that body. The section follows:

"Sec. 11. It shall also be the duty of the commission, and it shall have the power, jurisdiction and authority:

(a) To appoint advisors, who shall, without compensation, assist the commission in the execution of its duties.

(b) To inquire into and supervise the enforcement as far as respects relations between employer and employee, of the laws relating to child labor, laundries, stores, factory inspection, employment of females, employment offices and bureaus, mining, both coal and metalliferous, fire escape and means of egress from places of employment and all other laws protecting the life, health and safety of employees in employment and places of employment.

(c) To investigate, ascertain, declare and prescribe safety devices, safeguards or other means or methods of protection best adapted to render safe the employees of every employment and place of employment, as may be required by law.

(d) To ascertain and fix such reasonable standards and to prescribe, modify and enforce such reasonable orders for the adoption of safety devices, safeguards and other means or methods of protection to be as nearly uniform as possible, as may be necessary to carry out all laws relative to the protection of the life, health, safety and welfare of employees in employment and places of employment.

(e) To ascertain, fix and order such reasonable standards, rules or regulations as provided by law, for the construction, repair and maintenance of places of employment, as shall render them safe.

(f) To adopt reasonable and proper rules and regulations relative to the exercise of its powers and authorities and proper rules to govern its proceedings and to regulate the mode and manner of all investigations and hearings; to alter or amend the same from time to time in its discretion; such rules and regulations shall not be effective until ten days after their publication. A copy of such rules and regulations shall be delivered to every citizen making application therefor, and a copy delivered with every notice of hearing.

(g) To license and supervise private employment agencies; to supervise state free employment agencies; to do all in its power to bring together employers seeking employees and working people seeking employment. It shall investigate the extent and causes of unemployment in the State of Colorado and the remedies therefor, and it shall devise and adopt the most efficient means within its power to avoid unemployment, and to prevent involuntary idleness.

(h) Any county, city or town may enter into an agreement with the commission for such period of time as may be deemed desirable for the purpose of establishing and maintaining local free employment offices, and it shall be lawful for any county, city or town to appropriate and expend the necessary money and to permit the use of public property for the joint establishment and maintenance of such offices as may be agreed upon.

(i) To collect, collate and publish statistical and other information relating to the work under its jurisdiction; annually, on or before the tenth day of December, to make a full report to the Governor covering its work during the year preceding the first day of said month of December; to make public reports in its judgment necessary.

(j) The commission shall cause to be printed, and, upon application, furnished, free of charge, to any employer or employee such blank forms as it shall deem requisite to facilitate or promote the efficient administration of this act; it shall provide such proper record books or records as it shall deem required for the proper and efficient administration of this act, all such records to be kept in the office of the commission. It shall also cause to be printed in proper form for distribution to the public, proper pamphlets showing its orders, regulations and rules of procedure, and shall furnish the same to any person upon application therefor, and the fact that such orders, regulations and rules of procedure are printed ready for distribution to all who apply for the same, shall be a sufficient publication of the same as required by this act.

(k) To administer and enforce all provisions of law relating to compensation for accidental injury to and death of employees."

2. Finance.

The General Assembly appropriated \$50,000 to carry on the work of organization and operation of the Industrial Commission for the biennial period ending No-

vember 30, 1916. It is evident that this sum is inadequate to meet the requirements of the department, whose annual payroll is over \$29,000 per annum without counting the \$6,500 in salaries of employes contributed by other departments.

3. Comments and Suggestions.

It is evident that the provisions of this section are broad enough to empower the Industrial Commission to duplicate in detail almost all of the functions and duties of the Bureau of Labor Statistics, the Department of Factory Inspection, supervision of Colorado Free Employment Offices and private employment agencies, the Department of Chief Coal Mine Inspector, the Bureau of Mines, in part, and in addition, to administer through its own authority the Workmen's Compensation Laws.

The evident intention of the framers of this act was to centralize all inspection departments which had as their chief function the preservation of the health, comfort and safety of the working classes, into one central department, unhampered by any restrictions upon the powers necessary for an adequate enforcement of the laws protecting and guarding laborers. That the bill creating the Industrial Commission failed in this result was due to various causes, the chief of which was probably that of political patronage. The appropriation for this department was so limited that not even the compensation insurance feature could have been adequately carried out, had it not been for the financial assistance received from other departments. This method of operation is unsatisfactory. It prevents control over employes and undivided responsibility for their acts. Without this aid, however, the department could not fully have carried on its operations.

A greater obstacle, however, is the failure to adopt measures which would abolish all these small departments and specifically transfer their duties and functions to the Industrial Commission. The act creating the Industrial Commission repealed all acts and parts of acts in conflict therewith, but the departments which duplicate its functions continue to exist. It may, therefore, be advisable for the legislature to pass a supplementary act specifically repealing those parts of laws relating to the organization and control of the Bureau of Labor Statistics, Department of Factory Inspection, Department of Chief Coal Mine Inspector, Bureau of Mines, Department of State Inspector of Steam Boilers, Free Employment Agencies and supervision of private employment agencies, which conflict with a general consolidation of these departments with the Industrial Commission, and, at the same time, still retain the laws concerning the status of employes and employers.

The practice of meeting the demands of the department as to employment of assistance by which such employes are paid out of the general incidental funds of the other departments or are on the payroll of such other departments should be discontinued. The application of general incidental funds to the payment of salaries may be questioned from a legal standpoint. The biennial appropriation should be increased to permit the commission to perform its functions without recourse to other departments or to incidental funds.

IX. SUMMARY OF SUGGESTED CHANGES

I. Bureau of Labor Statistics.

1. This bureau should be transferred from the control and supervision of the Secretary of State to the Industrial Commission, and its activities limited to gathering such statistics as pertain only to the work which the commission has under its supervision.
2. A Bureau of Statistics and Publication should be established by statute under the direct control of the Governor.
3. Arbitration of labor disputes should be left exclusively to the Industrial Commission.
4. The statistician should have a thorough knowledge of the science of statistics.
5. Every employer of help for business purposes within the state should be required to register with the Industrial Commission, as it may direct, to facilitate the gathering of statistics.
6. An attorney to hear and attempt to settle wage claims should be attached to the Industrial Commission.
7. The following additions and changes should be made in the labor laws of the state:
 - a. A law providing for licensing wage brokers by the Industrial Commission and not by the county commissioners.
 - b. A law establishing a minimum wage for women and children.
 - c. A law setting a time limit during which payment of wages must be made.
 - d. A law governing the payment of seasonal wages.
 - e. A law extending the semi-monthly pay day to all employes in private employments.

II. Department of Factory Inspection.

1. This department should be consolidated with the Industrial Commission under a chief factory inspector.
2. A more distinct line of demarcation of duties and powers should be drawn between the factory inspectors, coal mine inspectors, and inspectors of metalliferous mines.
3. The duty of inspecting steam boilers except in the case of coal mines and metal mines, mills and smelters should be transferred to the factory inspectors and the number of inspectors increased sufficiently to perform the added duties.
4. Factory inspectors should be required to co-operate with local and state boards of health in the reporting of all occupational diseases and health conditions.
5. Appropriations for traveling expenses of inspectors should be made in one lump sum.

III. Colorado Free Employment Offices.

1. These offices should be transferred from the control of the Secretary of State and Deputy Labor Commissioner to the Industrial Commission.
2. The superintendent and assistant superintendents should be appointed by the Industrial Commission.
3. The standard of the offices should be raised.

IV. Supervision of Private Employment Agencies.

1. This function should be placed under the supervision of the Industrial Commission.

V. Department of Coal Mine Inspection.

1. The department in essentially its present organization should be consolidated with the Industrial Commission as a bureau of coal mine inspection.
2. A mine rescue service should be established.
3. Inspections should be extended to boilers and machinery.

VI. Bureau of Mines.

1. This bureau in essentially its present organization should be consolidated with and placed under the control of the Industrial Commission.
2. The collecting of minerals and geological and mining data should be transferred to a bureau of geology or a state mineralogist, and the custody of the mineral collection given to the state museum.
3. Inspection of boilers and machinery in metalliferous mines, mills and smelters should be assigned to the reorganized Bureau of Mines under the Industrial Commission.

VII. Department of Boiler Inspection.

1. The office of State Steam Boiler Inspector should be abolished and its functions distributed among the factory inspectors, the inspectors of coal mines, and the inspectors of metal mines, mills and smelters, as proposed to be reorganized under the Industrial Commission.
2. A law requiring operators of steam boilers to report the installation of such boilers to the Industrial Commission should be enacted.
3. All departments, bureaus and divisions of the state government, which are in a position to know the location of boilers in their special field, should be required to report all such boilers to the chief factory inspector under the proposed reorganization of the Industrial Commission.
4. Charges for inspections of the different types of boilers should be re-adjusted to conform somewhat to the actual cost of such inspections.

VIII. Industrial Commission.

1. A law should be enacted specifically transferring the above departments, with the exception of the department of boiler inspection, which is recommended to be abolished, in essentially their present organization to the Industrial Commission and consolidating their functions with those of the commission.
2. Appropriations for the Industrial Commission should be sufficient to permit it to carry on the added activities in an effective manner.
3. The commission should be given powers to appoint and remove all officials under its supervision and direction in accordance with an effective civil service law, provided, that the chief coal mine inspector be certified as at present by the Board of Examiners of Coal Mine Inspectors.

Report

on a Survey of the Department of Game
and Fish



Report No. IX



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

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LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.
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George Best (Institutional Purchasing and Accounting).

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C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

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Ben Morris.

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State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Survey of the Department of Game and Fish

The function of the Department of Game and Fish is the supervision and conservation of natural resources such as the protection of game and the propagation and culture of fish.

By Article V, Section 25, of the Constitution of the state of Colorado the legislature is prohibited from passing any local or special laws relating to the protection of game and fish, but may pass general laws applicable alike to all parts of the state.

The laws of 1899 provided that "all game and fish now or hereafter within this state not held by private ownership, legally acquired, and which for the purposes of this act shall include all the quadrupeds, birds and fish mentioned in this act, are hereby declared to be the property of the state, and no right, title, interest or property therein can be acquired or transferred, or possession thereof had, or maintained * * *" except as provided by law.

The first laws for the protection of game and fish in Colorado were passed by the territorial legislature in 1867 and since that time the game and fish laws have been amended twenty times. Only four legislatures have failed either to amend the game and fish laws or to alter the organization of the department since Colorado was admitted into the Union. Under these conditions the game and fish laws cannot be easy to enforce and violations would naturally be excessive.

ORGANIZATION

The law providing for the organization of the department as it exists at the present date was passed by the legislature of 1911, with slight amendments in 1913. Under this law the Game and Fish Commissioner is appointed by the governor by and with the advice and consent of the Senate for a term of four years.

Personnel and Duties.

1. General office of the Department.

Game and Fish Commissioner.....\$2,000

Administers the department, has general supervision over all protected game animals, birds and fish and over all game wardens, hatcheries, hatchery superintendents, spawn takers and other employes of the department; and is charged with the administration and enforcement of the laws regarding the protection of animals, birds and fish and with the care of such state property as is entrusted to him; makes rules and regulations governing the taking of game and fish, and has powers of a sheriff in making arrests and enforcing the laws.

He may appoint:

- a. In writing with the approval of the governor and filed with the auditor, not more than five chief game wardens whom he may also remove.
- b. With the approval of the governor, not more than twenty deputy wardens, whom he may also remove.
- c. On his own authority, with power of removal, a deputy commissioner, a clerk, superintendents of hatcheries, spawn takers and other assistants.
- d. In writing, filed with the secretary of state for a term of four years, a superintendent of state fish hatcheries.

Deputy Game and Fish Commissioner.....\$1,500

Performs such duties as are assigned by the commissioner and acts as assistant to the head of the department.

General Superintendent of Hatcheries.....\$1,500

Instructs superintendents of hatcheries, spawn takers and hatchery assistants in practical fish culture and propagation, and acts at all times under direction of the commissioner.

Clerk and Stenographer	\$1,500
Performs general office duties, bookkeeping, clerical and stenographic work.	
Clerk and Stenographer	\$1,200
Duties same as above.	
Stenographer	\$600
This stenographer is employed part time by both the Game and Fish Department and the Civil Service Commission. The salary is \$1,200. Since June 1, 1916, this salary has been paid equally by the Game and Fish Department and the Civil Service Commission.	

2. Protection of Game.

Chief Deputy Game Wardens (five)	\$1,200 each
Patrol the various districts, streams, etc., enforcing the game and fish laws; destroy predatory animals, and make arrests as officers of the law.	
Deputy Game Wardens (not more than 20 at \$100 per month; eight now employed, one at \$75 per month and seven at \$100 per month).	
Duties and requirements same as for chief deputy game wardens.	

3. Fish Culture and Propagation

Superintendents of Hatcheries. (Paid by month; nine now employed, one at \$75 per month and eight at \$100 per month.)

In charge of trout eggs when received at the hatchery and during the incubation period; supervise the transportation and the planting of trout fry in public streams.

Hatchery Assistants (three). Pay varies from \$1.50 per day to \$75 per month. Duties assigned by the superintendents of hatcheries.

Spawn Taker	\$1,200
Has charge of crews of spawn takers; arranges for transportation of men, equipment, food, tents, etc.; supervises the seining of fish, stripping of eggs and transportation of eggs to hatcheries; substitutes for hatchery superintendents. He is employed the whole year.	

Assistant Spawn Takers (Employed as needed; seven now employed at an average pay of \$75 per month.) Perform such duties as assigned by the Spawn Taker.

FINANCES, BOOKS, RECORDS AND ACCOUNTS

Finances.

The moneys at the disposal of the Game and Fish Commissioner are contained in the "appropriation fund" and in the "game cash fund."

The Appropriation Fund.

This fund consists of such appropriations as the legislature may see fit to make. The size of this fund has decreased as the "game cash fund" has increased. The last legislature appropriated \$41,800 for the biennial period to pay the salaries of the commissioner, deputy commissioner, general superintendent of hatcheries, two clerks, five chief game wardens and six hatchery superintendents. It made no provisions to meet traveling expenses or salaries of deputy game wardens or other help. These latter items are from the "game cash fund."

The Game Cash Fund.

All moneys received from fees and licenses of all kinds are required by law (State Funds Act of 1913) to be deposited by the Game and Fish Commissioner with the state treasurer to the credit of the "game cash fund" and may be used in employing additional game wardens or also for propagation and protection of fish, purchase of fish eggs, fry, etc. All traveling expenses are paid out of this fund. The fund is expended only upon warrants of the auditor issued upon vouchers drawn by the Game and Fish Commissioner and duly approved by the auditing board and the governor. The law provides, also, that any balance remaining at the end of the fiscal year or period are not to be transferred into the general fund, but are to remain in the "game cash fund." nor can any money of this fund be transferred to any other fund.

Licenses and Permits.

Forty-five different types of licenses and permits are issued by the Game and Fish Commissioner. The fees collected for these permits range from 25 cents to \$100. The fees collected according to law are as follows:

1.	For each permit to take suckers, etc.....	\$ 1.00
2.	For each permit for storage.....	1.00
3.	For each certificate of importation.....	1.00
4.	For scientific permit, domestic society.....	1.00
5.	For scientific permit, foreign society.....	50.00
6.	For each permit to capture or exchange.....	1.00
7.	For each permit to lessen game or fish in park or lake.....	1.00
8.	For each quadruped park, two years' license.....	25.00
9.	For each renewal of same.....	15.00
10.	For each quadruped park, ten years' license.....	100.00
11.	For each renewal of same.....	75.00
12.	For each bird park, two years' license.....	10.00
13.	For each renewal of same.....	8.00
14.	For each bird park, ten years' license.....	25.00
15.	For each renewal of same.....	20.00
16.	For each lake, two years' license for first lake.....	10.00
17.	For each renewal of same.....	8.00
18.	For each lake, two years' license, for each additional lake.....	5.00
19.	For each renewal of same, each additional lake.....	3.00
20.	For each lake, ten years' license for first lake.....	25.00
21.	For each renewal of same.....	15.00
22.	For each lake, ten years' license, each additional lake.....	10.00
23.	For each renewal of same, each additional lake.....	5.00
24.	For each preserve, two years' license.....	10.00
25.	For each renewal of same.....	8.00
26.	For each preserve, ten years' license.....	25.00
27.	For each renewal of same.....	15.00
28.	For each permit to import specimens for mounting purposes only and reporting the same, from and to the same party.....	1.00
29.	For each transfer of any license.....	1.00
	For each permit for transportation out of state:	
30.	For each elk edible portion.....	10.00
31.	For each mountain sheep edible portion.....	5.00
32.	For each deer edible portion.....	5.00
33.	For each bird edible portion.....	.25
34.	For each fish edible portion.....	.25
35.	For each non-resident hunting license.....	10.00
36.	For each non-resident bird hunting license, for one week.....	2.00
37.	For each non-resident bird hunting license, for one day.....	1.00
38.	For each state hunting and fishing license.....	1.00
39.	For each non-resident fishing license.....	2.00
40.	For each guide license.....	5.00
41.	For each taxidermist license, one year.....	5.00
42.	For each importers' license, one year.....	25.00
43.	For each non-resident combined hunting and fishing license issued on one blank.....	12.00
44.	For each permit to kill rabbits and hares.....	1.00
45.	For each certificate, permit or license not herein provided for.....	1.00

All licenses must be upon blanks furnished by the commissioner, but may be issued by the commissioner or by any county recorder, or clerk and recorder, and except those for bird hunting only, shall be good in any and all counties of the state.

The law further provides that when a license is issued by a county recorder, "the fee shall be the same as if issued by the commissioner, and 25 cents thereof shall be for the personal compensation of such recorder for filing the application, issuing the license, keeping a record thereof, making a report, and all other services connected therewith, and shall be in addition to any other salary or compensation." The remaining part of the fee is remitted to the Game and Fish Commissioner. Under this arrangement in 1915 it cost the state \$10,468.25 in county clerk's fees for a net return of \$32,804.75.

In the case of County Commissioners of El Paso County vs. Sheldon, 59 Colorado, 499, decided in 1915, the Supreme Court held that a law providing compensation for any county officials which was in addition and separate from the statutory salary of such officials was incompatible with Article XV of the state Constitution and hence unconstitutional. According to the article all fees over and above the amount necessary to pay the statutory salary of the county clerk, or other county official, shall be turned into the county treasury. The decision, therefore, was against the county clerk. The immediate result was that county clerks threatened to turn over all unsold licenses to the Game and Fish Commissioner and no longer to issue licenses, holding that the law stating that they "may" issue licenses did not oblige them to perform this service. The commissioner, however, prevailed upon them to continue to issue such licenses while a test case, which he had prepared to obtain a decision upon this point pending. The effect of a flat refusal by the county clerks to issue these licenses would be serious, as, in 1915, of the 55,367 licenses issued 41,973 were issued by county clerks.

The game laws in their relation to this point should be so amended that the sale of hunting and fishing licenses is made an obligation rather than an optional duty of the county commissioners. The fee allowed the county commissioners for this service should also be reduced.

The other sources of receipts of the "game cash fund," viz.: fines for violations of the laws and moneys derived from sale of confiscated game, are unimportant in the amount collected. The law provides that in case of conviction of violation of the game laws certain fines shall be imposed upon the offender. One-third of the moneys thus collected by the courts shall be turned over to the Game and Fish Commissioner to the credit of the "game cash fund," one-third shall be turned into the county treasury and one-third shall be remuneration to the informant, if claimed within ten days, and if not, shall be turned into the "game cash fund."

Concerning the "game cash fund," it is recommended here that the method of utilizing this fund for the expenses of the Game and Fish Department should be discontinued. All moneys now deposited in that fund should be credited to the fund by the state treasurer and auditor as at present, but should be classed as miscellaneous receipts and converted into the general revenue.

This change contemplates that appropriation shall be made for all the needs of the Game and Fish Department instead of those needs being financed from miscellaneous receipts and by appropriations from general revenue. Such a change would be in harmony with recommendations made in a separate report by the Survey Committee on a state budget. It may be added that the practice of progressive states in this country in recent years is to deposit into the general revenue all miscellaneous receipts of departments, boards, etc., and to provide by regular appropriation for all cost of running a department, board, etc.

Books, Records and Accounts.

The accounting records kept by the department are a cash book, a voucher record and a file of copies of expense vouchers. There is no classification of accounts to show capital outlay, cost of operation and maintenance of the various branches or activities of the department.

A cash book and voucher record were prescribed and installed by the public examiner in 1907. The form of cash book is not as completely provided with columns as requirements seem to demand. There should be at least one double column for every type of hunting and fishing license so that separate accounts for the counties and for the central office may be shown in total without having to resort to a card index record of counties.

The voucher record prescribed in 1907 provided special columns for each class of employes and for each hatchery, but did not provide special columns to show upon what fund such vouchers were drawn and therefore, it is said, proved unsatis-

factory and was discontinued. The present record shows the salary and expense accounts of the various employes under each man's name in monthly totals and is provided with columns designating the fund upon which the voucher was drawn. Hatchery accounts are treated in the same way, but no attempt is made at classification of disbursements.

Expense accounts are shown on the books in monthly totals only, and, with the exception of expenditures for mileage books, the different items of expense are recorded only as one total. Hatchery superintendents are not required to keep accounts or report their expenditures in accordance with any uniform system. The superintendents incur sundry items of expense which they pay for from their personal funds, being reimbursed by voucher and warrant at the end of the month from the "game cash fund."

The system of bookkeeping is inadequate to the requirements and importance of the work of the Game and Fish Department. The following suggestions for improvement are submitted:

- a. The cash book should be designed to record the sources of receipts and, also, by columnar arrangement, the amount received from counties and the amount collected in the capitol building office.
- b. The voucher register should be designed, by columnar arrangement, to show a complete classification of expenditures. If the items of expenditures are very numerous then the voucher register may show controlling accounts only, in which case the detail accounts would be posted direct from the vouchers to an expense ledger.

The classification of expenditures should be in agreement with a classification recommended in another report by the Survey Committee to be adopted by the state auditor for the whole state government.

- c. A ledger should be installed in which to co-ordinate all the financial and operating facts of the department and to facilitate the preparation of cost and other statements as needed.

Naturally there would be no need of the Game and Fish Department keeping detailed accounting records if such records were maintained by the state auditor. Until such time as they are, it will be necessary for departments to keep their own detailed transactions in a form which shall show the cost of each activity and the relation of this cost to the results accomplished or the service rendered. Only in this way may a department head be adequately prepared to go before a legislative committee or other body with a request for funds.

A card record is kept in the main office for each county clerk and other person receiving blank license forms from the Game and Fish Department. When reports of licenses issued are made to the main office, the card record is checked off for the number of license issued and the amount of money received is also noted thereon.

There is a special book in which are recorded certain violations of the laws which come before the courts.

Each hatchery keeps a complete record of the number of fish eggs received, the daily loss, the fry hatched and the fry planted. A duplicate record for all hatcheries is kept at the office of the Game and Fish Commissioner to provide a central control over the hatchery superintendents for the eggs in their custody.

ENFORCEMENT OF GAME LAWS

The better to facilitate the enforcement of the game and fish laws of the state, the Game and Fish Commissioner, his deputy, the chief game wardens and the deputy game wardens were made officers of the law with all the powers of sheriffs in making arrests and securing convictions. The police power of the commissioner and his deputies extends to all parts of the state. All foresters and rangers of the United States Forest Service located within the state are deputized game wardens without pay, and co-operate with the state officials in enforcing the laws for the protection of game.

In the performance of their duties these officers are required to travel much through the open country and along mountain streams. That they may better accomplish this, the legislature has provided limited sums to be applied in meeting the reasonable and necessary traveling expenses. The act creating the Game and Fish Department provides that the traveling expenses of the wardens, etc., shall be limited to the following annual sums:

Game and Fish Commissioner.....	\$600
Deputy Commissioner.....	480
Chief Game Wardens, each.....	480
Deputy Game Wardens, each.....	300
State Superintendents of Hatcheries, each.....	500

The amount of traveling which game wardens are required to do depends a great deal upon the nature of their county. A sum of \$300 to \$480 is soon used up in some of the more popular game and fish counties and the officer stationed there is hampered in the performance of his duties through lack of funds. In other counties, again, this sum may be more than adequate and a considerable balance may remain at the end of the year, but unavailable at any time for use in any other county. Appropriations for traveling expenses should be made in one lump sum, leaving it to the discretion of the Game and Fish Commissioner as to the most economical and efficient distribution of this fund. The total amount of traveling expenses, therefore, is sufficient if it could be distributed wherever needed in the state.

Each chief and deputy game warden is required to keep a diary in which he notes the place where he is performing his work, the nature of that work, distance traveled, cost of such travel, and special events and incidents of interest. The game wardens are not required to submit daily reports to the commissioner, and the only check which he has upon their expense account is the diary. These diaries are not turned in unless requested by the commissioner. But such expense items as do not appear to be legitimate are not approved by the commissioner. This system of keeping a check upon the acts and expense claims of the wardens is inadequate to enforce a strict accountability and, were it not for the fact that the amount allowed each warden for traveling expenses is limited by the legislature to a certain sum, and also that the commissioner exercises such care in this matter, it might lead to serious abuses.

The last legislature omitted any appropriations for traveling expenses for the Game and Fish Department for the current biennial period. There appears to have been no need of any appropriation by the legislature inasmuch as the creating act provides for the traveling expenses of the department and that has never been repealed, but in order to avoid possible trouble the commissioner has utilized the "Game Cash Fund" for the purpose of meeting the statutory traveling expenses.

On April 28, 1915, a written agreement was entered into between the Game and Fish Commissioner and the United States District Forester whereby the field employes in the service of these officials are required to co-operate to the advantage of both. All forest rangers are deputized game wardens and charged with the enforcement of the game laws of the state. They are required to report all cases of violation of the game and fish laws to the Game and Fish Commissioner or his deputies, but to make arrests only in flagrant cases when it is impossible to notify the state authorities. Whenever forest officers make arrests, or assist at prosecutions, they are required to make a full report to the forest supervisor who transmits copies thereof to the district forester and to the State Game and Fish Commissioner. In return for this service the deputy game and fish commissioners of the state are required to assist the forest rangers in the prevention of fires and the preservation of the forests.

This agreement has increased the effective field force of the Game and Fish Commissioner by several hundred men who, through their intimate knowledge of the chief game districts of the state, are in a position to render valuable assistance in the protection of game and fish without any additional expense to the state.

CULTURE AND PROPAGATION OF FISH

Culture and propagation of fish is carried on in such hatcheries as are necessary to accommodate the "take" of eggs. There are twenty fish hatcheries now in the state which are available for use by the Game and Fish Department in hatching fish. The lands, buildings and equipment of five of these hatcheries are owned by the state and controlled by the Game and Fish Department. These hatcheries are located near Brighton (Denver Hatchery), Del Norte, Durango (La Plata Hatchery), Steamboat Springs (Routt County Hatchery), and at Glenwood Springs. These are by far the largest hatcheries in the state and are in almost constant operation. In addition to these five hatcheries, a building on the grounds of the State Reformatory, originally intended as a chicken house, has been turned over to the use of the Game and Fish Commissioner and converted into a hatchery at little additional cost to the state. Two privately-owned hatcheries, located at Pitkin in Gunnison county, and at Estes Park, are rented by the department at a nominal rate. A private hatchery at Emerald Lake was completely taken over by the commissioner and is being conducted as a state hatchery with the consent of the owner, although no deed of transfer has been made to the state.

Sporting clubs have extended their assistance and have co-operated with the department through the erection of private hatcheries, the operation of which is entrusted to the Game and Fish Commissioner. Of these, the commissioner selects such as it may be necessary to operate. These hatcheries are so located as to minimize the necessity of transporting the hatched fry. This arrangement has the additional advantage of providing hatchery facilities which can meet the expanding and contracting demand for hatcheries without entailing a heavy expenditure in purchase of property, erection of buildings, maintenance, etc., to the state. These private hatcheries are located at Molina, Marvine, Cherokee Park, North Park (Walden), Georgetown, and Grand Lake.

There are two periods of operation for fish hatcheries, from the latter part of May to the middle of August, and from the beginning of October to the spring of the next year. This arrangement is made necessary because rainbow and native trout spawn in the spring, while the brook trout spawn in the fall. Weather conditions have much to do with the length of time required in the taking of eggs. Crews are sent out in the spring and fall to certain selected lakes and waters to do the seining, stripping, packing, icing, and to supervise the transportation of eggs to the hatcheries. These crews are under the supervision of experts. At times it is necessary for them to spend as much as six weeks at this work, and at other times a shorter period suffices. This makes considerable difference in the cost of the eggs.

Formerly the department arranged with the owners of private lakes to take spawn on a contract to return to the owner 30 per cent of the fry hatched. During the incumbency of the present commissioner, however, this system has been changed. All eggs now taken are paid for. The price paid for these eggs ranges from 20 cents to 30 cents per 1,000 for rainbow, 20 cents for brook, and 20 cents to 25 cents for native trout, according to the quality of the stock. There is considerable loss incurred during the transportation and early stages of incubation. It is stated in the department that, all things considered, the cost of eggs delivered into the tanks at the hatcheries is reasonable.

Most of the state hatcheries are operated the year round and are in charge of state superintendents of hatcheries who live in cottages erected by the state upon the hatchery grounds. The salary of \$100 per month paid these superintendents under these circumstances is adequate in all cases. The state superintendent of hatcheries supervises the work of the various hatchery superintendents. This official makes frequent visits to the hatcheries during the periods of operation. In addition to this supervision, the Game and Fish Commissioner also makes it a point to visit each hatchery at least once a month while in operation.

The hatchery superintendents purchase such materials as they deem necessary and submit the receipted invoices to the commissioner monthly. The expenses thus incurred are reimbursed to the superintendents. Charges for maintenance of buildings and real estate, teams, etc., are all included under maintenance expense in the hatchery accounts kept in the main office in the capitol building. No separate accounts on the actual cost of feeding and raising the fish are kept. As stated previously, hatchery superintendents keep no books. In many instances the superintendent of one hatchery may be transferred temporarily to another for a few days or weeks while his salary is still charged to the account of the former, or again, a deputy or chief game warden may be detailed to take charge of a hatchery and the salary expense charged to protection of game as a regular game warden.

Under these conditions it is difficult to ascertain the exact cost of hatching and planting 1,000 fry in the streams of the state, and it is equally difficult to arrive at the cost of raising fry in the different hatcheries, i. e., to arrive at the efficiency of each hatchery.

It has at times been suggested that considerable expense could be saved the state if all fish culture and raising were carried on in two or three large hatcheries instead of in twenty small ones. This plan, however, under present conditions, is impracticable, for several reasons. In the first place it would entail heavy expense in enlarging the selected hatcheries and equipping them to meet the greater demands. In the second place, there is a limit to the number of fish eggs and fry that can be taken care of by one attendant, so that very little change can be expected in the number of men employed. The third is the difficulty encountered in the transportation of fry. Fry is very perishable and when transported must be constantly attended. Under the present system of transportation this would require that each small shipment be accompanied by from one to two men, according to the distance traveled. In the fourth place, such a change would require a different method of transportation than that now in use. It would require considerable outlay to provide a special car or conveyance for transportation. Should the state purchase a specially constructed fish car, similar to those employed by the United States Bureau of Fisheries, such a car could not reach all points of the state where it is desirable to plant fish, either because of lack of rail connection, or because of difference in gauge of trackage. The small hatcheries well distributed and under the control and supervision of a state superintendent of hatcheries are, under present conditions in this state, more efficient than two or three large state hatcheries.

COST OF OPERATION

The total cost of maintenance of the Game and Fish Department during the last nine years has been on the average in excess of \$50,000 per annum. The receipts on the other hand, except during the last and current biennial period, have been less than half of the amount of the expenditures. At the close of the last fiscal year (November 30, 1915) the books of the department, for the first time in its history, showed that the receipts, exclusive of appropriations, were more than sufficient to meet the expenditures and the balance in the "Game Cash Fund" exceeded the amount of the appropriations used after all counties had made final returns for the year.

The following tables show in summary the financial operations of the department:

Fiscal Periods—	Appropriation Fund			Game Cash Fund			Total Expended
	Amt.	Turned Back	Used	Receipts	Balance	Used	
1907-08....	\$64,100	\$4,070.85	\$60,029.15	\$49,112.36	\$7,140.93	\$41,971.43	\$102,000.58
1909-10....	61,700	1,879.99	59,820.01	53,174.60	705.80	52,468.80	112,288.88
1911-12....	64,450	2,349.33	62,100.67	53,729.85	2,843.25	50,886.60	112,988.27
1913-14....	61,560	22,491.09	39,068.91	86,067.42	9,070.40	76,997.02	116,065.93
1 year 1915.	20,900	4,002.95	16,897.05	51,261.40*	8,492.81	42,778.39	59,675.64

* County clerks report quarterly. These figures are to date (Nov. 30, 1915). Three counties were still out on the third quarter, and all counties on the fourth quarter.

The last fiscal year ended November 30, 1914, is the only period for which it is possible to give a general estimate of the amount expended for the protection of game and for the culture and propagation of fish. The expenditures for that period were as follows:

Game Protection	\$21,115.23
Propagation of Fish.....	20,042.73

These figures do not include the general office expenses.

The following tables show the cost of the two main activities of the department and other data in relation thereto:

PROTECTION OF GAME

Fiscal Periods—	Average No. Wardens	Arrests and Convictions	Amount of Fines	Cost
1907-08	15	174	\$1,006.23	(Unknown)
1909-10	19	97	887.75	(Unknown)
1911-12	22	106	933.29	(Unknown)
1913-14	17	179	1,520.65	(Unknown)
1915 only.....	12	196	1,573.91	\$21,115.23

This table shows that twelve wardens, or perhaps even less, are sufficient to enforce the game laws of the state. The difference in the number of game wardens employed in the state prior to 1915 was due, it is said, to political influence and not to the actual needs of the service.

OPERATION OF HATCHERIES

Fiscal Periods—	Hatcheries Operated	Fry Planted	Cost
1907-08	7	14,706,500	(Unknown)
1909-10	9	14,232,700	(Unknown)
1911-12	10	22,543,379	(Unknown)
1913-14	13	26,783,900	(Unknown)
1915	20	19,902,500	\$20,042.73

The investigator was informed that the number of fry reported planted in the streams of the state in earlier reports was grossly exaggerated. Such procedure cannot be too strongly condemned. Official reports should, above all, be reliable and the information therein contained authoritative in so far as the official making such reports is in a position to know. There should be a statute providing a penalty for any mis-statements knowingly made by any state employe in any official report.

PROPAGATION OF GAME BIRDS

During the biennial period (1913-14) the Game and Fish Commissioner furnished between \$300 and \$400 to the warden of the State Penitentiary who erected upon the prison grounds a pheasantry. This pheasantry was operated by prison labor at little cost to the state and resulted in liberating in various parts of the state about 700 young birds.

This undertaking, as now conducted, promises rich returns to the state at a minimum cost and under present conditions is best operated under control of prison authorities, so long as the liberation of the birds is under the supervision of the Game and Fish Commissioner.

SUMMARY AND SUGGESTIONS

Changes Requiring Legislative Action.

1. The Game and Fish Department should be reorganized as a bhreau or division of a department charged with the control of agriculture and game, and fish, which should include also the functions of stock and brand inspection, and supervision and control of racing.
2. Appointments to positions in the Game and Fish Department should be governed by civil service rules and regulations.

3. All expenses of the department should be paid out of moneys appropriated to the use of the department. Appropriation for traveling expenses should be reapportioned upon a more equitable basis.
4. The "Game Cash Fund" receipts should be converted into the general revenue of the state in conformity with a proposed uniform procedure concerning all miscellaneous cash receipts as outlined in a separate report on a state budget.
5. The sale of hunting and fishing licenses and permits should be made obligatory rather than optional upon the county clerks, and the county clerk's fees reduced.
6. Purchase of supplies should, wherever possible, be made through a central purchasing department for the state.

Changes Not Requiring Legislative Action.

1. A complete and adequate system of bookkeeping should be installed.

Report

on a Survey of the Office of the State
Inspector of Oils



Report No. XI



Prepared for
The Survey Committee of State Affairs
of Colorado
1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

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Special Assignments and Consultation

Members of Colorado Society of Certified Public Accountants

E. F. Arthur.

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George Best (Institutional Purchasing and Accounting).

Clem W. Collins (Institutional Purchasing and Accounting).

Henry J. Falk (Board of Capitol Managers).

C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. No where else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Report on a Survey of the Office of State Inspector of Oils

The office of State Inspector of Oils was established by statute in 1899. The act was amended in 1907, 1911, 1913 and 1915. The office now is conducted under the provisions of the act of April 13, 1915.

The function or activities of the State Inspector of Oils under the present law may be classified as follows:

First—To standardize the quality and measure of petroleum products and of paints, varnishes and similar substances;

Second—To prevent the perpetration of frauds upon the public in relation to petroleum and its products, paints, etc.;

Third—To supervise the manner and to inspect the places in which inflammable oils are kept, and to secure reasonable safety against explosions and fire;

Fourth—To supervise the drilling and capping of oil wells.

I. ORGANIZATION AND DUTIES WITH STATUTORY REFERENCES

Employees on the State Payroll.

	Per Annum
State Inspector of Oils.....	\$1,600
Deputy Inspector of Oils.....	1,500
Ex-Officio Professor of Mechanical Engineering, University of Colorado.	
Deputy Inspector of Oils.....	1,500

State Inspector of Oils.

The State Inspector of Oils is appointed by the Governor after qualifying by a civil service examination. No statutory limit is set on his term, it being provided that in case of failure to fulfill the duties of the office the inspector or any of his deputies may be removed by the Governor. (S. L. 1915, Ch. 126, Sec. 42-45.) The State Inspector of Oils is required to furnish a bond in the sum of \$10,000, approved by the secretary of state as surety that he will fulfill the duties of his office. A salary of \$1,600 per annum is provided for by statute.

The chief duties of the State Inspector of Oils are to inspect and approve, or condemn, in writing, all petroleum and petroleum products, paints, varnishes and their oils and solvents, containers, barrels, measuring devices, wastes and adulterations of oils, gas and fuels, and to enforce the law relating to care of bore holes and to the functions above indicated.

Deputy Inspectors.

Two deputy inspectors are provided for by statute. The Professor of Mechanical Engineering at the University of Colorado is ex-officio a deputy inspector of oils. As such he has charge of the oil testing laboratory which is located on the University campus at Boulder. He gives a bond in the sum of \$5,000 and receives a salary of \$1,500 per annum. This deputy may employ such assistants as may seem necessary, but must compensate them out of his own salary.

The other deputy is appointed by the Governor from the civil service lists to continue in office as long as he fulfills the duties of the office. This deputy has charge of the southern and western parts of the state in tracing shipments and securing samples. He is under a similar bond and receives a like salary as the other deputy.

Employees Not on Official Payroll.

A laboratory assistant is employed by the Professor of Mechanical Engineering at Boulder on his own responsibility and is paid by him. It is the assistant's

duty to conduct tests and experiments on the samples sent to the laboratory by the inspectors, and he must qualify as a chemical engineer. In addition to this assistant the students in certain advanced classes of the departments of chemistry and engineering are required to do practical experimental work in the oil testing laboratory.

A clerk is maintained in the joint offices of the State Inspector of Oils and the Commissioner of Printing at their own expense, in the hope of securing the passage of a relief bill to recompense them. This clerk keeps the books and records of both departments.

II. EQUIPMENT

Prior to 1915 there was no oil testing laboratory, the tests being made over an ordinary office desk in the State Capitol. The act of 1915 provided for the expenditure of \$4,000 for the erection and equipment of an oil testing laboratory on the campus of the University of Colorado at Boulder. The laboratory is part of the mechanical engineering shops, making available all machines, internal combustion engines, and all laboratory equipment of the university for the testing of oils. With these facilities it is one of the best equipped oil testing laboratories in the country.

III. FINANCE AND ACCOUNTING

A fee of one-tenth of one cent per gallon of all petroleum products inspected is provided for by law. The fee is refunded on exportation of the goods to another state. (S. L. 1915, Ch. 126, Sec. 10.) A cash book and a ledger are employed in recording the receipts and disbursements of the department. In the cash book are made daily entries showing date of receipt, name of owner of oil, and the debits and credits showing the amount received and the amount deposited daily with the treasurer. A treasurer's deposit book is a check on the inspector's cash book. The public examiner checks up the department's books from time to time. The receipts are deposited to the credit of the "oil inspector's fund." All warrants to pay the salaries, expenses, etc., of the department are drawn on this fund and the balances remaining after all expenses for the fiscal year have been paid are transferred to the general fund. The sum deposited with the treasurer during the calendar year 1915 was \$18,094.55, of which \$9,000.00 was transferred to the general fund.

The purchase of supplies is made through the regular channels of submitting requisitions to the auditing board for approval; but there has been no appropriation for this purpose. What little has been purchased, such as stamps, printing, instruments, etc., has been paid for out of the appropriation of \$600 per annum per inspector allowed as traveling expenses. The financial statement which follows shows the itemized appropriations and disbursements of the department. The total expenditure incurred for inspection in 1915 was \$9,701.73, while the receipts of the state treasurer from inspection fees during the same period were \$18,094.55, leaving a net revenue balance of \$8,792.82 to the state. For the year 1916 this revenue balance bids fair to exceed \$16,000.00.

Following is a statement of the appropriations made for the office of State Inspector of Oils for the biennium beginning December 1, 1914:

State Inspector of Oils, salary.....	\$ 3,200.00
Deputy Inspector at \$1,500 per annum, salary.....	3,000.00
Deputy Inspector at \$1,500 per annum, salary.....	3,000.00
Traveling expenses of State Inspector of Oils and deputies	3,500.00
For general incidental expenses.....	240.00
For construction of an oil testing laboratory at the University of Colorado.....	4,000.00
Total	<u>\$16,940.00</u>

These appropriations were made payable out of the receipts of the office, and any receipts in excess of the amount appropriated were to be turned in to the general fund.

RECORD OF OILS INSPECTED—YEARS ENDING DECEMBER 31

	1912	1913	1914	1915
Refined Oil (gals.).....	5,055,880	5,469,464	5,368,223	5,974,754
Gasoline (gals.).....	7,062,989	8,088,332	10,324,462	14,486,529
Total Gallons.....	12,118,869	13,557,796	15,692,685	20,461,283

ESTIMATED AMOUNT OF FEES RECEIVED FOR INSPECTION OF OILS

Period—	Amount.
July 15, 1899, to Jan. 31, 1900.....	\$ 2,358.35
Feb. 1, 1900, to Jan. 31, 1901.....	3,364.79
Feb. 1, 1901, to Jan. 31, 1902.....	3,688.95
Feb. 1, 1902, to Jan. 31, 1903.....	3,636.99
Feb. 1, 1903, to July 14, 1903.....	No report
July 15, 1903, to Jan. 31, 1904.....	2,249.29
Feb. 1, 1904, to Jan. 31, 1905.....	3,239.65
Feb. 1, 1905, to Jan. 31, 1906.....	3,127.82
Feb. 1, 1906, to Jan. 31, 1907.....	No report
Feb. 1, 1907, to Jan. 31, 1908.....	4,744.54
Feb. 1, 1908, to Jan. 31, 1909.....	6,568.90
Feb. 1, 1909, to July 14, 1909.....	No report
July 15, 1909, to Dec. 31, 1909.....	4,235.71
Jan. 1, 1910, to Dec. 31, 1910.....	10,455.49
Jan. 1, 1911, to Dec. 31, 1911.....	11,108.28
Jan. 1, 1912, to Dec. 31, 1912.....	12,118.87
Jan. 1, 1913, to Apr. 20, 1913.....	3,896.89
Apr. 21, 1913, to Dec. 31, 1913.....	9,660.91
Jan. 1, 1914, to Dec. 31, 1914.....	15,692.69
Jan. 1, 1915, to Dec. 31, 1915.....	20,461.28

The records of the State Oil Inspector prior to April 20, 1913, do not show the amount of moneys actually received. The above figures are based on a computation of the number of gallons of oil reported to have been inspected in the years shown. Breaks during the year signify change of inspectors. Prior to April 20, 1913, the fees were kept by the inspector in lieu of a stipulated salary.

IV. RECORDS, REPORTS AND BULLETINS

The records of the department are complete since 1913, but prior to that date they were not fully itemized, and some are entirely missing. (See above table.)

The important record in the office is the inspection record, which gives the date, car initial, number of gallons in consignment, number of gallons of refined oil and of gasoline, name of consignee, name of inspector, number of the certificate covering the consignment and the name of the owner.

Records of the tests on all oils, their compounds and distillates, which have been sent to the laboratory at Boulder for analysis are kept on file at the laboratory.

Many records relating to special phases of the subject of oils, their compounds and distillates are kept in card files at the home of the State Inspector of Oils at Boulder. These consist of a glossary of all oils, their trade names and chemical compositions, a directory of wholesale dealers in oils and paints, etc., a card index of all paints, dyes and pigments, a complete list of the owners of automatic measuring gasoline filling stations and an index for miscellaneous information.

Records on investigations of frauds and misrepresented articles are complete and contain all correspondence relating to the investigations. These are also kept in the home of the state inspector. They are not open to the public. Incriminating evidence concerning violation of interstate commerce or postal regulations is imparted to the proper United States officials.

All documents relating to the oil and paint industries published by the states or by the federal government are kept on file by the state inspector in his home.

The department has on file sufficient material to publish a valuable bulletin, but is hampered and prevented from so doing by lack of clerical assistance and limited appropriations. This also explains why the state inspector keeps most of his official records in his home, where he works on them at night.

V. PROCEDURE

The duty of the State Inspector of Oils is to stop all frauds, prevent substitutions, secure the use of clean containers and insure safety. In the pursuit of these duties the inspectors travel throughout their assigned parts of the state, to such an extent as the appropriation of \$600 per inspector per year will permit, gathering samples of oils, their compounds and distillates. These are sent to the laboratories at the University of Colorado at Boulder, where, according to the results of the tests there conducted, a certificate of approval is issued or denied. If denied, the inspector must see that the goods are not placed upon the market in this state, but there is no obligation on his part to prevent the exportation and sale of the goods in another state, which is the course now generally followed. The certificates are issued to cover each package in a consignment where such packages contain different products.

The following table shows the number of certificates issued during the year 1915 and for the first six months of the year 1916:

	1915	1916		1915
January.....	183	243	July.....	292
February.....	182	261	August.....	267
March.....	174	365	September.....	381
April.....	186	365	October.....	374
May.....	236	317	November.....	275
June.....	330	361	December.....	294
	<hr/>	<hr/>		<hr/>
Total.....	1,291	1,907	Total.....	1,883
			Total, 1915.....	3,174

Information concerning shipments of petroleum products sent into the state is obtained from the railroad and express companies, and from the oil companies themselves.

As there is no bureau of standards in this state, the law places upon the inspectors of oils the duty of examining into the correctness of weights, measures and automatic measuring devices which are used in handling oils and paints. There are alone over six thousand automatic measuring devices in auto filling stations in the state, and it is impossible for the inspectors to give adequate attention to the inspection of oils and also to these measuring devices. However, the State Inspector of Oils requires that the net weight or quantity of oil products or compounds, exclusive of the container, be stamped upon each package, and that all measures shall be correct.

The State Inspector of Oils renders a valuable service to the people of the state in refusing to approve the sale of compounds whose labels are misleading. Between January 1, 1915, and July 1, 1916, twenty-one companies, most of which tried to impose upon the public compounds which they claimed would increase the efficiency of gasoline engines, were obliged to withdraw their products from the markets of this state through failure to obtain the approval of the inspector of oils. In addition to these 21 companies, six others had their products under investigation and these also will probably be deprived of the state markets. The policy pursued by the State Inspector of Oils in regard to prevention of fraud in the sale of oils and paints is to exclude the offenders from the state, rather than to prosecute them. Several investigations are, however, being conducted by the United States post office department on information furnished by the oil inspector in relation to the sale of fraudulent compounds.

The sale of products under labels stating clearly the nature of the product cannot be prohibited by the State Oil Inspector. Gasoline containing casing head gas, a dangerous explosive compound, can be sold if the purchaser is warned of its nature. The method of storing and keeping oils and their distillates is under the supervision of the inspectors, and where the product, although sold under a correct label, is dangerously inflammable, its use may to some extent be limited through the enforcement of strict requirements as to handling and storing this article. It is through this power that the sale of gasoline containing casing head gas and other dangerous compounds is regulated. Substitutions of one kind of oil for another are prevented.

Much experimental work of a scientific nature is carried on by the State Inspector of Oils and the Professor of Mechanical Engineering at the University of Colorado. This work consists chiefly of tests on the calorific values of fuel materials and gasoline, friction tests on lubricating oils, power tests on gasolines

and fuels, standardization of viscosity at given temperatures and altitudes, testing native mineral pigments, the oil content of carboniferous shales, making carburetor tests on the use of kerosene in place of gasoline with a view to relieving the gasoline market, and testing and calibrating instruments employed in the industry. Experiments have also been conducted to determine the value of various oils for the separation of ores by means of the oil flotation system.

Duties relating to supervision of drill holes, plugging of abandoned wells, and protecting coal seams encountered in drilling for oil from water, gases and oil, have not occupied the inspectors a great deal. There are at present few oil wells in Colorado and the industry seems to be on the decline. In the performance of their duties, however, the department co-operates well with the state geologist and the chief coal mine inspector.

VI. COMMENTS AND SUGGESTIONS

1. Organization.

The office of State Inspector of Oils as reorganized by the law of April 13, 1915, is a separate department, the chief of which is responsible only to the Governor. The Inspector of Oils is under the civil service of the state and is removable by the Governor only for cause. This, in itself, is a desirable arrangement, but the function of standardization includes the inspection of oils. This department should be conducted as an activity under a Bureau of Standards.

The chief of the department has no voice in the selection of his deputies. By statute the Professor of Mechanical Engineering of the University of Colorado is ex-officio a deputy oil inspector. This arrangement carries with it several advantages: (a) It secures co-operation between the university and the inspection department in the use of equipment and service; (b) it makes possible the pursuit of practical research work in the use of oils by students, and makes the information thus secured available to the public, and (c) it supplies efficient tests by expert chemists at a minimum cost to the state. The provision that this deputy shall employ qualified assistants at his own expense is advantageous in that it makes available graduate students, who wish to continue study in certain branches of chemistry or engineering as laboratory assistants, at very low cost, which under other circumstances would not be possible. The only drawback, if such it may be called, is that the deputy in charge of the laboratory is not directly responsible to the chief inspector. If the department confined itself strictly to inspection of oils, its inspection force is adequate, but if it is required also to inspect weights and measures the force is inadequate to render the service.

2. Compensation.

The small compensation provided by law for the State Inspector of Oils is the result of legislative prejudice resulting from the large sums collected by the inspector and applied to his personal use under the years prior to 1913. Obviously the compensation is too small; but at the same time that the law was passed, a bill providing for adequate salaries would have been doomed to failure. The department, under the present law, is hampered by the small sums appropriated for its maintenance not only for salaries, but also for traveling expenses. It is impossible to carry on adequate inspection of small shipments which are consigned to dealers in cities and towns near the eastern boundary of the state. All the railroads in that region run in an east and west direction, making inspection by rail very expensive. A Ford car for the use of the inspector to whom this region is assigned is the most economical solution of the difficulty, and a similar arrangement would be a great saving in time and an increase in efficiency in collecting samples in and about Denver.

3. Clerical Assistance.

No provision is made in the law for the employment of a clerk or stenographer. The duties of the State Inspector of Oils are such as to call him away from his office much of the time, which makes communication with the department difficult. During these periods of absence the commissioner of printing, whose office adjoins that of the inspector of oils, has attended to many clerical duties for the inspector. The present arrangement, which was agreed upon in May, 1916, whereby the inspector of oils and the commissioner of printing employ jointly, on their own responsibility, a clerk to take charge of their offices during

their absence, although it meets an immediate necessity, does not permanently solve the difficulty. The auditing board refuses to approve the requisition for the salary of this clerk.

4. Inspection of Weights and Measures.

The inspection of weights and measures is a function which rightly belongs to a bureau of standards. In the absence of such a bureau the State Inspector of Oils, as provided in the law creating the department, has been in part entrusted with this duty. The number of dealers in oils, gasoline and paints in this state is too large to permit of a thorough inspection of their weights and measures by the oil inspector's present force. There are only two or three counties in the state which employ county inspectors in this field. It is needless to say that inspection of weights and measures as performed by the oil inspectors is inadequate. Inspections cannot be made at intervals frequent enough to make for efficiency, and where automatic dispensers are used frequent inspections are imperative. If this work is to be continued by the State Inspector of Oils an increase in the inspection force and better facilities for reaching the outlying dispensers and agents will be necessary.

5. Constitutionality of Fee Collected.

There is some question as to the constitutionality of that section of the law which provides for the collection of a fee of one-tenth of a cent per gallon for each gallon of petroleum products inspected. This fee brings into the state treasury in round numbers approximately \$20,000 per year, while the cost of maintaining the department under its present organization is about one-third of this sum. The receipts of the department are looked upon as a source of revenue. Article XVI of the amendments to the Constitution of the United States provides "nor (shall any state) deny to any person within its jurisdiction the equal protection of the laws." Section 3 of Article X of the Constitution of Colorado provides, "all taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under the general laws, which shall prescribe such regulations as shall secure a just valuation for taxation of all property, real and personal." The fee is intended to be a duty imposed for the purpose of regulation, but the fact that the cost of maintaining this regulative department is only about one-third of the total sum collected would tend to place it under the taxing rather than the police power of the state. This conclusion is supported by the fact that the sums collected must be deposited daily with the treasurer to the credit of the general fund, and the department maintained by special appropriation.

As a tax the fee is not uniform and violates the constitutional clauses above referred to. This view is further sustained by the decision of the Supreme Court of Kansas in the case of State ex rel. Brewster vs. Cumiskey, decided February 12, 1916,* in which it was held that a tax of 10 cents per barrel of 50 gallons operated as a revenue measure and not as an inspection law for the protection of the people of the state, and that, as such, it violated both the Constitution of the United States and that of Kansas. Inspection fees of this nature in order to be constitutional may exceed the cost of inspection only by enough to allow for reasonable fluctuations. There are other cases with like opinions on this same point in other states.

In bringing forward this question of constitutionality of the amount of fee collected by the State Oil Inspector the purpose here is solely to indicate what is believed to be the facts in the matter so that the legislature may be forewarned and may take such steps as it deems necessary to provide against a possible temporary disruption of the oil inspection service of the state through subsequent contest in the courts concerning the amount of fee charged. In this connection there are two ways of meeting the problem, viz.,

- a. By reducing the fee, or
- b. By extending the scope of the services rendered by the State Oil Inspection Department.

Considering that the department is handicapped by insufficient clerical assistance and by lack of automobile facilities in performing its field work, also that the

*155 Pac. 47.

activities of the department in research and inspection work could be considerably increased, it would seem the wisest course to adopt the second alternative if any action is taken at all.

VII. SUMMARY OF RECOMMENDATIONS

- a. The field of standardization of weights and measures, now partially covered by the State Inspector of Oils, should be extended to include this activity in all its scope under the State Inspector of Oils.
- b. The scope of the work of the department in the inspection of oils, paints, compounds, etc., should be extended to include more research work and greater activity in inspection work in the field.
- c. The department should be provided with the necessary clerical and laboratory assistance at the expense of the state and not at the expense of the inspectors.
- d. Automobile facilities should be provided for the State Inspector of Oils and one inspector to more thoroughly and expeditiously cover their territory.
- e. All the official records of the State Inspector of Oils, with the exception of those maintained at the laboratory, should be kept in the department's office in the state capitol.
- f. To provide against any possible conflict in the amount of fee charged by the department, steps should be taken to make the fee approximate the service rendered. It may be necessary, even if all the foregoing recommendations are adopted, to cause a slight reduction in the amount of the fee to bring it within the legal limitations.

Report

On the Revenue System of the State of Colorado

Criticisms and Suggestions



Report No. XIII



Prepared for
The Survey Committee of State Affairs
of Colorado

1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

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J. B. Geijsbeek (Land Board).

M. M. Hamma.

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Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

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State Highway Legislation

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Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Ha'g, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee, and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

LETTER OF TRANSMISSION

COLUMBIA UNIVERSITY
In the City of New York

December 26, 1916

Honorable Philip B. Stewart, Chairman,
Survey Committee of State Affairs,
State Capitol, Denver, Colorado

Dear Sir:

Permit me to submit to you at this time some criticisms of the present revenue system of the State of Colorado and some suggestions for its improvement.

Very truly yours,

(Signed)

ROBERT MURRAY HAIG.

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Prefatory Note

In the summer of 1916, the Survey Committee of State Affairs, an official legislative commission, retained the writer to study the revenue problem of Colorado and to suggest improvements in the existing system. Unfortunately, it was possible to spend only one month in Colorado, a period entirely inadequate for the task of making the complete analysis of the local situation so necessary to a definite and detailed plan for reform. Moreover, circumstances made it desirable to devote the major portion of the available time to a very special problem. It was during these months that the opposition to the Colorado Tax Commission was at its height. An initiated bill to abolish the commission had been introduced and was to be voted upon at the November election. The Survey Committee desired advice as to whether this bureau should be retained as a part of the revenue system, and the task of gathering information upon which to base a recommendation occupied the greater part of the month of field work. The results of this study were submitted to the committee under the date of September 20th and published under the title "The Work of the Colorado Tax Commission" (54 pp.). In the report it was strongly urged that the commission be retained. The voters of the state, by defeating the bill at the polls, have fortunately preserved this body, which may now be used as an important tool in reconstructing the tax system of the state.

In his conferences with the citizens and officials of Colorado, however, the writer by no means confined himself to a discussion of the tax commission dispute, and although he would not pretend that he acquired a thorough grasp of the local situation, he feels that he formed some opinions which may be of interest and value. It was plainly evident that there is widespread dissatisfaction with the present revenue system and a real desire for improvement. But, unfortunately, there appeared to be a great lack of intelligent opinion as to the direction which changes in the revenue system should take. Perhaps no considerable public interest in the problem can be fairly expected until the prospect for action becomes more definite. What is needed is the provision of adequate time and means for a complete investigation of the local situation and for a full hearing to the various interests which would be affected by a revision of the revenue code. In the opinion of the writer this end might be well attained by continuing the existence and strengthening the resources of the present Survey Committee of State Affairs. If this be impracticable, a small special committee should be charged with the task. In this way a definite code could be drawn up and submitted to the legislature.

In formulating the suggestions contained herein, the writer has had the great advantage of the counsel and advice of Professor Edwin R. A. Seligman, for which he desires to record his grateful appreciation. In this, he feels sure, he is joined by the people of Colorado.

ROBERT MURRAY HAIG.

Columbia University, in the City of New York, December 26, 1916.

Report on the Revenue System of the State of Colorado

Criticisms and Suggestions

THE PROBLEM

The general revenue problem as it presents itself in Colorado is one which is by no means peculiar to that state. That is not to say that Colorado has no particular problems which are its very own, for there are many such, and they are of sufficient importance to necessitate their careful consideration in working out the details of any revenue system. The general problem of the state, however, is one which has presented itself before this to many of the older states of the Union and which has been attacked with various degrees of success. For the general property tax now used to so large an extent in Colorado has had a long history in the United States. Practically every state in the Union has made use of it and its shortcomings have become apparent many times under circumstances similar to those now present in Colorado. It is the old story of the crumbling of the system under complex economic conditions, decentralized administration and high tax rates. The result is an unfair distribution of the tax burden and a demoralizing feeling of injustice which affects both taxpayer and administrator. This condition is now apparent in Colorado.

To find some substitute for the general property tax, or at least for those parts of it which have been crumpled most badly, is the task to which the legislature must set its hand. The nature of the changes which other states have made under similar circumstances is indicated in the following pages. This is the general problem. Some suggestions are made, moreover, concerning particular and minor problems connected with the revenue system of the state.

THE GENERAL PROPERTY TAX

Its Fiscal Importance

While the State of Colorado secures its revenue from a variety of sources, the most important is the tax upon the property in general. Large sums are realized from various state licenses and fees, from the inheritance tax and from rich endowment of state land, but even though the aggregate of these has bulked larger in recent years than the receipts from the general property tax, that tax remains today the mainstay of the revenue system.

The situation is readily grasped from the accompanying tables. The first, adopted from an analysis made by Mr. A. H. Stockder, shows the treasury receipts for the biennial periods 1911-12 and 1913-14. Nearly one-half of the total receipts is seen to be drawn from the property tax. Table II, taken from the census, gives the data for 1915, classified in a different manner. The state tax levies and rates for the past four years, as shown in Table III, reveal the increased dependence which is being placed on the general property tax by the state, the amount raised in this manner in 1915 being over fifty per cent larger than the levy of the second and third year previous.

The general property tax, moreover, provides the elastic element in the system. It is the source whose yield may be increased or decreased by the variation in a rate to meet fiscal needs. Its importance is, of course, enhanced by this circumstance. Any substitute must take it into account.

TABLE I.
Treasury Receipts of Colorado, 1911-12, 1913-14.¹

	1911-12	1913-14
General property tax.....	\$3,172,793	\$3,234,673
Inheritance tax	413,148	465,063
Licenses and fees.....	823,075	920,048
Military poll tax.....	154,771	160,935
Flat tax on corporations.....	107,410	106,301
Sale and leases of state land.....	1,597,597	1,524,349
U. S. Treasurer.....	253,158	159,296
Interest	216,528	450,228
State institutions, departments, boards, etc.....	217,382	547,947
Miscellaneous	20,050	23,863
	<u>\$6,980,912</u>	<u>\$7,597,699</u>

(1) A. H. Stockder, A Critical Analysis of the Revenue Receipts and Expenditures of the State of Colorado (unpublished), p. 3, et seq. The arrangement of the table is modified and the item of \$654,387 receipts from the sale of bonds in 1913-14, is not included.

TABLE II.
Revenue Receipts of Colorado, 1915.²

Taxes—	
General property.....	\$1,597,677
Special property	363,086
Poll	88,693
Business	280,121
Non-Business license.....	120,810
Earnings of general departments.....	555,694
Rents	356,101
Interest	146,216
Miscellaneous	131,770
<u>Total</u>	<u>\$3,640,168</u>

(2) Financial Statistics of States, Bureau of the Census, 1915, pp. 66 and 69. A statement of the content of the items is given in this document, cf. p. 18 et seq

TABLE III.
State Tax Levies and Rates, 1912-1915.

	Levies ^a	Rate
1912	\$1,722,255.01.....	4.5555 (mills)
1913	1,701,571.57.....	1.3 ^b
1914	1,823,877.55.....	1.39
1915	2,608,780.45.....	2.1

(a) Represent the amounts certified by county treasurers as owing the state.
(b) Assessment raised to full value.

In the case of the local government bodies, (the cities, counties, school districts, etc.) an even higher degree of dependence is placed upon the general property tax. Indeed, if special assessments be ignored, it may be said to be the only source of local revenue of major importance. As an illustration the revenue of Denver for 1915 may be cited. By referring to Table IV, it will be seen that nearly two-thirds of the revenue receipts in that year were from the tax on property, and that about half of the remaining one-third came from special assessments.

TABLE IV.
Revenue Receipts of Denver, 1915.^a

General property.....	\$3,946,006
Special assessments.....	1,205,878
Business Taxes.....	360,523
Miscellaneous	853,904
	<u>\$6,366,311</u>

(a) Financial Statistics of Cities, 1915, Bureau of the Census, pp. 141-142.

The absolute amounts raised by all governmental bodies through the agency of this tax show in a very striking manner both the large dependence placed upon it and its growing importance. In 1906 the anticipated revenue from this source for state, county, town and school purposes amounted to \$11,916,455.31; in 1912, the figure was \$16,804,455.75, and by 1914 it had increased to \$18,420,601.20. This means an increase of over 50 per cent in eight years. Since 1914 the taxes have increased still further. It is evident that Colorado is placing great dependence upon the system and that disastrous results would ensue, should the system prove unequal to the strain.

The Breakdown of the System

The theory which should underlie a comprehensive tax system is generally conceded to be that of "faculty" or "ability to pay." That is, it is proposed that individuals should contribute to the support of the government in proportion to their respective abilities. There are, of course, various modifications and refinements to this bald proposition. Thus, land and inheritances, for various reasons, appear to many to be a particularly attractive subject for special taxation. The general rate is often departed from where the measure of special benefit conferred by particular services is very large or clearly defined, in which cases fees and special assessments are imposed.¹ Sometimes, also, burdens are imposed for social and regulative purposes, licenses being an example of this type of charge. But the principle upon which the general property tax is based and upon which it depends for its justification is the principle of ability to pay, it being assumed that the selling value of all a man's possession constitutes a fair index to his power to contribute to the cost of government.

It has been pointed out often that the theoretical justice of the general property tax depends to a large extent upon the economic stage of the community. In simple communities property forms a much better criterion than in highly developed ones. In a farming section, the possessions of the inhabitants are a very fair index to their respective abilities to contribute to the cost of government. In the modern city, however, there is not the same connection between possessions, particularly tangible property, and capacity to pay taxes. Many men have large incomes from salaries and fees who have no commensurate accumulations of property. Perhaps even more important is the fact that there are many large incomes from property which is of such form that it need not be disclosed to the tax assessor unless the owner desires to do so. Usually the owner prefers not to do so and the general property tax ceases to be a tax on all property, but tends to become a tax on such property only as the assessor can see. The theoretical justice of the tax is destroyed. Those possession incomes from salaries, fees and investments in securities go practically untaxed.² Those owning real estate and tangible personalty pay not only their fair theoretical share but that also of the other owners. The increased rates which result make the burden very heavy and form a bar to the occasional owner of intangible property who is inclined to submit it for taxation. Attempts to improve the administration tend only to make plain the impossibility of the task of listing the more elusive forms of wealth. The necessity becomes apparent of revamping the entire revenue system and of seeking a new method of drawing upon individuals for the support of the state—one which will better approximate the ideal of justice in the distribution of the burden.

In Colorado there is a mixture of the primitive and the modern in economic life. In parts of the state conditions are very simple. Here the general property tax appears to be achieving a measure of success in spite of high rates and mediocre administration. In other large sections conditions are complex and there the breakdown of the general property tax in so far as it applies to intangible property is almost complete. This would be easily capable of demonstration if such were necessary. But it is universally acknowledged.

For example, the writer raised the question with one city tax assessor. He looked gloomily out of the window for a moment and then responded merely with a feeble smile. With business men it was the same story as with the tax officials. Everyone who knows anything at all of conditions testifies that the administration of the personal tax in the cities is a gigantic farce.

In addition to the outright evasion of a considerable portion of the tax and the failure of the present system even to attempt to reach important sources of

(1) Fees, special assessments and licenses are, of course, not taxes at all if the word is used in the strict sense.

(2) Except in so far as they pay as the result of the process of shifting which ensues.

tax-paying ability, there are evidences of other shortcomings. The efforts of the state tax commission in the past four years have revealed an appalling degree of unevenness in the assessment of the tangible property of the state. Even the real estate, in which case there is perhaps less excuse than in any other, the variation in the percentage of full value attained is striking. The tax on the selling value of land and improvements will doubtless be retained as part of any readjustment which may be arrived at, and, therefore, the question of developing administrative methods which will secure a proper assessment of such property is fundamental to any scheme of reform.¹

It must be inferred, however, that improved administration would completely solve the revenue problem. It has been satisfactorily demonstrated that attempts to assess intangible personalty, at the rates ordinarily present, are foredoomed to failure even under extremely strict administration.

When the situation develops to the point where it is generally recognized among those in a position to know that the present system is a failure in important respects, the time has arrived for the immediate consideration of proposals for improvements. Selfish ends only are gained by failure to face the facts and to seek a solution. It is to the advantage of all sections of the state to do so. The financial problems of the cities may be solved only in this way, while the interests of the rural regions in securing a fair distribution of the state burdens compel their intelligent support of the movement.

Possible Substitutes

In addition to the capital value of all property, there is but one other base suitable for the imposition of a rate designed to reach all tax-paying ability. This base is income. Selling values are but a capitalization of yields or incomes, present and expected. To tax all property is to collect revenue in some cases where no income is forthcoming from the property. This occasionally is very desirable as in the case of land. To tax only income is to ignore the possession of wealth which yields nothing to the owner. Each standard has its advantages and its disadvantages. A judicious combination of both is most likely to result in an approximation of justice in taxation.

THE INCOME TAX

The income tax as a means of securing revenue for state purposes has recently come into great favor among students of taxation. This is in spite of its history, for, curiously enough, all early attempts to apply it in American states were dismal failures. Sixteen states attempted to administer taxes on incomes prior to 1912 with results which were farcical.² Since that time, however, taxes on incomes have had a very different history. Provided with suitable administrative machinery, with reasonable rates and accompanied by proper changes in the old general property tax, the income tax has achieved a notable success in Wisconsin.³ The experiences with national income tax, administered by the federal government, have been reassuring. As a result expert opinion very generally has come to approve of the use of income taxes as a method of meeting the shortcomings of the state general property taxes. The tendency of late has been distinctly away from capitalized values and toward income as the base. Connecticut in 1915 adopted an income tax for corporations, utilizing the assessments made for the purposes of the federal income tax. Massachusetts in the same year passed an act substituting an income tax for the old tax on intangible personalty.⁴ Oklahoma has adopted an income tax, but not in a form which merits its use as a model. In New York the question is of very live interest, two official investigating commissions having recently suggested it as the best solution of the revenue problem in that state.⁵ These income tax laws can be drawn in such a fashion as to supplement the general property tax precisely at the points where it is most weak and from what is doubtless the most effective method available to the states in their effort to secure equality in taxation.

(1) Cf. *infra*, pp. 17-22.

(2) Cf. Charles J. Bullock, *The State Income Tax and The Classified Personal Property Tax*, p. 12. (Advance Sheets from the Proceedings of the National Tax Association, 1916.)

(3) The law was passed in 1911.

(4) The Massachusetts act continues in force the old tax on income from professions, employments, etc., adds on incomes from intangible property and on speculative profits.

(5) The commissions are the Committee on Taxation of the City of New York and the Joint Legislative Committee on Taxation of the State of New York.

The income tax proposal is not new in Colorado. In 1912, in the first report of the Colorado Tax Commission¹, the observation was made that this system was considered by the commissioners as the "most equitable form of taxation." No formal recommendation was made on this point, however, because they thought it desirable to wait until the experience of Wisconsin should become available. This particular reason for postponing the consideration of the problem is now no longer present.

Too much emphasis cannot be placed upon the fact that the success which may be expected in a state income tax depends very largely upon the conditions under which it operates. Especial importance is attached to the presence of adequate administrative machinery, of reasonable rates and of proper modification in existing taxes. Merely to add an income tax to the present general property tax in Colorado would be the height of foolishness. Action in this direction should be preceded by a careful study of the situation to insure the proper adaptation of the law to local conditions.

Inquiries made by the writer in Denver lead him to believe that the proposal for a state income tax would receive a tolerant if not a friendly reception. Some doubts were expressed concerning the possibility of developing the administrative efficiency so necessary to its success. One individual, a corporation lawyer, objected to it because it involved a departure from the plan of taxing everything in the same manner at a uniform rate, fearing that it might start a wave of discrimination against unpopular enterprises and types of wealth. Although the present uniformity may be something of a check and a safeguard, it will be readily admitted that it results in no real justice in the distribution of the burden. Moreover, it would seem to be an unjustified conservatism which would oppose a new system which promises a higher degree of justice on the ground that having obtained it, the electorate might desire more than justice.

THE PRESUMPTION INCOME TAX

The undoubted difficulties attendant upon any attempt to localize income, particularly the problem of making it available for municipal purposes, has led to the proposal that certain arbitrary tests be adopted as measurements of presumptive income. It is one of the alternative suggestions of the committee on taxation of the City of New York that a series of taxes be imposed upon businesses, habitations and salaries in such a manner as to insure that each person pay a tax in rough proportion to his income.² This proposal has little to recommend it except its apparent practicability, but even this is untested. It is mentioned because it may suggest that the administrative difficulties of the pure income tax need not necessarily be a bar to all progress toward the income tax ideal.

THE CLASSIFIED PERSONAL PROPERTY TAX

A modification of the general property tax which appears very slight at first glance, but which has in some places developed into a movement of considerable importance, is the so-called "classification" plan. This contemplates a departure from the rule that everything shall be taxed at the same rate. It tacitly recognizes that intangible property cannot be taxed at the high rates ordinarily imposed upon tangible personalty and real estate, and proposes to tax it at a rate which will not cause it to disappear. Most persons, this plan assumes, would prefer to pay taxes on their securities, credits, etc., if they could afford to do so rather than to be "tax dodgers." Classes of property are therefore established and rates imposed on the basis of what the various types of property can be made to pay. Usually the classification has not proceeded further than to throw certain intangibles into a separate group as compared with other property.³ Six states now tax such property at light rates, varying from two to five mills on the dollar. These states are Pennsylvania, Maryland, Minnesota, Iowa, Rhode Island and North Dakota. Experience with such laws seems to indicate that a rate of three or four mills can be successfully imposed on such property annually where there is a fair administration. A higher rate than this appears to cause intangibles

(1) Report, pp. 28-29.

(2) The details of this proposed measure may be found in the Final Report of the Committee on Taxation of the City of New York (1916), p. 85 et seq.

(3) Minnesota, Professor Bullock points out, is the only state which has under taken to establish a general scheme of classification. The basis for it, however, seems to be far from scientific. Cf. loc. cit. p. 9. This article contains an admirable discussion of classification and of income and registration taxes.

to disappear. But even at such a low rate the receipts from this class of property usually show an increase over the amount collected under the general property tax. Moreover, it is claimed that the plan simplifies the task of assessing tangible personal property.¹

REGISTRATION TAXES²

An even less drastic method of securing some revenue from intangible property or personalty is that under which the owners of securities may relieve them of ordinary taxes by registering them and paying a small fee. Connecticut, New York and Michigan are among the states which have adopted this plan. In some cases the exemption from the taxes is for the life of the security. The Connecticut 2 per cent registration fee on bonds gives exemption for five years. Considerable revenue has been secured by this method, particularly in New York.

There can be little doubt that in Colorado progress in taxation lies away from the general property tax and in the direction of the income tax. Whether the full step should be taken immediately or the transfer be made gradually through registration taxes, classification of personal property, business and habitation taxes, etc., is a question which merits the most serious consideration. The writer's judgment, based upon an acquaintance with conditions which is admittedly slight and inadequate, is that an income tax patterned closely after that of Wisconsin³ would be found fairly well suited to the situation.

What is immediately practicable from a constitutional point of view is indicated by the following clause (Article X, Sec. 2) which covers the point:

"All taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax and shall be levied and collected under general laws which shall prescribe such regulations as shall secure a just valuation for taxation of all property, real and personal."

This language appears to preclude the possibility of an income tax without a constitutional amendment. This should not be considered an insuperable objection, however, for changes in the constitution of Colorado appear to have been secured with ease in the past. The clause apparently permits the legislature to classify property for purposes of taxation and to impose different rates on the different classes of property. Even this should not be done, however, without investigation, without provision of adequate administrative machinery and proper adjustments in the part of the revenue code.

THE CODIFICATION OF THE REVENUE LAW

The present revenue law of Colorado stands in dire need of a thorough revision. Even if the general system of taxation is not changed in any fundamental fashion, the law should be carefully recast and simplified. It has been many years since a general revision was made and consequently one must search through a series of session laws to discover just what statutes are in force. The amendments scattered through the years are so many and so radical that the original act is much altered. Many of its provisions are affected by subsequent legislation in a manner not direct and easily traceable. Some are entirely repealed merely by implication. Very slight modification in dates and in methods of procedure would in some cases mean considerable improvement. The general condition of the code is such as seriously to cripple its administration. A few illustrations may make the need for revision more clear.

There is confusion in the law as to whether the Colorado Tax Commission or the State Board of Equalization shall fix the tax rate for state purposes. In practice, to avoid the legal complications, they combine to perform that function.

Before the establishment of the commission, the State Board of Equalization assessed the property of certain corporations and these were required to submit reports to the State Auditor. When the assessment of these corporations was transferred to the tax commission, no change was made in the law governing the submission of the reports and they are still sent to the auditor. No penalties are applied for failure to submit the reports and they are said to be worthless for any purpose.

(1) Cf. Bullock, loc. cit. p. 5.

(2) Ibid.

(3) For a general description of the Wisconsin income tax plan cf. Thomas S. Adams, *The Wisconsin Income Tax*, *Political Science Quarterly*, December, 1913, pp. 569-585. For details consult the annual reports of the Wisconsin Tax Commission.

The tax commission assesses railroad property in general, but local real estate, not essential to the conduct of the road, is locally assessed and must be deducted by the tax commission in arriving at its figures. The law requires the tax commission to make its assessments before a local assessor arrives at his valuation for that year. Readjustments are therefore necessary after the local assessment data are available. Some rearrangements in dates should be made or the power to assess all property of the railways, including the local real estate, should be given to the tax commission.

The dates in the revenue law are so arranged as to make it practically impossible for the tax commission to utilize its power of reassessment. The time allowed for the tax commission's review of the local assessor's abstracts is too short and too fully occupied by other statutory duties to make possible a satisfactory exercise of that function.¹

Some of the definitions are unnecessarily vague. For example, the phrase "continuity of business" in the definition of the public utilities under the jurisdiction of the tax commission is productive of much unnecessary dispute.

The assessment dates are so arranged that an unnecessarily long period ensues between the assessment and the collection of taxes.

A very confusing condition is the lack of definiteness in fixing final assessment totals. One can never feel quite sure that he is dealing with the official assessment figures for a particular year. Sometimes as many as four different figures are represented as the same thing.² An assessment seems never to be definitely fixed. The objection to the variation in the figures is of more than academic significance, when it is realized that because of it the state has no real control over the local officials who act as agents for the state in the actual process of collection. It would seem that the assessment figure for a county which is used by the state officials in calculating the state rate should be official and final, but even after this stage of modification in figures is permitted. The local officials are notified, it is true, of what their assessment is supposed to be, but in a large number of cases the figures for which they assume financial responsibility to the state treasury vary widely from them.

Surely a general revision of the law which would do nothing more than adjust, simplify and codify, would yield returns which would justify the effort.

SPECIAL ADMINISTRATIVE PROBLEMS

In addition to the minor changes and adjustments which would normally be made in the course of a revision of the statutes, there are several very serious problems affecting the administration of the revenue system which demand special attention. Consideration should be accorded these questions regardless of whether or not radical changes are made in the tax base, for none of the proposals involves the destruction of the present assessment machinery.

The Selection of Assessors

The quality of the assessment is primarily a question of the quality of the assessor and the type of man who is secured depends very largely upon the manner in which he is selected. In Colorado the assessors are constitutional officers elected by counties for a term of two years, except in Denver, where the official charged with making the assessments is appointed by the mayor. Moreover, custom denies more than two terms to a particular individual, so that the total length of service is seldom more than four years, during which time the assessor must conduct his political campaign for reelection. At the end of four years, an assessor is ordinarily in a position to be of greatest usefulness, for a considerable period is necessary to acquire an intimate acquaintance with the law and with the local problem. To fail to utilize the training of this official involves a waste of a magnitude impossible to estimate. Moreover the present method is not conspicuously successful in selecting competent men. Very often a man is chosen for reasons very far removed from his ability to assess property in a skillful fashion. Finally, locally elected assessors are often embarrassed in the administration of their office because of the method by which they are elected. Politically influential

(1) Cf. Report on the work of the Colorado Tax Commission.

(2) Thus in various places the following four figures were found, each purporting to be the total tax levy for 1913 based upon the varying assessed values of the property in the state:

\$1,701,571.57
1,698,497.70
1,698,447.00
1,696,889.10

taxpayers sometimes do not scruple to use their power over the political future of assessors in order to secure unfairly low valuations on their property.

Colorado is fortunate as compared with some other states in that the assessment unit is the county and not a smaller unit. The general level of salaries paid the assessors also compares favorably with those paid in other states.¹ Moreover, some degree of central control has been attained. The Tax Commission now has a sufficiently full power to modify the figures of the local assessors even though it lacks sufficient means to determine with a satisfactory degree of exactness the extent to which they should be modified. It has the nominal power to order reassessments which can easily be made a real aid in controlling local assessments. It can compel the county commissioners to provide the local assessor with proper assistance and facilities for performing the function of assessment, a power which it has had occasion to exercise. Moreover, the county assessors may be removed by the governor for willfully omitting or underassessing property. But in spite of this measure of control, the situation in Colorado is far from satisfactory.

Testimony from the local assessors themselves is particularly valuable. In 1912 a committee of these local assessors reported to the annual meeting of assessors in favor of the abolition of the plan of local election and the substitution of central appointment. In a questionnaire submitted by the writer to the local assessors in the summer of 1916 were two queries bearing on this point. In reply to the question: "Is the present method of selecting the county assessors by popular vote satisfactory?" 38 assessors replied "Yes" and ten "No." The second question read: "Have you been embarrassed in the administration of the law because you are an elective rather than an appointive officer?"

It will be noticed that the form of the question is such that by answering "Yes" the assessor himself admits that some one was successful in embarrassing him in the administration of his duties. Most of the replies were more or less indignant denials that they had permitted themselves to be influenced, but at the same time often testifying that attempts had been made to do so. Nevertheless eleven out of the forty-five who answered the questions frankly admitted that they had been embarrassed by their dependence upon election for their office. Some of the replies are worthy of quotation. One assessor denied embarrassment in these words: "No, I have not, but nine out of ten are." Another said: "Not much, although men of political strength sometimes try to make me feel that I am under obligation to them." The reply of a third was this: "Tax dodgers are sure to hold the bugbear of opposition at the polls before the assessor who tries to do his duty. This is especially true in a county where the political parties are nearly evenly divided in strength." Still another wrote: "I do not like to say that the appointing of tax officials should be entirely with a centralized body, but I do feel that it should be taken out of politics. I was elected over a good man because he had incurred the displeasure of several large property holders by equalizing ranch and live-stock values. I, in turn, will be succeeded by another, not because of efficiency on his part, but because I have tried to do my duty."

Even though a majority of the assessors was not in favor of abandoning local election as the method of selection, the voluntary comments submitted indicate a very widespread recognition of the evil of the short term. Some of these are reproduced.

"I would suggest that county assessors be elected for a term of not less than four years, but I would prefer an eight-year term and make him ineligible (for reëlection)."

"Let's all pull together to take the assessing bodies and officials out of politics and make their tenure of office as independent as that of a judgeship and equally as long a term. Politics is costing the taxpayers of Colorado too much money."

"I believe that assessors should be elected by the vote of the people, but think their term of office should be four or six years."

"I would suggest that assessors should be elected for a term of at least six years."

The very limited degree of centralization in vogue in Colorado has accomplished a truly remarkable improvement in tax administration and inspires confidence in the view that a higher degree of central control should be introduced. In this matter, however, care should be taken to make haste slowly. Time is required to demonstrate to local communities, accustomed to a very large share of control over their own affairs, the advantages of centralized administration and

¹ Data gathered in 1913 show that the average salary of the assessors was \$1,698.41.

too rapid a progress in that direction may be found unwise in the end. There can be no serious question, however, but that a considerable degree of centralization is absolutely essential to proper administration. If the history of tax administration in other states has any significance at all for Colorado, the future will see the powers of the tax commission over local assessors greatly extended and measures taken to make assessment officials permanent officers, entirely independent of politics, probably by vesting the tax commission with power to appoint them under the civil service regulations.

A committee of the National Tax Association appointed to consider this question of how assessors should be selected, made a report in 1915 in the form of a series of four proposals,¹ one or another of which was recommended for application according to local conditions. The first plan included provision for county assessors appointed by a tax commission from a civil service list, for an indefinite term. Assessors were to devote their entire time to the work, were to select their assistants under civil service regulations, were removable for cause only and were not necessarily residents of the county to which they were appointed. This represents the ideal of those who are most strongly in favor of centralization. The other three plans were modifications of the first in the direction of allowing a larger share of local control. The most interesting point is that it is strongly insisted under every plan presented that assessors be chosen from only candidates whose qualifications have been established by a civil service examination. It was suggested that such an examination should not be too exacting along scholastic lines, but should be designed quite as much to determine a candidate's honesty, moral courage, tactfulness, alertness and common sense. Experience in Canada and Wisconsin indicate that satisfactory examinations could be devised.

It is the writer's impression that the sentiment in favor of local self-government is so strong in Colorado that a movement to secure a constitutional amendment vesting the tax commission with power to appoint local assessors would probably fail of adoption. It is, nevertheless, his conviction that if the people of the state desire really accurate assessments, they must reconcile themselves to the adoption of some such measure.

The Improvement of Assessment

Aside from the problems of improving the personnel of the assessment force, there exists a large opportunity for improving assessment methods. In Denver a very considerable portion of the work is done by a temporary force, sixty men being employed annually for a period of about sixty days at three dollars per day. Such a situation always involves poor assessments. The assessment work should be a continuous function occupying the full time of the assessors. When inexperienced men are recruited for a short time at low pay, unsatisfactory results are to be expected. Modern equipment and records for the assessors' office are lacking in many cases. Much of the inefficiency present is inevitably bound up with the method of choosing assessors and the shortness of their terms. With changes in these directions, much could be accomplished in the direction of refinement in assessment methods which is quite out of the question under present conditions.

The Tax Commission

At this point it is desirable to call attention to the recommendation made for facilitating the work of the tax commission in the report on the work of that body submitted to the committee on September 20th, 1916.

The State Board of Equalization

The State Board of Equalization is an ex-officio body² which has existed since the beginning of the state, but which has never performed the main function for which it was created, that of equalizing the assessments of the counties. Before 1912 it was prevented by legal obstacles. Since that date its activity in this direction has been restricted to approving the task as performed by the tax commission. The assessment of certain corporations was part of its duty before 1912, but this work was transferred to the tax commission in that year. As the situation now stands, the board (1) approves the equalization of county assessments established by the tax commission, (2) reviews its assessment of certain corporations, and, (3) co-operates with it in the purely mechanical function of fixing the state tax rate. In other words, the original and important functions of the board have disappeared,

(1) Proceedings of the National Tax Association, 1915, p. 202 et seq.

(2) The members are the Governor, Auditor, Treasurer, Secretary of State and Attorney General.

but the board remains, a financial vermiform appendix, apparently useless, but nevertheless with a capacity for making trouble. In the work of fixing the tax levy and striking the rate, the assistance of the board is superfluous. Its supervision of the equalization work of the commission is unessential. Indeed, the usual practice in the United States is to allow the tax commission actually to equalize rather than merely to make recommendations to another administrative board.¹ Finally its review of the corporation assessments made by the commission has in the past two years resulted in a deplorable situation. In the opinion of the writer the State Board of Equalization should be abolished.

Various other points stand in need of attention before the administration of the tax system can be expected to work smoothly. There appears to be a need, for example, of more complete provision for notices of changes in assessments and of fuller hearings in certain cases. But perhaps enough has been said to make it plain that there is here a considerable group of administrative problems which demand the immediate attention of a legislative investigating committee.

THE INHERITANCE TAX

The inheritance tax has become a very substantial source of revenue in Colorado. During each of the biennial periods, 1911-12 and 1913-14, it yielded approximately a half million dollars. More recently the receipts have become very much larger, the yield during the past year particularly being far beyond expectations.

There are at least two interesting questions connected with the inheritance tax which deserve a word here. One is concerned with the administration of the tax and the other with the utilization of the proceeds.

The administration of the inheritance tax in Colorado is in the hands of the attorney general. There appears to be no weighty reason why the attorney general should do this work. Such an arrangement is unusual. In an investigation conducted by the writer, replies were received from twenty-seven states imposing inheritance taxes and it was found that in only four states were the taxes administered by the attorney general (Colorado, Maine, Michigan and Minnesota). In eleven states the work was reported to be in the hands of the tax commission. Doubtless advantage would accrue to the commission in connection with other parts of its work from the knowledge gained in the administration of the tax. Cooperation with the attorney general would be necessary, but to no greater degree, probably, than is normal in many other cases.

The second question concerns the use to which the proceeds from the inheritance tax shall be put. On this point there is at present great interest in Colorado. The very considerable sums received are at present devoted to meeting the ordinary expenses of government and the question has been raised as to whether this is sound economic practice: whether the sums taken by the state from the estates of deceased persons do not after all constitute subtractions from the capital of the community and whether they should not be used in some other fashion than for current expenditures. Another aspect of the problem arises from the peculiar part the inheritance tax plays in the practical financial policy of the state government. Under the abominable system of "classified" appropriations which is in vogue—a system worthy of a place in some political chamber of horrors—certain less worthy grants are solemnly made by the legislature, but are placed in one of the later classes, to be paid only after the first-class appropriations are cared for. The expectation is that they never will be paid and they never would be made if the legislators thought there was any definite probability that there would be any money in the treasury with which to pay them. These low-class appropriations serve a useful political purpose, no doubt, but they result in an enormous waste in years when from some source or other the state treasury secures an unexpectedly large amount of revenue. The leaders in the legislature watch carefully the appropriations which are allowed to enter the early classes, but pay little attention to the others. The result is a gamble on the future, bills being introduced, often of little merit, in the vague hope that the state treasury will somewhere secure a "windfall." Of course, the rational thing to do is to abolish the silly system of classifying appropriations and to adopt a modern budget system. The point, here, is that the inheritance tax is the most fruitful source of unexpected revenue to the state treasury. This question then arises, particularly in view of the fact that the tax is, after all, considered by some to be a tax on capital: Would it not be wise to eliminate the receipts from the inheritance tax as a demoralizing factor in the

(1) In all states which have tax commissions and which also provide for equalization, the equality is brought about by the entire tax administrative officials except in Colorado, Michigan, New York, Oregon, West Virginia, Washington and Wyoming. Bulletin of the National Tax Association, Vol. 1, No. 2, p. 45.

finance of the state by devoting them to some particular purpose and making them available for any other purpose?

In the first place the position that the inheritance tax is a tax on capital rather than income, is one which is today more of theoretical than of practical importance. However, he would be a bold prophet who would venture to predict how long this situation will continue. The federal government has recently added the inheritance tax to its equipment of direct taxes and under the stimulus of the need for additional revenues, advances in the rates of inheritance taxes generally may be expected. There has been some scientific discussion of the effect upon production of very heavy inheritance taxes and the position has been assumed by one prominent economist that the state may well refrain from withdrawing from industry the capital appropriated through inheritance taxes, but rather enter on the basis of an investor in the industrial enterprises.¹ Much can be said for the theoretical correctness of this contention. In Colorado, however, the problem has not reached a state which demands that remedy. The suggestion of the writer is, first, that a budget system be adopted and only such appropriations made which deserve to be paid. Second, that a conservative estimate be made of the probable receipts from the inheritance tax during the next biennium and that receipts over and above that sum be made unavailable for the payment of appropriations of a past legislature, but retained for disposal by the following one. Third, that the proceeds of the inheritance tax, if it seems desirable, be devoted only to capital expenditures, say for roads and education. This last point, in the opinion of the writer, is of minor importance. There is precedent for such a use of inheritance tax receipts, however. In Wyoming, for example, they are used for the permanent improvement of the roads.²

THE POLL TAX

Colorado, in 1915, was one of twelve states in the Union to receive revenue from poll taxes.³ Most of the states have made use of this hoary relic at one time or another, but all but these twelve have abandoned it. The states which retain it are for the most part Southern states where revenue conditions are most backward. The yield in Colorado in 1911-12 was only \$154,771 and in 1913-14, \$160,935. At best little can be said in favor of the poll tax, and under conditions as they exist in Colorado, practically nothing at all, except that it brings in a pittance of revenue. Here it is called the "military" poll tax and is imposed to provide, after all, particularly for the protection of property. It is imposed on all male inhabitants over twenty-one years of age except members of the militia and honorably discharged soldiers and sailors of the United States. Its administration is a farce, the tax almost never being collected except where a man has property subject to taxation. It should be abandoned without delay and without remorse.

THE TAXATION OF MINES

A question upon which the writer is unprepared to give a specific recommendation, but one which he feels convinced should receive the careful attention of a legislative investigating committee, is that of the taxation of the mines of the state. The policy of the state from the beginning has been to coddle the mining interests by granting to them special concessions in taxation. It is believed that the time has come for a reconsideration of the entire problem. Part of the concessions have been doubtless conscious, but to a considerable extent there seems to have been a desire to give the impression of full tax payment when no such payment was made. The writer doubts if the people of the state realize that their tenderness toward the mines in relieving them of taxation involves what is virtually a discrimination against the other industries of the state. The farmer and the manufacturer carry a heavier burden because the mine owner has succeeded in lightening his.

Mining property is divided into producing and non-producing mines. Under the law of 1902, producing mines were entered on the assessment rolls at a figure equal to one-fourth of the gross product of the mine during the preceding year.⁴ This valuation was made subject to the prevailing rate of taxation. In other words, instead of an estimate of the selling value of the mine, a small fraction of the gross output for a single year was accepted as the base upon which the mine was taxed.

(1) Alvin Johnson, *Journal of Political Economy*, February, 1914, pp. 160-180.

(2) Letter from Tax Commissioner John McGill.

(3) *Financial Statistics of States, 1915*, Bureau of the Census, p. 66.

(4) John Glanville, *Assessment of Metalliferous Mines and Mining Laws*. Proceedings, Fourth Annual Conference of the Colorado Tax Commission and the County Assessors, Denver, 1916, p. 14 et seq.

Other property was undervalued at this time, it is true, but it was, after all, taxed on a fraction of its capital value and not on a fraction of its annual yield.

In 1913, assessments of property in general were raised to full value, involving an increase of about two hundred per cent in assessed values. The mining law was so changed as to make the base upon which they were taxed one-half of the gross product plus all of the net.¹ It will be noted that this increased the assessment of mining property 200% only in the case of those mines whose profits were at least fifty per cent of their gross product. This resulted in the mines carrying a smaller relative burden than in 1912. But even this was not enough. In 1915² a new law was passed practically going back to the old law of 1902. Today, in spite of the fact that property in general is based upon its full selling value, mines are taxed on a valuation consisting of one-fourth of their gross yield for the preceding year. The only modification is that if the net exceeds 25% of the gross, it is taken as the assessment base. This has resulted in a still greater reduction in the relative burden borne by the mines. The story is incomplete, however, without a reference to a very interesting provision included in the 1915 law.³ This reads:

"Provided further that any number of contiguous claims owned and operated as one property by the same person, persons, association or corporation, the gross product of which shall be more than five thousand dollars per annum, shall be deemed and considered to be one producing mine for the purposes of this act." This seemingly is a provision having as its object the simplification of administration. Its real effect is that a man owning one shaft and a larger number of surrounding inactive claims escapes taxation on the non-producing claims which formerly were taxed as acreage. He pays no more than the man with only one claim and shaft of equal productivity. In operation, very large areas have been construed to come under this provision. The situation is so acute that there is said to be an excellent prospect for a modification of the proviso with the consent of the mining interests.

It is perhaps evident that Colorado's present policy toward her mines is one of subsidy at the expense of the other taxable subjects.⁴ Doubtless there is present a more or less conscious desire to encourage mining. Certainly great care should be taken not to discourage it, particularly should care be taken lest the small enterprises be shut out. Mining is often highly competitive, moreover, and one state is not entirely free to do as it desires in framing a policy of mine taxation. Its course is predetermined to some extent by the policy of its neighbors. But Colorado need not hesitate to increase its taxes on this account, if the recently published figures from Arizona are reliable. In stating the results of the new methods of taxing mines in force there, a comparison is made with the results which would have been obtained by applying the laws of the other mining states. The total assessment of productive mines in Arizona for 1916 is \$212,301,620.55. Under the laws of New Mexico, Nevada, Utah, Idaho and Montana, it is estimated that the same property would have received an assessment of \$81,415,310.76, while under the Colorado law it would have been assessed at only \$60,078,792.12.⁵ Instead of the practice in other mining states being a bar to a fairer taxation of mines in Colorado, Colorado itself is apparently the laggard.

The method by which mines should be taxed is one of the controversial questions in public finance. Minnesota and Michigan have worked out a plan which appears to be well suited to their particular conditions, under which a rate is applied to a valuation fixed by a physical examination. The Colorado mines are said to be of a very different character than those of these states, and it may be that some plan similar to that in Arizona would be more successful. The Arizona plan consists of a capitalization of the four-year average net yield at rates varying from 15% to 33½% with the character of the mine.

The point to be emphasized is that the people of Colorado should consider anew whether they desire to subsidize mines. If they do not wish to do so, the present system cannot be changed too quickly.

THE DISTRIBUTION OF PUBLIC UTILITY ASSESSMENTS

The property of certain public utilities, including railroads, telegraph and telephone companies and express, sleeping-car and private-car lines, is assessed by the Colorado Tax Commission and distributed among the counties. The basis upon

(1) Laws, 1913, Ch. 139.

(2) Laws, 1915, Ch. 138.

(3) Laws, 1915, Ch. 138, Sec. 1b.

(4) Mining interests appear to be discriminated against rather than subsidized in Minnesota.

(5) Bulletin of the National Tax Association, October, 1916.

which this distribution is made is the cause of grave dissatisfaction in Denver. In the opinion of the writer, there is a sound foundation for this dissatisfaction. The railroad assessment, including that of the intangible value of the roads, is apportioned among the counties on the basis of main line mileage. This is a very common method in the United States, but it is one which is difficult to justify anywhere and which is particularly unfair in Colorado. For Colorado has an exceedingly uneven development. There are large counties which are scantily inhabited, semi-arid or mountainous, which because they chance to be passed through by transcontinental lines are credited with a large portion of the railroad assessment. On the other hand, the city limits of Denver are coterminous with those of the county and contain but few miles of main line mileage. As a consequence, Denver receives little revenue from railroad taxes. In 1915, fifteen counties received a larger share of railroad assessment than the metropolis of the state.

Any proposal for localizing completely the assessed value of a railroad is, in the nature of the case, unsatisfactory, for a railroad is not a local institution. Usually it is not even a state institution, and the problem of localizing the value by states is far from a simple one. If there were complete evenness of economic development throughout the length of the road, the problem would be relatively simple, however. It would then be possible to justify the distribution according to main line mileage either on the theory that there was a uniform contribution to the success of the railroad and the value of its property, or on the theory that the cost of the services rendered the railroad and its property through the exercise of the functions of government, were uniform along the line. Even then considerable injustice would remain if the county lines were strictly adhered to in the distribution.

There is some evidence of a tendency to substitute the regulation of the rates of public utilities for the taxation of these companies, for ultimately the taxes must, under close regulation, be allowed for in the rates. This tendency is a salutary one. But regulation has not proceeded to the stage of efficiency where it is possible to abandon the taxation of utilities. Indeed it is very doubtful whether regulation will ever prove to be an exact enough instrument to make taxation entirely superfluous. The whole question is one which deserves very careful study in order to determine how various proposals for change would affect the existing distribution. A proposal which has some merit at least and which might serve as a basis for discussion is that which contemplates the taxation of real estate, locally, at a valuation in harmony with other local valuations and the taxation of the remaining value, by the state for state purposes only. It will be noted that this proposed new state revenue would make it possible to lighten the state general property levy and would amount to a distribution of part of the railroad taxes among the counties on the basis of assessed valuations.

Attention should also be called to the oft-repeated recommendation of the tax commission that the basis of the distribution of the assessment of private car lines be simplified.¹ The distribution is in proportion to the number of railroad miles over which its private cars have run. The value to be distributed is in great disproportion to the cost of the distribution, the clerical work involved requiring a month's time of two clerks. A constitutional amendment is apparently the necessary remedy.

A SPECIAL TAX ON LAND

One of the most interesting aspects of recent financial history has been the marked tendency toward the special taxation of land. In Germany, special charges upon the increases or increments in land values were first imposed by the municipalities, but recently the central government has taken over a share in this source of revenue. Special land taxes also have of late been incorporated into the English system of national finance. In America, a special tax on the unearned increment has been established in the Canadian province of Alberta and has been recommended for adoption in a number of the cities of the United States. Such a recommendation was made by the Commission on New Sources of City Revenue for the City of New York which reported in 1913² and was repeated in the report of the Committee on Taxation of the City of New York in 1916.³ The Special Tax Commission of the City of Cleveland, in a report filed Nov. 22, 1915, recommends an additional tax "on growing land values for purposes of local operation."⁴ Finally

(1) Colorado Tax Commission, Second Annual Report, p. 16; Third Annual Report, pp. 9-10.

(2) Report filed January 11, p. 6.

(3) Final Report, p. 100.

(4) Report, p. 18.

the California Tax Commission in the summer of 1916 suggested a tax on "excess land values."¹

In addition to the interest in increment taxes, there has been a considerable development of sentiment in favor of the exemption of improvements in taxation, a movement which implies usually a heavier burden on land. This plan has undergone a considerable development in Canada and Australasia. In the United States, Pittsburgh and Scranton have adopted it in part. In Pueblo, Colorado, there was in force for a very short time a law under which improvements were assessed at a lower rate than land, but a similar proposal was defeated in Denver.

There is little doubt but that in the tax systems of the future land will be singled out for special taxation. Colorado would be wise to consider, thus early in the development in the state, the attitude to be assumed toward this question. A substantial portion of the future increase in land values, particularly city land values, should be conserved for general purposes. How much is immediately practicable in this direction is uncertain. It is the writer's impression from a direct examination of conditions in Denver that the immediate possibilities are not great. Not only is real estate depressed at present because of general conditions, but the extremely heavy burden of special assessments imposed upon land in Denver has complicated the situation. It is a matter primarily of looking to the future.

CONCLUSION

It has been indicated that Colorado is face to face with a large number of grave revenue problems, the proper solution of which can be hoped for, in the opinion of the writer, only through a thorough investigation by a legislative committee. Colorado's problems are particularly difficult because of the special conditions present in the state. The state is not homogeneous. Parts are highly developed and other parts are wilderness. There is a special problem present due to the importance of the mining industry. The irrigated lands, the forests and the dry areas all introduce complications requiring an unusual degree of intelligence in framing a revenue code. Most of the suggestions made in the text are offered after all with a considerable degree of diffidence, because the writer appreciates the presence of many special factors whose importance cannot be evaluated without adequate investigation. One thing can be very confidently stated, however: the Colorado code stands in need of a thorough revision and that revision should be undertaken on the basis of knowledge ascertainable only by investigation.

(1) Foreword on Taxation, August, 1916, p. 12 et seq.

Report

on Care of Dependents, Delinquents and Defectives

INCLUDING REPORTS ON

The Care and Treatment of the Insane in Colorado

By Samuel W. Hamilton, M. D.

A Study of the Mental Condition of the Inmates of the Four Colorado
Institutions for Minors

By Walter L. Treadway, M. D.

The Management of Three Colorado Institutions for Minors

By Alexander Johnson

The State Board of Charities and Corrections

By Alexander Johnson



Report No. XVI



Prepared for
The Survey Committee of State Affairs
of Colorado

1916

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(Created by Chapter 161, Session Laws of 1915.)

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State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

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State Highway Legislation

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Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission. Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,
Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,
Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,
State Home for Dependent and Neglected Children,
Industrial School for Girls,
State Home and Training School for Mental Defectives,

By Alexander Johnson,
Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M. Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,
Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,
The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.
Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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The Care and Treatment of the Insane in Colorado



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The Care and Treatment of the Insane in Colorado

I. STATE CARE

General Considerations.

The Legal Basis of State Care.

The constitution makes no reference to this matter, but provides that "such institutions as the public good may require shall be established and supported by the state in such manner as may be prescribed by law."

A law of 1916 declares: "* * * all persons who have been or may hereafter be adjudged to be insane, are hereby made wards of the state of Colorado; and it is hereby made the duty of the Colorado Board of Corrections to admit into the Colorado Insane Asylum, or to provide and care for elsewhere, all insane persons who may be committed to the Colorado Insane Asylum."

History and Present Status of State Care.

In early days the insane were cared for by the counties in institutions outside the state, but in 1879 with the establishment of the State Insane Asylum all thought of county care seems to have been given up. Provision was made that female patients should be first received.

It was provided in 1893 that all buildings thereafter to be erected at the asylum should be of moderate size on the cottage plan designed to accommodate not less than fifty and not more than one hundred patients. This provision, humane and enlightened in purpose, led to the evils of an unsought and distasteful county care extending over several years. The reason was that the boards controlling the institution refused to receive patients above the normal capacity of the institution and the legislature neglected to make provision for proper expansion. Under these circumstances the counties were compelled to care for their insane pending the occurrence of vacancies at the state institution. Some of the smaller counties supported their patients in the Woodcroft Hospital, a private institution at Pueblo, at a charge of forty dollars a month. More were cared for in county poor houses or county hospitals, and in 1916 the number of such patients had risen to three hundred, of whom about one hundred thirty were in the Denver County Hospital in quarters never intended for so many and far too congested for the welfare of the patients.

At the general election of 1916 an initiated bill providing for complete state care was adopted by a decisive majority. This apparently has not changed the situation except in one regard—the institution authorities are hereafter forbidden to refuse patients because of any supposed limitation on the capacity of their buildings. The essence of this act is recorded in the previous section. It happened that relief was afforded at about the same time through the opening of three new buildings provided by the last legislature.

Statistics: The institution has expanded as fast as permitted by appropriations for new buildings. The following table shows the census and admissions from year to year, barring some early periods whose records are defective.

Year—	Census at			Admitted During Year		
	Beginning of Year			Men	Women	Total
	Men	Women	Total			
1879.....	...	...	...	25	7	32
1880.....	...	...	...	31	15	46
1881.....	...	...	...	25	8	33
1882.....	15	4	19	20	5	25
1883.....	18	7	25	30	20	50
1884.....	31	24	55	56	28	84
1885.....	46	28	74	67	18	85
1886.....	58	33	91	74	24	98
1887.....	68	42	110	82	24	106
1888.....	78	48	126	71	34	105
1889.....	95	62	157	72	25	97
1890.....	53	33	86	128	47	175
1891.....	92	45	137	99	36	135
1892.....	92	45	137	56	38	94

Year—	Census at			Admitted During Year		
	Men	Women	Total	Men	Women	Total
1893.....	97	51	148	100	52	152
1894.....	97	51	148	106	48	154
1895.....	...	...	...	99	25	124
1896.....	...	...	...	140	18	158
1897.....	142	69	211	98	14	112
1898.....	142	69	211	96	17	113
1899.....	297	142	439	145	69	214
1900.....	322	181	503	74	21	95
1901.....	318	186	504	53	26	79
1902.....	319	186	505	51	24	75
1903.....	317	188	505	59	13	72
1904.....	313	184	497	219	105	324
1905.....	469	275	744	136	24	160
1906.....	487	278	765	131	13	144
1907.....	518	273	791	103	17	120
1908.....	522	277	799	62	124	186
1909.....	527	379	906	63	24	87
1910.....	527	370	897	233	118	351
1911.....	679	456	1135	129	61	190
1912.....	692	468	1160	124	70	194
1913.....	697	472	1169	132	29	161
1914.....	712	475	1187	108	37	145
1915.....	704	471	1175	124	32	156
1916.....	714	474	1188	230	201	431

Investigations: It is the custom to appoint a committee of legislators to visit the state institutions before the biennial session of the legislature and make recommendations as to the appropriations asked for. They usually recommend that certain requests be allowed, others refused. Then the legislature rejects a few more requests and passes the remainder.

In 1898 occurred the first investigation of consequence. It is said that the man who first labored for the establishment of the asylum became its first superintendent and served many years. He seems to have run it on custodial lines and absented himself from the grounds frequently. Accusations were made and the legislature investigated the matter and exonerated the superintendent. Not long afterward he resigned.

In January, 1913, a committee of two senators and three assemblymen was appointed to investigate the asylum, the home for mental defectives and other similar institutions. No important result followed except perhaps the employment of a dietitian. The committee recognized overcrowding, lack of land, poor equipment, insufficient medical and nursing staff. They wanted the name changed to "State Hospital."

Later in 1913 the governor commissioned a Mr. Frank McLaughlin to examine the asylum and report. In general he commended the management and made recommendations for expansion of the asylum activities. He recommended a change of name because the term "asylum" is objectionable; a farm of 1,000 acres; fireproof buildings erected by convict labor; coal lands to be set apart for state institutions and mines worked by convicts; a shoe shop to make and repair all the shoes for the institution; the addition to the medical staff of alienists and surgeons. He discussed the appropriations requested. He believed that a considerable income could be secured from a farm. Little attention seems to have been paid to these recommendations—none was carried into effect.

A paranoiac was elected to the legislature of 1915 and in a three-hour speech advocated an investigation of the asylum, in which he claimed to have been abused. Shortly he became so excited as to require commitment and soon died. The investigation was not held.

An unprinted report of a private investigation by the Civic Association in 1915 indicated that the asylum management was of fair standard, not altogether modern.

The sensational press occasionally charge ill-treatment at the asylum, but is not so obnoxious as in some eastern sections.

Classes Provided for: The laws of 1915 provided that the term "insane person" should be construed to include idiots and any person so insane and distracted in his mind as to endanger his own person or property, or the person and property

of another or others, if allowed to go at large. This section apparently was not drawn with the purpose of forcing the care of harmless defectives upon the institution, but to make simple the process of commitment for those who could not properly be left at large: "When in the opinion of the said county court * * * it will be for the best interests of said insane person that he be confined * * *," etc.

The establishment of a home for mental defectives at Ridge did not relieve the asylum, for the new institution is too small to be of consequence.

Problems: State care as such seems to present no especial problem. The area of the state is great, but no complaint seems to be made concerning the distances which patients must be transported. More than a quarter of the state's population is in Denver, only four hours' ride from Pueblo, where the asylum is situated. The population of the counties west of the Rocky Mountains is not great. There was a plan to establish a branch of the asylum in that region, but this has not been accomplished.

Economics of State Care: Colorado ranks (census of 1910) thirty-second in population and thirty-third (1912) in assessed valuation of taxable property. The state debt, though only a little over three million dollars, was twenty-first in order. The state revenue in 1913 was \$2,727,954, thirty-seventh in rank. Since then the state revenue has constantly risen, but at an irregular rate, because principally of the fluctuation in receipts from the inheritance tax. It is now approximately four million dollars, but owing to the bizarre methods of bookkeeping alleged to exist in the state departments no exact figures can be quoted.

The principal sources of revenue are:

1. A direct tax on real and personal property.
2. An inheritance tax.
3. A corporation tax.
4. Sale and rental of public lands.
5. Insurance and bank examination fees.
6. Fees for various inspections, filing of documents, etc.

New institutions are erected and maintained out of current revenue. No bonds are issued for such purposes. There is a considerable revenue from the sale of public lands, but this is devoted entirely to school purposes. Towns make no payment for the maintenance of the insane and counties were specifically released from this liability by the legislature of 1915. Reimbursing patients contribute a small sum; \$4,867.65 in the last biennium. Some products of the farm and industrial department and some junk are sold; \$1,792.41 in the last biennium.

The population of the state is over 900,000 souls.

Formulation of a State Policy: The essence of a proper state financial policy for the care of the insane is the appropriation of amounts considerably larger than have ever been allowed for this purpose. The exact method by which the money shall be obtained is not so important at present.

The one-fifth mill tax gives about \$95,000 per annum; \$200,000 for the biennium 1915-16 was derived from direct appropriation. This does not include appropriations for new buildings and furniture. If the mill tax is to be retained as a feature of state financing, the amount allowed to this institution might well be doubled. The constitution permits a total levy of four mills, but at present only 2.07 mills is levied.

The need of larger appropriation becomes plain when compared with the amounts raised by other states for this purpose. For instance, New York, which maintains complete and adequate state care, devotes about 23% of its total revenue to this purpose. The percentage in Colorado is only 5% (1913-14). Furthermore, the per capita cost of the maintenance of patients in this state is far below that of other states—even of some whose provision for the insane is only fair. A few illustrations will suffice. For 1914 Stockton (Cal.) spent \$181 per capita; Middletown (Conn.), \$187; Clarinda (Iowa), \$172; Pontiac (Mich.), \$190; Dayton (Ohio), \$184; New York, Massachusetts, Missouri, Pennsylvania, Wisconsin and others spent over \$200. At the bottom of the list are Kansas, Colorado and Utah. This state spent but \$152 per capita during 1913-14 and for the present biennium, in spite of rising prices, has devoted but \$168 per capita to this work. Certainly there has been no lack of economy!

It should be sufficient in this place to indicate the situation. Only those on whom falls the responsibility of making the appropriations can say just what

amount can be devoted to this purpose. Let it be emphasized that the amount should be much larger than at present.

Patients' Estates: There is a financial detail which might well receive more attention from the lawmaking body. Probably in some cases money which should be paid in from the estates of asylum inmates is squandered. The board controlling the institution should be notified by the county courts of the appointment of every conservator, and will then be in position to demand payments when they are payable and in addition to guard the interest of recovered patients in the properties which they have perforce left for a time.

STATE ADMINISTRATION, SUPERVISION AND INSPECTION

Administrative and Supervisory Agencies.

History: From the foundation of the institution until 1915 the management of the asylum was vested in a state board of lunacy commissioners. Their ability and interest varied somewhat, but the abolition of the board was not due to any dereliction on the part of its members. The idea of a central board, controlling all the state institutions achieved some popularity and was supported by some of the more unselfish and public spirited citizens. Strong opposition was expected from those who would lose public office with its honor and emoluments, hence the promoters of the idea decided to proceed cautiously. At the same time the party in power wished to create a few jobs with salary. It occurred to one that a start might be made by combining the control of three institutions not many miles apart, the penitentiary, reformatory and asylum, and ultimately this was done. One board took the place of two. This move seems not to mean that any one considers detention in the asylum an act of punishment.

Legal Basis: Neither the former board of lunacy commissioners nor the present board of corrections has any constitutional standing. The statute of 1879 established the first board, the statute of 1915 the present one. There is no obstacle to changing the qualifications, term of office, or even to the abolition of the board by any legislature—or indeed by public vote at any election. It is provided that no two of the board shall reside in the same congressional district and that not more than two of the three members shall be of the same political party. They are appointed by the governor with the consent of the senate for terms of six years and receive twelve hundred dollars per annum and necessary expenses.

Personnel: Of the present board, one is a business man and county chairman of the party to which the present governor belongs. Another is a successful hotel manager and personal friend of the governor. The third is a newspaper man of the opposite political faith, but a personal supporter of the present governor. They were recess appointees, taking office in August, 1915, and current rumor suggests that none of the three is apt to receive a confirmation by the incoming senate, since there has been a political overturn in the state.

The board has conducted its part of the business of the institution in a prompt and systematic way; their meetings in the institution have been marked by an entire absence of irrelevant discussion; they have given the superintendent free rein in the management of the internal affairs of the asylum, thereby devoting themselves principally to certain business issues. The secretary (by reason of his training in hotel management and his ability to secure the co-operation of various persons in extra-official life) has perhaps been particularly useful to the institution. Three buildings have been erected at apparently a minimal cost. A competent architect was secured at a low compensation and the structures were well planned. The construction is fireproof, though the specifications did not demand this. Certain changes in specifications, greatly to the advantage of the institution, were made possible by employing the patients to do all the excavating and laying of concrete foundations. No one of the board is a physician and they have dictated no medical policies.

Powers and Duties of the Board of Corrections: The act creating this board is brief and confers upon it the same duties and powers previously provided for the state board of lunacy commissioners. They therefore inherited "full control and supervision of all the property and over the grounds and buildings of the institution, * * * entire government and management of the same." They are authorized to prescribe and publish all rules and by-laws for the management of affairs of the asylum and its inmates and for the government of its officers and employes. They are to make proper provision for the reception, treatment, discharge and transfer to or from other institutions, of all inmates. They are required to hold

quarterly meetings in the asylum on the first Tuesday of March, June, September and December, and to keep a full and complete record of their acts and doings as commissioners.

Fiscal Control.

None: Practically no control is exercised over the expenditures authorized by the board of corrections.

Budget: The state has apparently never experimented with a budget, either gubernatorial or legislative.

Audit: The state audit board consists of five elective officers beginning with the governor. On this board the institution makes monthly requisitions which are duly approved. No money, however, can be drawn against them and no expenditures legally incurred until the state treasurer notifies the institution that funds are available. The state auditor prescribes bookkeeping forms for the institution and sends examiners frequently to inspect the accounts. Thus far they have found no errors—an evidence of the accuracy of the work of the steward who has been many years in the service of the asylum.

No joint purchases are made, although this institution has such close administrative union with two others. The board advertises in several newspapers for bids on various supplies, contracts to run three months. These bids are opened and contracts awarded at the quarterly meeting. A large part of the purchases (estimated at one-third) is made in the open market. There is no outside inspection of supplies, for no department of the state government is equipped to undertake this. The superintendent and the steward exercise the right of rejection of any articles not up to standard and their action is approved by the board of corrections. The governor can authorize this institution to incur debt. He has never yet been called upon to do so.

Miscellaneous Functions.

Transfer of patients between institutions can be accomplished only by obtaining a new order from the judge of the court in which the original commitment was made. In practice the only transfers made are from one of the few private institutions to the state asylum or vice versa. The criminal insane are not transferred from the penitentiary to the asylum or vice versa. The institution for feeble-minded is so small that it has received but one patient from the asylum. Three have been sent from that institution to the asylum, after the obtaining of a new order of commitment as described above.

The deportation of aliens and return of non-residents has to be done by the superintendent. The board of charities and corrections require a report on all such persons and has reported two or three aliens to the national government, but no action was ever taken on them. Few non-residents enter the asylum and none are sent away except in the care of relatives.

Supervision of the Insane Not in State Institutions: The state board of charities and corrections, described below, has considerable supervisory authority in this direction, though its statutory scope is far from complete and its powers almost none. No penalties are provided for disobedience to its mandates and the only recourse of that board, in case its recommendations are disregarded, is to close the offending institution. It receives reports from, inspects and publishes statistics of all the organized charities of the state as well as private and county institutions.

No license is required for private institutions for the insane.

The smaller county institutions have not kept the insane for long periods, but the ones at Denver, Pueblo, Canon City and some others, during the period when the asylum had insufficient accommodations sometimes maintained these patients for a considerable period. At Canon City there is a man who was committed nine years ago, but has not yet been received in the asylum. In the fall of 1916 the Denver County Hospital had over 130 such patients. It is expressly forbidden to retain an insane person in a jail longer than ten days, and there seems to be no disposition to evade this law. One case has been heard of in which a resident of another state, without friends in the neighborhood, was so detained for several weeks because the county commissioners were unwilling to maintain him in a private institution (there being no available bed in the asylum), but this is quite exceptional.

When the asylum was unable to receive all the patients committed a considerable number were placed by the counties in Woodcroft Hospital, where they were maintained at the surprisingly low rate of forty dollars per month.

No effective supervision is exercised over the places where the insane are held pending commitment and no public officer is specifically charged with responsibility

for the insane not in custody. In some instances an interested physician, but usually the sheriff, intervenes if the neglect or abuse of an insane person becomes public scandal. This is the duty of no particular person, but the act which enables any reputable person to file a complaint is occasionally taken advantage of in this way.

Inspecting Agencies.

The State Board of Charities and Corrections consists of six persons, appointed by the governor with the consent of the senate. The terms of two expire together, and thus each senate normally acts on two nominations. The governor is ex-officio a member of the board, and may remove any member of the board. They serve without compensation, but their secretary receives a salary. Under their power of inspection they visit the asylum two or three times a year. The president of the board (a woman) makes a close inspection on these visits. During an interim of two years during which she was not a member of that board, only one visit to the asylum was made. The present membership of this board is excellent. They have a vigorous and efficient secretary whose somewhat limited power is apparently at all times employed for the benefit of those over whom the board acts as general guardian. To this board the asylum makes a monthly statistical report.

This board passes on all plans for almshouses and jails and might do so for county hospitals. In this way they would have some control over the construction of detention wards.

Unofficial inspecting agencies are few. The county judge appoints boards of visitors to county institutions, but not to the asylum. On November 6, 1915, a committee of the management of the City and County Hospital of Denver visited the asylum seeking facts on which to base legal proceedings to force the admission of patients under commitment, but for lack of space not received in the asylum. Two visitors from the Federation of Women's Clubs of Denver visited the asylum in 1915.

Inter-Relations of Administrative, Advisory and Inspecting Agencies.

These agencies above described are so few and for the most part so powerless that they concern themselves little with each other and never come in conflict. The board of charities and corrections has made no recommendations and shown no disposition to encroach on the management of the institution. The visit of the commission from Denver was obviously with hostile intent, but it was only an episode. There is no state charity organization and no other benevolent society that shows any active interest in the institution or the subject of the care of the insane.

Personal and Political Factors in Administration, Supervision and Inspection.

At no time has there been manifested a disposition to make of the institution through its employes a bulwark of any political machine. There have been but three superintendents and political interests have never hampered their activities. Toward the institution there seems to be a kindly feeling in all parts of the state, hence it has been free from attack except by some of the yellow press and this has been far less obnoxious than is the case in cities like New York and Chicago. The chief complaint by intelligent people is that the institution lacks aggressive medical policies.

Commissioners have exerted themselves more or less actively for the welfare of the institution and though they have often changed with changing political sentiment, yet a constructive purpose seems to have animated their activities. The present board of corrections have been especially successful in directing the institution with a minimum of friction and their relations with the superintendent have been eminently satisfactory. It is greatly to be hoped that their successors will show the same desire to exercise their best efforts on the business affairs of the institution and will recognize with equal perspicuity their lack of equipment to interfere in medical matters. There is not lacking in a few quarters the desire to supplant the present head of the institution, but these inevitable personal ambitions seem never to have found encouragement in responsible quarters. The way in which the institution has suffered is that no one has urgently presented its financial claims before the legislature and appropriations have been too small.

Tendency Towards Change in Administration, Supervision and Inspection.

As indicated above, the one tendency noticeable is toward the board of control idea. No one is willing to venture an opinion about the immediate prospect of this policy. The outgoing governor would probably have used his influence to extend it. As usual the main—apparently the only—argument is that great economy would be secured. This policy has met vigorous opposition in the past, even when offered by a former governor, and similar opposition is promised for the future.

Formulation of a State Policy of Administration, Supervision and Inspection.

The present harmony between the board of corrections and the superintendent and their evident desire for the welfare of the institution gives one pause in suggesting any changes. Changes, however, are inevitable sooner or later, for coming legislatures will certainly increase or decrease the scope of the present board. With a view to the future the following suggestions are made.

Administrative control of the asylum should be joined with that of any similar institutions now existent or which may be established in the future, under a board or bureau of mental hygiene.

This board should be charged with responsibility for the welfare of all the psychopaths in the state and endowed with adequate powers of inspection and supervision. It should issue licenses to private institutions for the care of such patients and its mandates should be enforceable with penalties sufficiently weighty to carry respect. At the head of this board should be a physician of experience in such matters. Other members might well be chosen to represent different aspects of our complex life.

The board should have authority to formulate administrative rules covering the needs of the patients under their charge and to issue orders of transfer from one institution under its charge to another. It should have authority to regulate places utilized for detention of the insane pending commitment. It should develop and render effective the broadest plans for the mental health of the state.

The present powers of inspection of the state board of charities and corrections may well be continued and if in the future some voluntary organization of public spirited citizens of the nature of charities aid association shall be formed, it may well be given some official standing to the end that visitors from it should be accorded the authority to make inspections of public institutions under the control of the suggested board.

Local Administration, Supervision and Inspection

Nothing of this sort exists. In the previous paragraphs mention has been made of all the visits the institution has received in late years.

The State Asylum.

Physical Conditions.

This, the only state institution, comprises twelve dormitory buildings (two of which have received additions), an amusement hall, fourteen small residences acquired at different times when the grounds of the institution were expanded, two farm buildings, new and old power houses, a new laundry, shops, etc. The first building of importance was erected in 1880, the latest in 1916. All are of brick, and only the last group are approximately fireproof. The walls of two of the oldest buildings have settled and cracked somewhat, but are supposed not to be in a dangerous condition yet, although the institution reports of a few years ago referred to them in terms of alarm.

The wards have a capacity of from 30 to 50, excepting four hospital wards designed to serve fourteen patients each. There are various arrangements of corridors, dormitories and single rooms. Each ward has its own dining room. Furniture is meager. There are two kitchens, one satisfactory, the other dingy and ill ventilated, but about to be replaced. There is no ice-house.

Cleanliness prevails and ventilation is, as a rule, adequate. There is a generous water supply from the city mains, and the city disposes of the sewage. Heating will be satisfactory when the new power house is in operation.

All these buildings, housing about 1,500 people, are planted on a plot of 112 acres—obviously a most unsatisfactory arrangement. A few acres are cultivated; there is a herd of dairy cattle and a considerable herd of swine, the latter fed on refuse from the kitchens. The need of a farm of perhaps one thousand acres is obvious and urgent. This has been recognized for years, but several legislatures have ignored the issue.

Congregate Dining Rooms: The administration of the asylum is desirous of assembling patients from several wards in one dining room, and purposes asking the necessary appropriation for the construction of such dining rooms. This policy is followed with success in many of the best institutions, and this appropriation should be allowed.

Medical Service.

The superintendent of the asylum has had extensive experience in first grade institutions, both for the insane and feeble minded. He has, of course, the responsi-

bility for the executive management of the institution and cannot devote a great amount of time to the individual patient. The inevitable interruptions of his time make it difficult for him to train new members of the medical staff in modern psychiatric methods, yet most of them owe their present knowledge of these things to his instruction. Two men and the one woman have had their special training entirely in this institution, another has had extensive experience in private institutions (in the east) and some in public.

The institution has never had a pathologist or a pathological service. One necropsy has been made in a year. Since the pathological laboratory is the place where the validity of clinical findings is tested and where many diagnoses of physical ailments are made, it is essential to any well-developed medical service, and that an institution of this size should be without it is a reflection on the ideals which actuated the management in former days. In one of the new buildings some room is available for a laboratory, and it is the intention and hope to obtain equipment and appoint a competent man in this department. This hope should be speedily realized.

There is equal need of higher standards of clinical examination. The recorded mental examinations are usually meager and in some instances do not indicate the character of the mental disorder or even its existence. Unfortunately the current notes on the cases are still less illuminating. There is little evidence of intensive study of the patients either by recent or older methods. The staff can usually give more information than is found in the records. This condition of affairs is to be expected when a medical staff is so small as to be quite inadequate to the needs of the institution, but it should not be permitted to continue. No staff conferences are held for the discussion of cases or of medical literature and accordingly an inter-change of views on knotty problems is often lacking.

Physical diagnosis is better looked after. In this field also there should be some development of the records since the initial examination is apparently often the only one made. Investigation shows that such patients are really adequately examined, but as stated the records often fail to indicate it. Possible syphilitic disorders of the brain are rather often overlooked. The Wassermann test is never performed on the blood and no examination of spinal fluids is made. When a pathologist is secured this difficulty will be remedied. Pending that, an arrangement with the state department of health for the performance of this very useful test would be desirable.

These criticisms of the institution do not imply any reflection on the faithfulness, medical training or potential ability of the medical staff. The physicians are hampered by lack of apparatus and overwhelmed by the wealth of medical material about them.

Nursing Service.

At the present time the women's wards are somewhat better supplied with nurses than the men's, but throughout the institution there is a deficient day force and a lamentably inadequate night force. Many wards that should have three or even four attendants are now cared for by two and it is often necessary to lock the ward even in the day time and leave it unattended for a longer or shorter period. As an example we may take a case in which one of the attendants is off duty for his weekly half-holiday and the other must take a small party to the storeroom to get supplies. Numerous such instances might be adduced. Because the number of nurses is so small the superintendent has found it necessary to require previous experience before employment. This plan, to be sure, has brought many capable attendants into the service of the state, but, on the other hand, an institution does better to receive some young men and women, untrained but ambitious, from the community, give them a thorough training and teach them a good thing in the way approved by the officer in charge. This by no means shuts off the supply of employes trained or partially trained in other places, but when the two groups are working together the best results are obtained. This will undoubtedly be done if the force becomes sufficiently large to warrant it, but would be difficult—perhaps impossible—under present circumstances.

Conditions at night are less happy than in the day. One attendant may be in charge of several wards of which he cannot by any possibility keep watch at the same time. The result is that most of the patients are locked up at night either in single rooms or dormitories. The night attendant makes frequent rounds, to be sure, but the condition is an unnatural and deplorable one. It involves the use of individual vessels in all these rooms and this may easily lead to annoyance and even unsanitary conditions in warm weather. A proper increase of the ward force would change all this.

Under present conditions it would probably be impossible for the asylum to send for the committed patients and thus relieve the sheriffs of a duty for which they are not trained. An addition of a few nurses on each service—male and female—would make this very beneficial change of state policy possible.

The present accommodations for nurses are hardly adequate for the present force; several married couples are required to live apart and all the available rooms are occupied. If the number of nurses is increased the asylum authorities will be perplexed to know where to lodge them. A home should be erected at once adequate to house either couples or single men and women.

Special Features of Treatment.

Seclusion and Restraint: These cases are not reported individually, but the total number is recorded in the physician's daily report. These records were inspected for two and one-half months. While the numbers vary somewhat from day to day, there are usually from one to four men in seclusion, from four to eight in restraint. These figures may be considered creditable in view of the small number of attendants.

In the women's division there are from one to five in seclusion and from fourteen to twenty-two in restraint daily. Since there are over seven hundred men and less than five hundred women in the institution, and since the proportion of nurses to patients is but little higher on the men's side, this condition will doubtless soon be improved.

The forms of mechanical restraint in use are camisole, wristlet and muff. These are applied only on order of the physician.

Seclusion is reported to the physician, who as a rule authorizes its continuance.

The above figures do not take into consideration the fact that practically the whole asylum population is locked up either in rooms or dormitories at night.

Apparatus Lacking: There is no hydrotherapeutic or electro-therapeutic apparatus. No X-ray studies can be made except by transporting the patient several miles to a general hospital with whose management the asylum has always been friendly.

Surgical Equipment: In a group of buildings opened in November, 1916, there is an operating room, the first that the institution has had since its foundation. It is a tribute to the progressive spirit of the present administration, and when its equipment arrives it will be in frequent use for some time, since there is a considerable amount of accumulated surgery. Urgent cases have been cared for at a private institution a few miles away, but this method is, of course, not applicable to a large number of patients.

Accidents and Casualties: These matters are recorded on the daily report blank of the charge nurse and again on the physician's daily report. An examination of these reports for two and one-half months would indicate that accidents are infrequent. Among the patients interviewed only one charged serious abuse and the date of the alleged occurrence was far back.

There have been three suicides during the last year, all by hanging. Nursing conditions being as they are, it is doubtful if anyone was culpable in allowing these occurrences. With a more adequate force two at least might have been prevented.

Elopements: There have been ten of these during the last year. The high fence about the grounds makes escape difficult.

Vaccination: Is not practiced.

Provision for Special Groups of Patients.

The plan of classification is as satisfactory as could be expected under present conditions, except that there is no reception service. The smallness of the staff makes this a little difficult to arrange, yet it should be instituted as soon as feasible.

Disturbed, epileptic, uncleanly, sick, feeble, aged, and convalescent patients are all separated.

Over one hundred men have the freedom of the grounds, but must be in at mealtime. It is not feasible to allow any women this freedom, since there is no means of preventing intrigue. Very few are permitted to go to town alone.

Cottages for Tuberculous Patients: The tuberculous patients now in the institution must be kept in buildings with other patients, although isolated so far as possible in special dormitories. It may be considered an established fact that

such patients do best in buildings with generous porch space. Certainly, they should be isolated to prevent infecting the healthy. The asylum should be provided with a small cottage for each sex, designed on simple but approved lines, for the treatment of these patients.

Occupation: There is a general effort to occupy as many patients as possible. On the women's side a well-trained and competent instructress has charge of five classes, whose primary purpose is to stimulate the interest of the apathetic. Numerous cases are mentioned in which this has been successful. There is no such varied occupation available for men. Grading the grounds keeps a large number of them employed out of doors during most of the year. When the grading is completed, and preferably before, competent instructors should be installed in generous quarters where male patients may receive the same sort of individual attention that is now given to a considerable number of women.

Diversion: Moving pictures, baseball games, picnics and a library are available. Through the co-operation of the superintendent's friends in town a liberal supply of magazines is always available. Professional actors and vaudeville specialists have contributed their services gratis on several occasions.

Religious services are held every Sunday for Protestant patients, and every fourth Sunday for Catholics.

The amusement hall seats six hundred when crowded, but it is doubtful whether so many should be allowed in it at one time. Whenever funds are available it should be enlarged.

It is to be hoped that the musical and dramatic organizations of Pueblo and vicinity will soon form the habit of donating their services to the asylum. If the amusement hall is enlarged, and the stage is furnished with proper drops and flies, this result can much more easily be attained.

Gifts of framed pictures for the walls of the wards would be appropriate.

Observations on the State Asylum.

Even a casual inspection makes it obvious that the essentials of care have been provided, and for the most part, well provided. The patients are housed in buildings which protect them from inclement weather, keep them warm and comfortable. They all have beds, and satisfactory beds. They are fed regularly and well. For this state of affairs the state should have and does receive full credit.

It is generally felt that much more than this should be done for the insane and in these matters which involve medico-psychological problems, the state has thus far been somewhat remiss. Governing boards and the medical staff have struggled bravely against the obstacles of insufficient appropriations and unaroused public opinion.

The Name of the Institution: On several occasions it has been proposed to change the name of the asylum to "State Hospital," which is the term most popular now in this country. The change would be desirable if it brought with it the financial and moral support necessary to convert the institution into a real mental hospital. The important thing, however, is the support of the institution rather than the name which it bears, and its friends should devote themselves unremittingly to aiding it to attain medical standards, no matter under what name it goes.

Capacity of the Institution: If several of the ward dining rooms are converted into dormitories, and two small cottages for tuberculous patients erected, the capacity of the institution will soon be 1,800. No more dormitories should be erected on the present grounds. Such an institution should not be allowed to grow beyond this size. Patients do best when under the personal supervision of the head of the institution, and no man with administrative duties pressing upon him can be expected to have a personal acquaintance with this number of cases. If the state will provide in the proper institution for the 250 epileptics and feeble-minded now at the asylum, there will be ample beds for the increment of the insane for several years to come, and meanwhile the state should look forward to providing another institution for the benefit of the second 800,000 of its population, rather than continue indefinitely the increase in size of the asylum at Pueblo.

Insane at the State Penitentiary

The revised statutes, section 4706 et seq. provide for the establishment at the asylum of a criminal ward and prescribe in some detail what classes shall be admitted thereto. This criminal ward was never built or set aside and the

insane at the penitentiary have remained there. On December 11, 1916, there were supposedly 38 insane and 5 feeble-minded persons detained there.

The presence of insane patients at the penitentiary is most unwelcome. The warden recognizes the difficulty of giving them proper care and would gladly send them to the proper institution. The prison physician is not in residence and must distribute the time he is expected to give to the institution between various classes of the sick. He lays no claim to especial knowledge of mental disorders and modestly states that he feels himself unqualified to direct the treatment of such patients.

At the time of this visit there was one insane woman apparently well on in the course of dementia paralytica. Superficial examination showed no evidence of any but kind treatment. Her removal to the asylum was to be urged upon the governor.

Most of the male insane are quartered in the lower part of the hospital building, a commodious structure with outside cells in two tiers. Other sick patients are on an upper story and the intervening floor appears to be soundproof. There is a large yard surrounded by a high stone wall in which the patients not only may exercise but must if able. This yard is pleasant, has turf, walks, and apple trees.

During the day this ward is in charge of one guard, assisted by two prisoners of normal mentality, one white, the other negro. Comment has been made on the particular ability of the latter in managing the patients. From about 6 p. m. to midnight the ward is in charge of these two convicts, then a guard is on duty the rest of the night.

The cells are all provided with stools and faucets. The beds are simple but comfortable. One patient's mattress was on the floor at the time of this visit. The writer did not have any patient undress and made no physical examination except to test the deep reflexes, pupillary reflexes and tremors of two or three patients.

The training of a guard is not generally such as to make him genuinely sympathetic with the insane man's point of view, but the warden demands a kindly attitude and has not hesitated to discharge a guard for brutality.

Thirty-five men were cursorily examined. Several are quartered in the ward for other ailments than insanity. The guard was present at about a third of the examinations.

Recommendations: The statute of 1893 should be carried out and these patients speedily removed to the asylum. They are a handicap to the penitentiary and cannot be properly cared for there.

The Teller Indian School Proposition

Near Grand Junction there is a plot of about 160 acres with a number of buildings formerly used as dormitories, school rooms, farm buildings, etc., at the defunct Teller Indian School. This property has been turned over to the state, and serves no useful purpose now. The land is leased to a dairy farmer. Owing to seepage from a nearby irrigation ditch the foundations of the buildings are deteriorating, an effort at drainage having proved abortive. The buildings should obviously be put into good condition, for whatever use they may be designed.

The journey from much of the Western slope to Pueblo is long and tedious, and there naturally are and will be patients whose relatives will visit them infrequently or not at all on this account. The state should look to the future in providing an institution for the cases of the western slope, available to that part of the state. This school property could with a very moderate expenditure be adapted to the use of the insane or feeble-minded. There are already five dormitory buildings and a good employees' home beside the amusement hall and numerous other buildings which could be used for varied purposes.

The Need of a Psychopathic Hospital

The state now makes provision for the care of all the insane and a part of the feeble minded and epileptics. The work is not correlated and a large number of the feeble-minded and epileptics are in the institution for the insane. The number of the insane under state care numbers only about 1,200, whereas an estimate based on the experience of other communities (3 to 4: 1,000) would lead us to expect the insane in the community to number perhaps 2,500. It is always found that improvement in facilities for care and treatment results in the entrusting of a larger number of these patients to the state agencies for

treatment. Cases arise not infrequently as to whose proper disposition there is considerable doubt. We may instance insane and feeble-minded persons in the reformatory; cases of mental trouble developing in educational institutions; backward children whose mental ability is undermined.

It is regrettable that a considerable part of the psychopathic members of the community have no public agency to which to turn for diagnosis or advice. Many of these have illnesses grouped under the term "nervous prostration", some are patients with fears or doubts who do their work under heightened tension with excessive fatigue. If well-to-do, these patients can find proper treatment in proper institutions—but many of them are in quite ordinary circumstances.

Many psychopaths come before the courts. In Denver some psychological work has been done on such cases by one of the officers of the University, but as a rule there are no means for obtaining a diagnosis other than the general statement "insane" or "feeble-minded." The general practitioner has not the time necessary for examining such cases and specialists in mental trouble cannot be expected to locate in the smaller places.

The solution of these difficulties is, after all, quite simple. Massachusetts and Michigan are states which have seen the same problems and have solved it. There should be established at the earliest possible moment a psychopathic hospital located in or near the capital and under the control of the University. To such an institution could be brought—or if necessary, committed—any patient whose case presented such features as to render detention advisable as a precautionary or curative measure. The director of this institution would have power to obtain the commitment to the asylum or home for feeble-minded of any patient who properly belonged there. He would also have power to detain, as long as seemed advisable, any cases to be benefitted by his oversight.

Such an institution would aid the proper ambition of the staffs of the existing institutions for a higher clinical standard. Methods and results in the older institutions could easily be compared and would tend to level up to that of the institution with university standards.

II. COMMITMENT, DISCHARGE AND PAROLE

Commitment

The Legal Basis of Commitment.

The state constitution does not speak on this theme, except to provide that no person shall be deprived of liberty without due process of law. The legislative session of 1915 was marked by the passage of the commitment law now in force. This measure, a vast advance on the jury trial system formerly in vogue, was drawn and advocated by some of the county judges. There is but one method to follow, and it applies to other classes, as well as the insane. The working of the law is generally satisfactory to those responsible for its application.

Actual Method of Commitment.

Those legally committable are of two classes: (1) "so insane or distracted in his mind as to endanger his own person or property or the person or property of another or others"; (2) "by reason of old age, disease, weakness of mind, feebleness of mind, or from any other cause, incapable unassisted to properly manage and take care of himself or his property."

The county judges are the only committing officers. The only limit to their authority is that in the case of a person charged with a criminal offense the order for an inquest must come from the judge of the district court in which the offense is pending.

Any reputable person may file a complaint alleging insanity or incapacity and asking an inquiry. The complainant is usually a law officer or member of the patient's family, but need not be. In one case a husband got a consulting physician to make the complaint. The court must forthwith issue an order for the apprehension of the person complained of. This order is executed usually by someone in the sheriff's department and results in many of the patients being lodged in jail, but the apprehension may be purely technical for the judge may order the patient kept at home until examined.

The judge designates two physicians to constitute a commission in lunacy. (If there is but one physician in the county, a layman acts with him). In case of a disagreement in findings, a third commissioner of equal qualifications is appointed to sit with the two first named. The commission has wide freedom as to the number, places and times of its meetings, the only restriction being

that the judge fixes the time and place of the first session. Unless the person complained of is "an aggravated case," he is given five days' notice of the first meeting, and even this exception depends on a waiver of notice by the guardian ad litem. Such a guardian is appointed in every case and must attend all the meetings of the commission. The person complained of must be present at the first meeting of the commission, and has the right to be present at all of its meetings. Every inquest is prosecuted by the county or district attorney; but this officer is not necessarily present at the meetings of the commission. It is stated that the physicians and guardian ad litem are generally in perfect agreement as to the mental condition of the defendant.

If dissatisfied with the findings of the commission, a person ordered to be committed or any friend in his behalf may within five days after the meeting of the commission demand a jury trial, the jury consisting of six; the county or district attorney and guardian ad litem appear, and the decree of the judge must be in accordance with the findings of the jury. One or two intelligent paranoics are said to have secured their liberty through jury proceedings, by convincing the jury that they were sane.

The committing judge has wide discretion as to the disposition of the patient. The patient may be committed to the State Insane Asylum, to some hospital, or some other suitable place (usually taken to mean a private institution for mental cases), or to the care of friends. If at a later time it seems desirable to place the patient in the care of some other person or institution, the judge signs a new order upon the basis of the original adjudication of insanity.

Voluntary admission to the state insane asylum is unknown, although frequent in the private institutions. There is a statute permitting the superintendent of any institution for the treatment of the insane or feeble-minded to receive a voluntary patient, "whose mental condition is not such as to render it legal to render a certificate of insanity in his case"—but with the added proviso that he must reimburse the state for his care at the per capita rate for the institution. No one has been able to take advantage of this law to secure treatment at the state asylum. A few former patients have applied for readmission but they had no funds.

Emergency commitment to the state asylum is not permitted or attempted.

The county judge may commit an alleged insane or distracted person to "some hospital or institution" or to "some other convenient and suitable place for observation." Detention in a jail for longer than ten days is forbidden. Conditions sometimes arise in which a patient is, contrary to the statute, so detained but this occurs seldom. During twelve months of 1915-16 there were one hundred and sixty-seven insane persons in the county jails, but at the end of the year only one man and one woman remained. The county hospital is the usual place for such observation in some counties, the jail in others.

Little is heard of the commitment of inebriates. On the other hand, the feeble-minded and epileptics are frequently committed to the state asylum, and about one hundred and twenty-five of each class are now cared for there. Unless the institution for such patients is considerably enlarged, no relief for the asylum is in sight; and the statute is so drawn as to permit the judge to commit such a person to either institution without hindrance. It is possible also to commit those who are merely "incapable," if to the examining commission their remaining at large seems dangerous, and there exists no statute upon which the superintendent can raise an issue.

Commitment in Criminal Cases.

This is carried out precisely as in other cases, but unless the criminal offense has been tried and dismissed, only the judge of the district court wherein the offense is pending can order such an inquest. It was provided in 1893 that "a ward for the separate confinement and care of the criminal insane should be established at the insane asylum." This was never done and a considerable number of criminal insane are maintained in a special ward in the penitentiary.

Transfer to Asylum.

The court is required to designate some trained attendant to accompany the patient to the asylum or other place of confinement and every female patient must be accompanied by a female attendant, unless her husband, father, brother or son goes with her. In practice, these "trained attendants" are sheriffs or members of their official families. General testimony is borne to their kindness and disposition to do the right as they see it. Many of the sheriffs are well endowed by nature with the qualifications necessary for the management of such patients, but it is obvious that they are elected to office not because of their ex-

perience in handling the mentally disordered, but because of quite different qualifications; they often deceive the patient as to his destination. The law should be amended so as to require notification of the asylum whenever an order of commitment is signed. It should then be the duty of the superintendent of the asylum to send one or more nurses to bring the patient to the institution. When the health officer is responsible for the care of the patient pending commitment and the asylum responsible for his transportation, the state will have completed the task seen and entered upon two years ago, of handling these cases, from beginning to end, as medical rather than as correctional problems.

Cost of Commitment.

This is borne by the county securing the commitment, unless the patient or his relatives are liable. The fees of the commissioners and guardian ad litem are fixed by the statute.

Formulation of Best Commitment Laws and Methods for This State.

On the whole it would seem wise not to make many changes in the present law. It was adopted only last year and is working on the whole satisfactory. One important change, however, should be made promptly: The committing officer should be charged with the duty of notifying the asylum in every case and an experienced employee of that institution (or more than one if required by circumstances) should be sent for every patient.

In the not distant future the health officers and county physicians should be given added power and responsibility for the insane. All the insane of their respective districts should be placed under their jurisdiction, and any cases of abuse or neglect should be subject to investigation by these officers. Furthermore, the care of all insane pending commitment should be entrusted to these officers; this will tend to diminish the number confined, even for short periods, in the jails. It is recognized by all who have knowledge of mental troubles, that jails are unsuitable places for the care of the sick—no matter what the sickness may be. In sparsely settled communities and in cases of sudden and violent excitement, the use of such places of detention for short periods will occasionally be necessary, but wherever medical officers have jurisdiction, they find that very few patients require that sort of "treatment." With the broadening of the power of these health officers, there will also come a shortening of the period between the recognizing of insanity and the removal to a proper institution. It will also be made possible for patients to be committed and removed from their homes to the state asylum with even fewer formalities than at present.

As soon as the state makes laws more adequate for the care of its feeble-minded and epileptic patients, a section should be added to the statutes requiring that these patients be committed to their proper institution and not to the state asylum. Such provision will probably be made in the near future.

Discharge and Parole

Legal Basis.

The statutes make no provision covering these topics and the matter is, in practice, left in the hands of the superintendent.

Actual Methods.

Most patients are paroled for three months prior to discharge. In case the superintendent is doubtful about the advisability of the patient leaving the institution, he requires the relative removing the patient to sign an assumption of responsibility, which doubtless has more moral than legal force.

Parole is usually granted for three months. Toward the end of that time the superintendent tries to ascertain by correspondence the condition of the patient, and he is successful in about one-third of the cases. This figure is as high as can be expected.

Aftercare.

The asylum has at present no machinery for following its patients into the community, other than the writing of letters.

III. TREATMENT, CARE AND DETENTION OUT OF STATE INSTITUTIONS

Permanent Treatment, Care and Detention

Private Institutions.

Private institutions can be established without restrictions, but neither the demand for such accommodations nor the credulity of the public is sufficient to attract adventurers into this field.

(1) Woodcroft Hospital at Pueblo was established some twenty years ago by Dr. Hubert Work, who now has the assistance of Dr. Charles W. Thompson and Dr. Philip Work. The institution now occupies four large houses beside which there are a laundry and considerable barns and outbuildings. The census in November was approximately 130, including several cases supported by counties. By far the larger number of them had shortly before been transferred to the asylum. The highest census was slightly over 200, during the current calendar year. There are varying accommodations for private patients. The county patients have slept in dormitories but have apparently about the same diet as most private patients and have been cared for at the surprisingly low rate of \$40.00 per month. No private patients have been accepted at this rate. In general it may be said of the institution that it is commodious and reasonably clean, and that the cuisine appears to be ample and the general atmosphere of the place kindly and agreeable. The nursing force come from other institutions as a rule. An excellent industrial department for women is maintained. The records indicate considerable study and appreciation of psychological issues.

(2) Mt. Airy Sanatorium, Denver. This was founded some years ago by the late Dr. J. W. Courtney and after his death was purchased by Dr. G. E. Neuhaus. It is now located in three houses, evidently so built as to be available for private residence. There is some growth of the city in this direction and nothing about the surroundings or character of the buildings indicate their purpose. Dr. Neuhaus hopes to erect a different sort of structure, something which will more closely approximate the hospital type of building. No psychiatrist in the state is better equipped than Dr. Neuhaus.

(3) Molkeny Sanitarium, Englewood, is the property of Mrs. Emily T. Thomas. She devotes the second story of her frame dwelling and a one-story shack adjoining, to the care of the insane and feeble-minded, the maximum capacity being ten. Only quiet patients are accepted. The atmosphere of the place is kindly and inexpert.

(4) Littleton Hospital, Dr. W. B. Collier owner. This institution cares for most types of sickness, epilepsy and insanity included. The capacity is 23 and as many as ten beds have been occupied at one time by the insane. An assistant physician is in attendance. The mental cases seem perhaps less interesting than some others.

(5) Boulder Colorado Sanitarium, a branch of the Battle Creek Sanitarium, in charge of Dr. H. A. Green. The capacity is over 100 and a few mental cases are accepted if they are not disturbing to the rest. When visited there was one such patient, receiving excellent care. Perhaps 25 are admitted in a year, never over two or three at a time. The considerable number of cottages and ample force of nurses make this an attractive institution.

Almshouses.

Section 4799 of the Colorado revised statutes authorizes the county commissioners to establish a poorhouse whenever they deem it proper to do so. The number of these in the state fluctuates; in the smaller counties the public charges are few and counties sometimes sell or lease their farms and board out two or three dependents. Almshouses without a hospital feature are rare, numbering at the time of this survey only eleven. There is no desire to house the insane in these institutions. Of course some senile and arteriosclerotic cases are found there, but a troublesome patient is sure to be sent to the asylum. The almshouses are usually situated near the county seat and have some acres of garden and pasture land. The buildings vary. All seem clean and reasonably neat and a few (e. g. Durango) are so excellently planned that they might very easily be used for hospital purposes.

County Hospitals.

Of these there are 15. Since but two counties, Denver and Gunnison, maintain two institutions it is obvious that the county hospitals are also almshouses. In some instances the care is little more than custodial and the name signifies merely aspiration; other institutions of this sort are supervised by nurses of native force and adequate training and any surgical or medical case might be expected to receive all desirable attention in them. This is the fact not only in the big city of Denver but also in such smaller places as Canon City, Glenwood Springs, Greeley and Delta. The building at Canon City is especially good. Weld county has an arrangement with the general hospital by which pupil nurses are assigned to duty at the county hospital at Greeley for a month in rotation. The Denver hospital has 500 beds, a school of nursing and a medical staff appointed by the University medical school faculty.

In some of these institutions a considerable number of insane have been cared for in times past, as many as 130 at one time in Denver. Their care was none too good and the counties were indisposed to attempt higher standards because it was the duty of the state to make provision for all such cases. A few insane still remain in them and they are regularly used in several counties as places of observation.

In one was found a man who was committed nine years ago; his advancing age has rendered him inactive and he may never be removed. In another is a very cantankerous patriarch, not committed because of regard for a daughter living near. Both these men are well cared for and an occasional case of this sort calls for no more than passing comment.

Jails.

Colorado revised statutes, section 3583, direct the establishment and maintenance in each county of a county jail unless the population of the county is less than 2,000. There are now 63 jails and 25 were visited.

Section 4138 of the revised statutes provides that: "No insane person shall be confined in any jail or lock-up unless violent so that his absolute safety demands such confinement and then only by an order from the county court," and under no conditions for a longer period than ten days. As a rule this law has been strictly lived up to and for the most part the patients are removed from the jail in a much shorter time. Unfortunately a considerable number of patients are taken to those institutions either for the holding of the inquest, or preparatory to their removal to the state institution. One reason for this is that the sheriff is almost invariably the transfer attendant. During the year, from July 1915 to June 1916, 167 persons were so confined, 43 of them women. There appears to be no public sentiment for the detention of such persons in jail, and on the other hand there is considerable sentiment toward making the number as small as possible. More than one sheriff has recounted instances in which an attendant was put with an insane man at his home or even in a hotel in order to keep him out of jail, and there is a general distaste for placing women in such surroundings. In fairness it should be stated that many of the jails have a special room, or rooms, where patients would be not only safe but quite as comfortable as in a poor hotel. On the other hand it must be stated that convalescent women at the asylum have commented on their feelings of disgrace at having been placed in jail in the early stages of their sickness.

Plans for Improving or Abolishing Unsuitable Provisions.

There appears to be no public sentiment in favor of keeping the insane permanently in county institutions and certainly nothing in the statutes, past or present, reveals any such tendency. Since there is apparently no sentiment against state care there is little that needs to be done in this field. No special legislation will be necessary regarding the use of jails and when responsibility for the care of the insane pending commitment is lodged in the hands of the health officers; and when the state asylum is charged with the duty of transporting all persons committed to its care, the use of the jails even as temporary places of detention will insensibly decrease to the minimum.

Temporary Treatment, Care or Detention

Psychopathic Hospitals.

Nothing of this sort now exists.

Psychopathic Wards in General Hospitals.

There appears to be no legislation distinctly authorizing this arrangement.

The Denver City and County Hospital has the only large wards for this purpose. They occupy a two story building connected with the rest of the institution by corridors. The wards are moderately light and might be made cheerful. It is probable that somewhat smaller quarters will be assigned to the insane patients now that none are detained more than a few days. The Pueblo County Hospital has a special pavilion for this purpose but it is unattractive. The Fremont County Hospital at Canon City has several cells resembling prison type but clean and well ventilated. Several have "strong rooms" and most have separate rooms which could be very well employed for such purpose. The crux of the situation is the securing of an adequate attendant. In some communities this would be difficult, but it is probable that most of the counties populous enough to sustain a hospital could meet this need if the public authorities were awake to its importance.

The private hospitals seem to make no provision for the insane, nevertheless practically all of them at one time or another harbor such patients for a short period. Under such circumstances these patients receive the same nursing attention that is given to those ill with other maladies.

The development of wards for this purpose will be slow in most communities for the state has few places of considerable size. Denver County Hospital should be better equipped than at present unless the state shall soon erect and maintain a psychopathic hospital in that neighborhood. It is probably unnecessary to make any grant of state money for the purpose of developing psychopathic wards. The designation of a room and the employment when necessary of an attendant, is all that need be recommended at present, since it is rare that more than one patient is under observation at a time except in the few large counties.

Dispensaries and Clinics.

None such exist. It is hoped that the University of Colorado may establish a clinic in Denver in the not distant future. When the time comes that the state asylum has an adequate medical staff, arrangements should be made by which clinical service can be given to different parts of the state at set times. It is probable that patients will soon come to light, for conversation with physicians and others in different parts of the state indicates that conditions are not different in this regard in Colorado from conditions in other communities. Any such plan at the present time is utterly impracticable, for the staff of the asylum is small and there is no fund out of which traveling expenses could be paid without crippling some still more important function of the institution.

Particularly on the "Western Slope" is adequate attention to mental difficulty hard to get except in the case of the well-to-do, who can journey to and remain at Denver. Very likely one of the first clinics to be established by the asylum would be in some accessible city of that region. If an institution should be established in the western part of the state such clinical work would naturally fall to the staff thereof.

IV. SOCIAL SERVICE IN MENTAL CASES

No social service has been organized by any agency.

V. PSYCHIATRY IN THE MEDICAL SCHOOLS

The University of Colorado is the only medical school in the state. The third and fourth years are given in Denver. The instruction in psychiatry is in advance of that offered in some older and financially stronger institutions.

In the third year a course in medical psychiatry is given by Dr. George E. Neuhaus. In the fourth year a semester of lectures on psychiatry is given by Dr. Howell T. Pershing or Dr. Edward Delehanty, these instructors alternating year by year. Clinical material illustrative of these lectures is drawn from the psychopathic wards of the Denver City and County Hospital, and the students are given instruction in taking the history of a mental case as well as in making a diagnosis. Classes are restricted to a maximum of twenty.

RECAPITULATION OF RECOMMENDATIONS

For the Asylum:

- A farm of 1,000 acres;
- A nurses' home;
- Removal of feeble-minded and epileptic;
- Larger appropriation for maintenance, permitting a broader medical and nursing service and an expansion of industrial activity;
- Two Tuberculosis Cottages.

For the Penitentiary:

- Removal of the insane to the asylum.

For the Mentally Afflicted of the Whole State:

A small psychopathic hospital.

Matters of Legislation Not Involving Appropriations:

Care of the insane pending commitment to be a function of the health officer;

Transportation of the committed insane to be a function of the asylum;

Appointment of conservators of patients' estates to be reported to the board controlling the asylum;

This board to license, inspect and regulate private institutions for the insane and to be charged with broad responsibility for all indigent insane in the state.

SUGGESTED AMENDMENT TO COMMITMENT LAW, CHAPTER 118, SESSION LAWS OF 1915.

Section 1. Whenever any insane or alleged insane person is taken into custody by order of court or is apprehended without a court order, the local health officer shall be promptly notified and shall provide for the proper care, treatment and nursing of such insane person pending the determination of his mental condition and his commitment and until the delivery of such insane person to the attendant sent to bring him to the State Asylum.

Sec. 2. Whenever a court or judge shall enter an order committing a person to the State Insane Asylum the court shall notify the Superintendent of that asylum, who shall send one or more trained attendants to bring the patient to the asylum.

Sec. 3. Any county court appointing a conservator of the estate of any patient at the State Insane Asylum shall report to the board controlling the asylum the name and address of said conservator.

Sec. 4. The Board of Corrections is charged with the execution of the laws relating to the custody, care and treatment of the insane. They shall examine all institutions, public and private, authorized to receive and care for the insane, and inquire into their methods and management. For this purpose each commissioner shall have free access to the grounds, buildings, books and papers relating to such institution, and all persons connected with institution shall give such information and afford such facilities for any such examination or inquiry as the commissioners may require. No insane patient shall be received and retained for treatment for compensation in any private institution unless a license for said institution shall have been obtained from the Board of Corrections. The Board of Corrections may at any time examine and ascertain how far a licensed institution is conducted in compliance with the license, and after due notice to the institution and opportunity for it to be heard, the board may, if the interests of the inmates of the institution so demand, for just and reasonable cause then appearing and to be stated in its order, amend or revoke any such license by an order to take effect within such time after the service thereof upon the licensee as the board may determine.

Notes: 1. If legal authorities think that any question might arise on the subject, it would be well to specify in Section 1 that feeble-minded persons also should be in charge of the health officer pending commitment.

2. When the Home and School for Feeble-Minded has been further developed it would be well for transportation of patients to that institution to be made a function of that institution. At present the nursing staff is so small that the provision would be undesirable.

3. Probably this section should be broadened so as to cover commitments to the Home and School for Feeble-Minded also.

4. In case some other board should be put in charge of the asylum its title should be substituted for that of the Board of Corrections.

A Study of the Mental Condition of the
Inmates of Four Colorado
Institutions for
Minors



By
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INTRODUCTION

A study of the mental condition of the inmates of four Colorado institutions for minors was undertaken by the Public Health Service, through invitation from the Colorado Survey Committee of State Affairs, the Colorado Committee on the Provision for the Feeble-Minded and the National Committee on Provision for the Feeble-Minded.

The four institutions designated in which to make these studies were as follows: The State Home and Training School for Mental Defectives, the State Industrial School for Girls, the State Industrial School for Boys and the State Home for Dependent and Neglected Children. These studies, therefore, relate particularly to that branch of mental hygiene which has a bearing upon the segregation, classification, training and prevention of feeble-mindedness.

A Study of the Mental Condition of the Inmates of Four Colorado Institutions for Minors

THE STATE HOME AND TRAINING SCHOOL FOR MENTAL DEFECTIVES

In 1892 the State Board of Charities and Correction of Colorado recommended that the state provide for the care and training of its mental defectives. Bills for the establishment of an institution for this purpose were defeated in the state legislature in 1905 and 1907. On May 5, 1909, an act was approved and became effective to establish a state home and training school for mental defectives. The essential object of establishing such an institution "shall be the mental, moral and physical education and training of feeble-minded children, and the treatment and care of persons so mentally defective as to be incompetent to care for themselves or their property."¹

A site of 310 acres located near the town of Arvada, Colorado, was secured. The present building for the care of the feeble-minded was begun in April, 1910, and completed in 1911, after additional appropriations had been made by the Eighteenth General Assembly.

The institution, as erected, provided for eighty patients. The first patient was admitted in July, 1912, twenty years after the need of such an institution was apparent. Twenty-five males and twenty-five females were admitted the first year that the institution was open for the reception of patients. From December 1, 1912, to November 30, 1914, forty-seven additional patients were admitted. On the latter date the institution was filled to its capacity.

The first patients to be admitted were the low grade cases of feeble-mindedness, namely idiots and imbeciles. Such cases are usually the first to seek relief because of economic reasons and their helpless conditions.

At the time of this survey (September 1, 1916) there were eighty persons present as inmates of the Colorado Institution for the Feeble-Minded. Their classification is as follows:

	Males	Females
Low grade idiots.....	13	16
High grade idiots.....	7	2
Low grade imbeciles.....	8	6
High grade imbeciles.....	8	11
Low grade morons.....	1	2
High grade morons.....	4	2
	41	39
Total	41	39

Twenty-eight, or 68% of the males, and 24, or 61% of the females, are so low intellectually that educational or vocational training of them cannot be successfully conducted. These cases, however, may be taught to be less untidy, more comfortable, and in a measure to recognize the rights of others.

Of the 80 patients present, 11 boys and 12 girls suffer from epilepsy which complicates their retarded mental development, and, according to some authorities, plays a part in producing or aggravating their mental retardation. The remaining 13 males and 15 females are capable of some training along industrial lines. Of this number 5 boys and 4 girls have severe attacks of epileptic convulsions which tend to lessen their ability to acquire knowledge and to interfere materially with their training.

At the Colorado State Home and Training School for the Feeble-Minded an attempt is being made to train a few of the higher grade cases. Their school work differs only in degree from that of normal individuals. Instruction is given in sewing, basketry and weaving. Both boys and girls are taught to dress and care for themselves. One teacher is employed, while a pupil of the higher grade assists in some of the kindergarten work.

No rooms are provided for workshops nor are there special rooms for classes. No provisions are made for gymnasium work or systematic exercise. In order that the institution may fulfill all of the purposes for which it was intended more room and equipment for the training of these unfortunate individuals must be provided. Physical training and regular gymnastics play an important part in

(1) Art. VIII, Sec. 1, Par. 2869, M. A. S., 1912.

improving the carriage and physical stamina of these individuals and render them better able to help in their own support.

On September 1, 1916, there were waiting for admission to this institution 191 feeble-minded persons for whom no provision is being made by the state of Colorado. Other members of the families of these children who are on the waiting list are probably feeble-minded; how many is unknown. It is, therefore, probable that the 191 who are awaiting admission to the institution represent the minimum number for which provision should be made.

According to the authorities of the institution for the insane, there are at least 150 feeble-minded persons confined in that institution who are awaiting admission to the State Home and Training School. These persons are occupying beds which are intended for the insane and are receiving no training in self-support. As the average per capita cost of caring for the insane varies from \$150 to \$250 per year, it is estimated that 150 persons cost the state of Colorado at least \$22,500 per year. The cost of caring for them in a state institution for mental defectives would be much cheaper. Under present conditions their care represents an annual loss to the state of Colorado.

In 1877 Dr. I. N. Kerlin made the following statement before the second annual meeting of the Association of Medical Officers of the American Institutions for Idiots and Feeble-Minded Persons, which is as true today as it was then: "Idiots and imbeciles should be treated distinctively from all other classes. They ought not to be associated with the insane in asylums. They should not be incarcerated in penal institutions. They should not be congregated with the pauper inmates of almshouses, and in the great majority of instances they are better and more successfully treated in well organized institutions than is possible at their homes." In summing up, he said:

"In view of the experience of existing state and private institutions in this country and in Europe, we claim that it is humanity, economy and expediency for every state to make ample and good provision for all dependent, idiotic and feeble-minded children." Interesting in this connection is the determination of the prevalence of feeble-minded children in the state correctional institutions and in the State Home for Dependents.

The modern institution for the care of the feeble-minded, as a rule, is divided into two departments, the educational and the custodial. It is now generally conceded that the feeble-minded individual may be trained to do a thing, but cannot, in a broad sense of the word, be educated.

The segregation and training of these individuals along industrial lines tends to render them at least partly self-supporting, while their care outside of an institution tends to lessen the earning capacity of the family with which they live and not infrequently leads to others becoming dependent.

Whereas, on the outside it usually requires the entire time of one person to care for a single individual, within an institution one person can care for five of these helpless cases, thus liberating four people who may better occupy themselves in their own support.

It must not be forgotten that the idiot and the lower grade types of feeble-mindedness are human beings capable of emotional elevation and depression not unlike their more normal fellows and that a certain proportion of feeble-minded individuals may have their powers strengthened, their affections called into action and their happiness and usefulness secured by proper training.

THE COLORADO STATE INDUSTRIAL SCHOOL FOR GIRLS

The Colorado State Industrial School for Girls, located near Morrison, Colorado, was established by legislative enactment, April, 1897.

The present institution consists of five cottages, a school building and an administrative building. Four of the cottages, with a capacity of 113 beds, serve as homes for the inmates of this institution. Each cottage is more or less a separate and distinct unit of the institution where the plan of one large family group is carried out. Each girl is expected to do her share of the labor required to keep this home neat and clean, to assist in the preparation and serving of food and to learn to make her own clothing. Thus the training received in home making at this institution is, in many instances, better than that provided for these girls in the outside world.

(1) Kerlin, I. N. "The Organization of Establishments for the Idiotic and Imbecile Classes." American Institutions for Idiotic and Feeble-Minded Youths, 1876-1886, p. 20.

One cottage of 14 beds, which is entirely inadequate, is used as a hospital and a receiving cottage. The upper floor has an insufficient number of windows, the ceilings are low and the general plan adds to the discomfort of those who may be confined there because of illness.

The school building consists of two rooms and an assembly hall. The two class rooms, each 27 feet wide and 32 feet long, admit daylight from one side and the rear. The area of window surface is 17% of the floor space of the class rooms. In order that the desks in a school-room may be properly lighted under all conditions the room should not be too large. As a rule, the farthest desk should not be over 20 feet away from the source of light. It has been generally accepted in school-room construction, in this country at least, that the window area should equal one-quarter the floor area.

The education of these girls deals especially with the problems of teaching domestic science, which can be applied to a home with a modest income. The cooking class is housed in the basement, where the light is bad, while the sewing room is airy and light.

The erection of a receiving cottage where all admissions could be received, observed and classified, is needed. A hospital department in connection with such a cottage would add much to the comfort and welfare of those who are ill. According to the authorities of this institution, at least 20% of those admitted have some type of venereal disorder. It is important that these unfortunate individuals who are, in many instances, mere children, be given the best of hospital equipment.

The erection of a school building where all industries could be housed, where teaching could be conducted to the best advantage, and where regular gymnastic exercises could be carried out, would undoubtedly add much to the welfare and self-dependence of this group of the population.

Statistical Table I, Showing the Mental and Chronological Ages of the Inmates of the Colorado State Industrial School for Girls.

Chronological Age	Mental Age									Total
	7	8	9	10	11	12	13	15	A	
10.....	..	..	1	1	..	..	..	..	..	2
11.....	..	..	..	..	..	..	..	..	..	..
12.....	..	..	1	..	..	..	..	..	..	1
13.....	..	..	..	..	2	..	2	..	..	4
14.....	..	..	..	..	3	4	2	1	..	10
15.....	..	..	..	..	4	4	2	5	..	15
16.....	..	..	2	1	2	8	3	6	..	22
17.....	..	..	..	1	4	6	2	13	1	27
18.....	1	1	..	1	2	3	4	10	1	23
19 and above.....	1	..	..	..	3	..	2	8	1	15
Total.....	2	1	4	4	20	25	17	43	3	119

Referring to Table I, which shows the results of testing by the Binet-Simon Scale for Grading Intelligence, it is noticed that 18 of the 119 inmates examined are intellectually below the average. One-half of these, no matter how long they may live, will still retain the mentality of a child and be incapable of competing on equal terms with normal persons.

The following case histories of a few of these mentally subnormal girls are presented to show their former environment, their present condition and their need of proper supervision.

A feeble-minded 16-year-old girl who quit school at the age of 12 and who says that she reached the fourth grade in school, is now doing poorly in the fourth grade work at this institution. The meager history of her parents is interesting.

The father was a shiftless, unstable man who abandoned his wife and four children. He later married the second and third time, but it is unknown how many children resulted from these unions. The mother of this girl would often disappear for months, her whereabouts being unknown to the family. The mental condition of these parents is unknown and must, therefore, remain problematical. Their social adjustments suggest a mental disorder.

A feeble-minded 18-year-old girl reached the second grade in public schools. Her parents were Mexicans, but she was born in Colorado.

These two cases illustrate the inadequate provision which is made in the usual school curriculum for this type of an individual. Such cases are unable to profit by the usual course of study and not infrequently attempt occupations and duties later in life for which they are poorly trained. The need of special classes in public school systems to provide instruction for this group needs no defense.

Two other girls who are underaverage mentally but not feeble-minded left school at 9 years of age, because of defective vision. This has remained uncorrected and no doubt plays some part as a cause of their underaverage intelligence. In this instance, proper medical inspection of schools might have prevented such an occurrence.

One other case is presented because of the possible future mental condition and to illustrate the need of a psychiatric study and examination of the causes of anti-social reactions. This case is a girl 16 years old with many peculiar mannerisms and movements of the head and facial muscles. Her manner was stilted and peculiar. Although she was not insane, the transition to such a state seems plausible, in view of the fact that she is considered a psychopathically disposed individual. Her maternal cousin is insane.

In the majority of instances the girls who are sent to this institution are committed because of some type of sexual irregularity. Seven and six-tenths per cent of them are unable, because of mental enfeeblement, to control their sexual life as the standards of society demand. For example, a girl 20 years old with the mental development of a child of only 7 years will soon be discharged from this institution, in accordance with the law. As is so often the case with individuals of this type, she may become illegitimately pregnant. The community in which she lives must then bear the burden not only of her care, but also of the care of her children, who will, in all probability, be feeble-minded. Such children may become dependents, criminals, disseminators of disease, and an expense to the commonwealth.

Of 9 feeble-minded girls, 8 are 16 years old or over, chronologically. They will soon be discharged because of having attained their majority. The number of feeble-minded girls who have passed through this institution since 1897 and for whom the state of Colorado has made no provision is unknown.

THE COLORADO STATE INDUSTRIAL SCHOOL FOR BOYS

The Colorado State Industrial School for Boys was established by a legislative enactment of May 31, 1881. The site, located near the town of Golden, Colorado, is that of the old Colorado School of Mines.

The inmates of the institution are housed in 5 cottages. One of the cottages, which is very old, contains on the first floor the shoe shop, carpenter shop and laundry. On the second floor are sleeping quarters for a number of the boys. None of the rooms in this building is provided with a sufficient number of windows. The floors are in poor repair and the walls of the building are in poor condition. Owing to the strong winter winds which prevail in this district the building is considered unsafe.

A large building comprising a central dining room, kitchen and bakery on the first floor, with a chapel on the second, is located near the living cottages. A small cottage, old and poorly lighted, serves as a hospital building. An administrative building is well located near the center of the group. The printing department, power and machine shop, root cellar and farm buildings are located in the rear.

The total capacity of this institution is 200 beds, but at the time of this survey, 288 boys were present, which resulted in overcrowding.

As the name implies, the purpose of this school is to teach boys some trade or occupation in order that they may be better able to cope with situations outside the institution. A graded school is maintained, comprising four class-rooms, available for school work, located in different cottages, only two of which admit sufficient daylight. The industrial departments mentioned above are dark and cramped.

With the present plan, the school-rooms must serve as a congregating place for the boys during their evenings. This is an unnecessary hardship. There are no accommodations which enable these boys to receive the benefits of homelike surroundings which many have never enjoyed in their lives, the lack of which may, perhaps, play a part in the production of delinquency.

In some instances it has been necessary, on account of insufficient room, but more particularly because of insufficient appropriations, to discharge a number of boys who have not earned their parole.

In this connection the following excerpt of the laws of Colorado, paragraph 3484 M. A. S., is of interest. "Each and every boy who shall be legally committed to said school, as provided in this act, shall be clothed, fed, disciplined, instructed, employed and governed under the direction of the board of control of said school until he is either reformed and discharged or until he shall have arrived at the age of twenty-one years, and it shall be lawful for said board of control to place in the care of any resident of this state, who is the head of a family and of good moral character, any of the said boys of said school, on such conditions and with such stipulations as the board may establish. * * *"

The parole or badge system in force at the time of this study is as follows:

Each inmate at entrance is given the twelfth of a series of 12 badges. To be entitled to parole, he must obtain the eleventh, tenth and on up to the first badge, and finally obtain first and second honor badges. Demerits are charged against him for offenses. A boy is entitled to five merits for each day free from offense. To advance a badge in any month, he must have to his credit, after all demerits are deducted, not less than 90 merits for each month until the sixth badge is obtained. For each advance thereafter an increase of 10 merits over the month immediately preceding is required monthly. After the first badge has been reached one perfect month entitles the boy to the second honor badge.

When all demerits are canceled and a boy has obtained his second honor badge and held it for that month, he may be granted a leave of absence by the board of control for four months, provided a suitable home is ready for him. If good conduct and industrious habits are maintained, this leave of absence will be renewed for one year or longer in the pleasure of the board.

Statistical Table II, Showing the Mental and Chronological Ages of the Inmates of the Colorado State Industrial School for Boys.

Chronological Age.	Mental Age									Total
	7	8	9	10	11	12	13	15	A	
8.....	..	1	..	..	..	..	..	..	..	1
9.....	..	..	1	..	..	..	..	..	..	1
10.....	..	1	4	4	1	..	..	..	..	10
11.....	3	2	3	4	1	1	2	..	..	16
12.....	..	1	1	5	11	14	1	..	..	33
13.....	..	1	4	6	12	3	4	..	1	31
14.....	..	..	2	7	19	8	11	..	..	47
15.....	1	..	..	4	14	8	5	3	..	35
16.....	..	1	1	5	14	15	22	5	..	63
17.....	..	..	2	1	4	9	2	2	2	22
18.....	..	..	2	..	1	4	2	1	1	11
19 and above.....	..	..	..	..	1	1	1	1	..	4
Total.....	4	7	29	36	78	63	50	12	4	274

Referring to Table II, which shows the intellectual development by age groups, it may be observed that 73 are much below the average in mental attainment of the 274 examined, 25 of whom are feeble-minded.

Of the 16-year-old boys, twenty-one were much below the average, six being feeble-minded.

One 16-year-old feeble-minded boy, who graded 10 years mentally, was a native of Colorado. His parents were Austrians. The father, a miner, drank considerably, was nomadic and had rather unsteady employment. He was killed in 1910 by an accident in a mine. The boy, then 10 years old, was sent to an orphans' home, but ran away. The mother, who was sickly, has become dependent. There are 4 boys and 2 girls in the family. One boy has "spasms." The case under discussion made contradictory statements regarding his school life, did not attend regularly, was incorrigible, and played truant. He reached the third grade in school work, after spending three years in the first grade. He says that he left school when 14 years old and helped to support his mother by working in a mine, where he says he earned thirty-five dollars per week. He worked irregularly and later was laid off because of slack times. He and a small boy were in an aban-

done factory where a watchman found them and ordered them away. The boy took offense at this and attacked the man. He was charged with trying to steal some zinc. He works well in the institution, is somewhat depressed and does not mingle readily with the others. The other boys tease him a good deal.

Another 16-year-old boy, who is mentally defective, had an illness when a baby, characterized by spasms or convulsive attacks, which have since continued. This illness arrested his mental development and left him partially blind. His father, an alcoholic, was murdered by his brother-in-law, who was sent to prison for life. The boy was reared on a farm and often made trips about the neighborhood stealing clothing and foodstuffs for the family. These escapades resulted in his commitment. He has one sister, who at one time was an inmate of the State Industrial School for Girls. He attended school only a short time because of his defective eyesight. During the examination he was at times irritable and arrogant, and often persevered in ideas during conversations. His grasp of school and general knowledge was poor.

Another feeble-minded 16-year-old boy who reached the fourth grade in public school, but denied truancy, is a native of New Mexico. He has made his home with his grandmother, but for a time was an inmate of an orphans' home. His father, a murderer, is serving a prison sentence. His reaction is childlike and he has but a meager grasp of school work and general knowledge.

One feeble-minded boy, 14 years of age, attended school between the ages of 5 and 13 years, reaching the low fourth grade. His grasp of school and general knowledge was poor. He had a large, protuberant forehead; small, crumpled ears, typical Hutchison's teeth, a sunken nose and thick speech. The pupils and reflexes were normal and his speech was not the type observed in general paresis. It is probable that this boy is syphilitic. He was committed because he threatened to kill his teacher with a knife. This he denies. The boys tease him and call him names. He is quarrelsome and quick tempered.

One other feeble-minded boy ran away from home at 12 years of age, but his father sent money for his return. In company with other boys he stole some automobile tools. The other boys influenced him to steal while they watched. When two years old he was very ill with pneumonia. In school he reached the fourth grade, but did not like to go because "he was far behind in his school work." For this reason he often played truant. The children in his class were much younger than he and made fun of him. They call him "fat." He says he earned as much as two dollars a day on a farm. The father and mother are separated.

Another feeble-minded boy with the mental development of a child eight years old, a native of Colorado, was committed for running away from home and for stealing. His mother, an Irish woman, has a criminal record and was at the time of this survey serving a three-year sentence in the state prison. The father, an Italian, has a very bad character. Both parents use alcohol to excess. There are three children in the family, two boys and one girl. The oldest boy is in the army, the sister, who is 9 years old, makes her home with her aunt, while the boy in question has spent some time in an orphans' home. The boy under discussion began school when he was 6 years old and progressed slowly. His calculation, school and general knowledge were very poor. Physically he has a large, protruding forehead, narrow chin and saddle nose. His palate is high and narrow and his ears are unequal in size. Syphilis is suspected in this case.

Another boy, who graded 9 years mentally, was committed for truancy and for stealing money from his mother and aunt. He had formerly been placed on probation for gambling and frequenting pool halls. He was well nourished; had large, lobeless ears, a high, narrow palate, eyes wide apart, a round head, irregular, dirty teeth and a coarse, hoarse voice. His pupils, which were unequal but reacted to light, together with a left external strabismus, gave him a rather uncouth appearance. His vision was very defective. The father, an illiterate American, earns thirty to forty dollars per month. He drinks a good deal and the mother takes in washing. This boy had one brother and five sisters, all of whom are dead. He began school at the age of six and reached the third grade. He often played truant because the older boys "licked" him. His playmates were all younger than he and the boys his age or older made fun of him, teased him and called him "cross eyes" and "pants." They also did "damage" to property and "blamed" him for it. His general information was very meager and his grasp of school knowledge poor. The money which he stole he spent for candy and amusements. His general manner was egotistical and vain. He is a liar and a thief.

One other feeble-minded boy had a speech defect, a receding forehead, lobeless ears, a V-shaped palate, and a left internal strabismus with defective vision. He had a face devoid of expression and laughed inordinately. He reached only the

first grade in public school. He says that he had earned twenty-five dollars per month and spent his money for "any and everything." His offense is indefinite. His father, an American laborer, is nomadic, travels about a good deal, camping, and seems to have no regular employment. His mother, an American, died in 1910, and he, with his sister, was sent to an orphans' home for a time.

Another feeble-minded boy began school at seven and quit at 11 years of age, when in the third grade. He has one sister, 9 years of age, in the fourth grade. He has two brothers, one older than himself, who has been an inmate of the State Industrial School, and one younger. This boy in question did not like to go to school because "the teacher whipped him." He played truant many times. He has a court record for stealing, has been arrested three or four times for offenses of this character.

Another feeble-minded boy reached the third grade in public school. He is a native of Colorado. The father abandoned the mother and has since been divorced. Since then the boy has made his home with friends. He has been incorrigible, would not remain at home nights and stole money from the people with whom he lived.

Another feeble-minded boy attended both urban and rural schools, having gone no farther than the first grade. His calculations, general and school knowledge were very poor. His teeth are notched, being those of the Hutchinson type. His forehead is bulging and he frequently complains of headache. His pupillary reaction and reflexes are normal. Syphilis is strongly suspected in this case. His mother is dead, being accidentally shot. His father died when this child was a baby and the boy has spent much of his life in an orphans' home. He has never earned any money.

One other boy who graded 8 years mentally was undersized and looked more like an eight or nine-year-old child. He claimed to be but nine years old. He reached the second grade in public school and was committed for stealing and for attempting to burn a building. Owing to doubt as to the correctness of his chronological age and because of the meager facts in regard to his history, he is classed as doubtful as to future mental development.

One, a colored boy, was rather poorly nourished. He had a flat-topped head with bulging forehead, general lymphatic enlargement, Hutchinson's teeth and a "saber tibia." His expression was drowsy. The neurological findings showed nothing abnormal. Clinically this boy had definite signs of syphilis. The father is a janitor in a pool hall, and the mother takes in washing. He attended an urban school, reaching the first grade. His school knowledge is practically lacking, while his grasp of general knowledge is very poor. He has no sense of the proportions of length and appeared very stupid, indifferent and careless. On better acquaintance, however, he appeared less stupid. Juvenile paresis is here suspected, although the findings are insufficient to warrant such a diagnosis. He was committed for running away from home.

One other boy, colored, also has clinical signs of syphilis, consisting of Hutchinson's teeth, a protruding, bulging forehead and a general lymphatic enlargement. He attended school for only a short time and his general and school knowledge is poor.

One other boy, of German parentage, but a native of Colorado, reached the second grade in public school. His parents are dead. He was charged with juvenile delinquency and claims that he was sent to the State Industrial School because his grandmother, with whom he lived, was very poor. He has a left internal strabismus and defective vision.

The foregoing case histories are presented in order to show that the feeble-minded child is a misfit in this type of an institution as well as in the outside world. It would be fallacy to draw conclusions as to the number of feeble-minded individuals among the relatives of these mentally defective children. One can merely surmise. It remains a fact that the feeble-minded drift add materially to crime. Within a correctional institution they interfere with discipline which is planned for boys of normal mentality, who comprise the majority of the inmates of such institutions. For example, a boy of 15 with the mental development of a child of 7 or 8 cannot be disciplined as a normal 15-year-old boy; nor can he mingle and compete on equal terms with them. He cannot be classed with the eight-year-old children because he is a greater misfit among them than in the fifteen-year-old group. Feeble-minded boys are, therefore, a class by themselves. They should be segregated in an institution devoted solely to their needs, where they can be happy and away from the vicious influences of the outside world.

Since the establishment of this institution, 3,976 boys have been admitted. From September 1, 1906, to September 1, 1916, a period of ten years, there have

been 1,715 new admissions. This is almost as many as were admitted between 1881 and 1906. The average institutional residence of these boys was 17 months. During the last 10 years there has been an average of 15 admissions each month. From 1906 to 1914 there was an average daily enrollment of 321 boys.

On the basis of this study 9.1% of the male juvenile offenders of Colorado who require institutional training are feeble-minded. It is fair to estimate, therefore, that not less than 350 of the 3,976 who have passed through this institution were feeble-minded.

It is interesting to note that according to the Superintendent of the State Industrial School for Boys, from 6 to 8 per cent of those who have been inmates of the State Industrial School find their way into the State Reformatory for Young Men, at Buena Vista, Colorado.

At present the feeble-minded juvenile offender when paroled from the State Industrial School has no place where he may receive proper supervision. For economic reasons alone the state must eventually provide for this group.

Of the 274 boys examined, 48, or 17.1%, are classed as retarded. Many of them, because of poor home supervision, have not had the educational opportunities of other boys whose parents are more enlightened. The state should provide the proper facilities for the industrial and educational training of this class. A modern school building which will house the various industries and a gymnasium and swimming pool are urgently needed. Such a building will serve to make the cottages more homelike by making it possible to use the present school-rooms as living rooms where these boys enjoy themselves and divert their abnormal social reaction into channels more conducive to good citizenship.

A reception cottage where boys can be given the benefits of scientific observation and proper classification, and where they may receive medical attention would be of great value to this institution. A boy of a given age whose environment, training and moral reactions are bad, admitted and placed immediately with a group of live, energetic boys of the same age, will tend to stimulate them to acts which will in a short time offset the training which required months of patient care and discipline to accomplish. It is also well known that the meanest boy in a given group establishes the standard of discipline for that group.

The necessity of limiting the number of inmates by reason of the inadequate appropriations and room, defeats in some instances the purpose for which the institution was established. The average residence of seventeen months is quite too short a time to train a boy in any industry. As a rule, apprenticeship extends over two or three years. More adequate facilities will add much to the better training of these boys and better enable them to become useful social units in Colorado or some other state.

THE STATE HOME FOR DEPENDENT AND NEGLECTED CHILDREN

The State Home for Dependent and Neglected Children, with a capacity of 250 beds, is located in the city of Denver, Colorado. The purpose of this institution is to provide a home for the neglected and dependent children of the state, to serve as a clearing house for placing these children in homes and for their training, both physically and mentally.

The institution is provided with a school building, while the teaching staff is supplied by the Department of Education of the city of Denver.

The school building is two stories high with a basement. There are six rooms devoted to school purposes, two on the second floor, two on the first and two in the basement. The rooms on the first and second floors are well lighted, daylight being admitted from the left and rear. One room on the first floor is darker than the other, owing to abundant shade on that side of the building. The two basement class-rooms are poorly lighted, the windows being small. One of these rooms is devoted to manual training and the other to a class for atypical and backward children. The latter two rooms are poorly adapted to the purpose for which they are used. The seating capacity of the room for atypical children is too great. Thirty-four seats filled with 34 children, all requiring some kind of special instruction, is decidedly too many for one teacher to manage. It is best that such classes should not exceed 15 pupils. The need is felt for an addition to this school building.

Many children because of peculiarities and faulty methods of adjustment often come to grief in later life and not infrequently these faulty adjustments result in the disaster of a mental disorder. In two forms of mental disorders, namely, Dementia Praecox and Manic Depressive insanity, they show certain peculiar traits

more or less throughout their lives. Hoch¹ has called attention to the type of make-up which he called the "shut-in personality." By this he meant those persons who did not have a natural tendency to be open, to get in contact with their environment, and who are reticent, seclusive, often sensitive, stubborn and hard to influence. They show little interest in what goes on around them and often do not participate in the pleasures, cares and pursuits of those about them. They do not, as a rule, let others know of their conflicts, do not unburden their minds, are shy and tend to live in a world of fancies. Beneath their ordinary daily activities there is usually a variety of internal dissensions quite incompatible with that feeling of a satisfaction which goes with good bodily and mental health. The symptoms of the mental disorder present an outcropping of peculiar, distorted and at times symbolic form of thought, with ruminations and longings of the individual. On analysis of the individual's inner life it is found that these elements have been a disturbing factor throughout.²

When demands for adaptation arise, the individual is found unfit to meet them because of inherent weakness and also, to quite an extent, on account of false attitudes which have developed through lack of proper training. In the last direction lies the hope of modifying these defects. Two children with a "shut-in personality" were observed in the State Home for Dependent and Neglected Children.

Birnbaum³ has described a type of personality which, under the influence of punishment, imprisonment, frustrated escapes, denials of pardon, announcement of a new indictment, develops a psychosis with delusions, hallucinations and other symptoms in which the element of wish fulfillment takes a very prominent and easily recognized place. The disorder then depends strikingly upon external difficulties and often disappears with the removal of the latter. These personalities, besides presenting criminal tendencies, are unstable, without much determination or depth of feeling, and inclined to outbursts of feelings. They are fickle, frivolous, unable to stick to any occupation, suggestible, imaginative, eccentric, untruthful, and given to fantastic schemes. These persons, therefore, do not show a lack of contact with their environment, but instead they even present a certain ill-directed aggressiveness. They are, therefore, in many ways different from individuals with a "shut-in personality." They differ in another point of view in that their conflicts are on the surface. Interesting in this connection is a report of a case at the State Home for Dependent and Neglected Children.

A boy, 13 years of age, criminally inclined, retarded mentally, although not feeble-minded, accidentally injured his foot. He was confined in the hospital for a few days, where he was given every attention and care. Much was done for his comfort in the way of special privilege and small luxuries. He was discharged from the hospital when recovered and returned to the usual routine of institutional life. Two days later he developed a peculiar train of symptoms. He was excited for three hours, complained of having a chill, "saw things," "telephone poles," "trains running," "monkeys running around," "men after children," felt afraid and like he "was sliding on glass." On being taken to the hospital he made a prompt and immediate recovery. This case illustrates the sort of mental upset which may occur in the type of personality referred to above.

Another type of personality is sometimes observed among children who in later life may develop a definitely insane reaction. These individuals show mood disorders which vary between elation and depression. They often show undue anxieties and are irritable and quick tempered. We see these traits in normal proportions when they are useful qualities, but in exaggerated form they interfere with efficiency. By this is meant, undue cheerfulness, light-heartedness, enthusiasm, optimism or the other extremes, depression and irritability. This prototype in normal life is found in emotional variability and fluctuations in efficiency and capacity which seem to be an intimate part of normal make-up, although faintly developed.

When these emotional waves and fluctuations become sufficiently marked to attract attention we recognize the individual as slightly abnormal. The transition to a definite psychosis, with depression or elation as the salient features, in this type of individual seems plausible.

(1) Hoch. "A Study of the Mental Make-up in the Functional Psychoses." Abstract of paper read before the New York Psychiatric Society, Nov. 4, 1908. *Jour. of Nervous and Mental Diseases*, April, 1901. Vol. XXXVI, p. 230.

(2) Adolph Meyer. "An Attempt at Analysis of the Neurotic Constitution." *Amer. Jour. of Psychol.*, Vol. XIV, pp. 90-103, 1903. Also "Fundamental Conceptions of Dementia Praecox." *British Medical Journal*, Sept. 20, 1906; "The Dynamic Interpretation of Dementia Praecox." *Amer. Jour. of Psychol.*, July, 1910, Vol. XXI, pp. 355-403.

(3) Birnbaum. "Psychosen mit Wahnbildung und Wahnhafte in Bildungen bei Degenerativen." *Calr Marhold, Halle 1908.*

Two children with the manic type of personality were observed, complicated by feeble-mindedness in one of them. As this child grows older it may become a menace because of overactivity or irritability. Frequently this reaction in the feeble-minded results in their confinement in a hospital for the insane. The boy who has such a make-up may with proper training be able to direct his aggressiveness into productive channels.

In addition to these children whose personality warrants more observation, one boy gave a history of "spells" characterized as beginning with a feeling of dizziness and headache. Following these symptoms he did not know what occurred. He has fallen during these attacks, but denies hurting himself. Oftentimes he found himself in a room and wondered how he had gotten there, as he could not remember what had occurred. In addition to these attacks he has had some nocturnal headache and has a general lymphatic enlargement. Syphilis as well as epilepsy is suspected in this case. Indeed, syphilis may be the cause of his "spells," of which he voluntarily made mention.

In addition to peculiar personalities observed, 23 children were much below the average mentally, not feeble-minded, but retarded. Three had speech defects requiring special training, one had had rheumatism and now has a valvular heart disease and chorea. Two were undernourished and undersized, two had very defective vision, one had adenoids and defective hearing and one defective hearing alone.

In addition to the retarded children, 21, or 8.4%, were observed who are definitely feeble-minded and who as they grow older will fail to develop beyond the mental attainments of childhood. The care of this group of feeble-minded in the State Home for Dependent and Neglected Children interferes with the discipline and training of the normal children. They are misfits in an institution of this character, and should be segregated with other children who are like them.

The placing of one feeble-minded child in a private home will reflect injuriously upon the state. Such children eventually return, either to the State Industrial School, the State Home for Dependents, or the State Training School for Mental Defectives, after they have acquired habits and training in the outside world which interfere with their training and discipline in these institutions. It is economy to place these children early in life in an institution for the feeble-minded where they may be trained to earn at least a part of their support.

If a feeble-minded girl is placed in a private family she becomes a social menace because not infrequently she marries and gives birth to other defectives or else she becomes illegitimately pregnant and later both she and her progeny become a burden upon the state.

The number of children passing through the State Home for Dependent and Neglected Children each year offers great opportunity for study of the personality or make-up of peculiar and unusual children. A study of them will serve as a great aid to mental hygiene by determining types which may be recognized as likely to develop a mental disorder in later years. Nor will it serve this purpose alone, but will give information as to types of milder defects of adaptation in early life that determine anti-social reactions in later years. Better recognition of these types in early life offers solution, through training methods, of the problems of a certain class of individuals who, otherwise, would develop in later years into social misfits. Furthermore, recognition of these types early in childhood will bar many of them from private homes, where they occasion great disappointment, as past experience has taught.

Note: Any one interested in the descriptive study of personalities may consult Hoch and Amsden. "A Guide to the Descriptive Study of the Personality." State Hospital Bulletin, November, 1913. State Hospital Press, Utica, N. Y.

CONCLUSION

The conclusions which have been reached as the result of the preceding study are as follows:

- (1) The state of Colorado is not making adequate provision for the care and training, either industrial, physical or mental, of the juvenile offenders and mental defectives in the state institutions.
- (2) That many of the juvenile offenders and dependents in the state institutions are feeble-minded.
- (3) Nine and one-tenth per cent of the male and 7.5 per cent of the female juvenile offenders in the state industrial schools are feeble-minded.
- (4) Eight and four-tenths per cent of the children in the State Home for Dependent Children are feeble-minded.
- (5) The state is making inadequate provision for the training of a large number of juvenile offenders who are mentally retarded though not distinctively feeble-minded.

RECOMMENDATIONS

1. It is recommended that a Psychiatric Institute or Pavilion be established by the state of Colorado. Such an institution would afford many advantages, among which may be mentioned the following:

- (1) It would serve as a clearing house for children and adults after their mental capacity and reactions had been studied by a staff of experts associated with the institute.
- (2) The staff of experts associated with the institute could co-operate with state homes, schools, courts, hospitals, the health department, charitable and other organizations, for the more exact classification and disposition of their charges.
- (3) It would serve as a place where individuals with mild mental disorders might seek a diagnosis and voluntary admission for treatment.
- (4) It would be available as a place to hold for observation persons suffering from mental disorders and for the care of insane persons pending their commitment to the State Hospital for the Insane.
- (5) An out-patient department associated with the institute would aid in the segregation of the feeble-minded and enable the insane to receive prompt and proper treatment, and furnish advice based upon exact knowledge to the relatives of persons suffering from mental disorders.
- (6) It could be utilized by the State University for instruction and investigation.

2. It is recommended that the state charitable and correctional institutions be placed under the jurisdiction of one administrative board in order that inmates of an institution for which they are not proper subjects may be transferred expeditiously to another suitable institution, thereby permitting the state to reclaim such of them as may be possible as economic units of the commonwealth.

Report

of Alexander Johnson to the Survey Committee of State Affairs of Colorado



COVERING THE

State Home for Dependent and Neglected Children, Industrial
School for Girls, State Home and Training
School for Mental Defectives

Report of Alexander Johnson to the Survey Committee of State Affairs of Colorado

The State Home for Dependent and Neglected Children.

This is a very attractive place and the management impressed me as being excellent—indeed, far above the average quality of such institutions conducted by the state, and superior to most which are privately supported, even those heavily endowed.

I was especially pleased with what the Superintendent calls his "Sun System," by which the children are induced to work, and taught not only to save their pennies and dimes, but also to spend them judiciously. This also serves as a successful method of discipline.

I highly approve of the policy that prevails regarding the placing out of children, viz.: that the young ones are as freely placed out as good homes can be found for them, but that from the time they are able to work until they are old enough and strong enough to work for wages they are retained in the institution. This method averts the greatest danger that attends the placing-out plan, viz.: that of taking the children merely for the sake of the work they can do and not for the purpose of giving them good, kind homes.

I found much to praise and little or nothing to disapprove, with the possible exception of the fact that there are a few feeble-minded children of the moron type, who should be in the State Home for Mental Defectives, and no doubt will be transferred as soon as the state shall provide adequately for this latter class.

The Industrial School for Girls.

This institution is one of the satisfactory ones of the state. The officers and the board of managers have studied the work of the leading institutions of this kind in the country and are giving the state of Colorado and the inmates the benefit of the knowledge they have acquired.

Here, as in most other institutions, the problem of the feeble-minded comes up and causes difficulty. Whether wayward, so-called delinquent boys and girls of the ages of those usually committed to industrial schools, when found to be mentally defective, ought to be placed in a special department of the Home for Feeble-Minded, or whether, as is provided by the laws of at least one state, there should be in connection with the industrial school itself a custodial department for mental defectives who are found among the inmates, may be a moot point. At any rate, in one of these or some other way, they should be separated from those with normal minds, for their own sake, for the sake of the normals, and for the sake of the good order and discipline of the institution itself.

The State Home and Training School for Mental Defectives.

So far this is the merest beginning of an institution for its purpose. With a waiting list nearly three times as large as its enrollment and many other cases known whose names are not on the waiting list, since entrance seems hopeless, it is evident that the institution is very far from meeting the needs of the state.

With the small number present, and the fact that about half of those are of the idiot class, who cannot be educated and need merely custodial care, it is evident also that the administration has not had anything like a fair trial, either as to the quality of its work in training defectives or as to economical management.

No one can visit the school without noticing its cleanliness, and, considering the preponderance of idiots, the cleanliness of the inmates. There seems no reason to question the business management. I had no opportunity to inspect the educational work, so I am unable to give an opinion on the subject. I think the claim made as to employment, viz.: that all the inmates, who without having been specially trained, are capable of work, are usefully occupied, is probably true. In this connection it must be remembered that in institutions of this kind many years must elapse from their inception before the labor value of the imbeciles and morons can be fully developed. It is those who enter the school as young children, in years as well as mind, who are taught and trained in order, cleanliness, obedience

and industry, during years of patient effort, who then develop into the useful trusty, laborers, which mental defectives, except the idiots, have the capacity to become. In this respect we must wait some years before the institution can be judged by its results.

To one accustomed to a modern institution for the feeble-minded, the barred windows and locked doors seem singularly out of place. The impression is made that the spirit of the institution is that of a somewhat old-fashioned hospital for the insane, rather than of an educational institution for defective children.

A training school for the feeble-minded is not a medical institution. While it is true that in most of the institutions of the kind in the United States the superintendent is a physician, the one most conspicuously successful has always had a layman as its chief executive. In every successful institution with a medical head the superintendent is a success because he has subordinated the medical man in him to the educator.

It is true that good medical care is needed, as is also the work of a competent psychologist. But the superintendent, if he is doing his full duty, in a large institution, has neither time nor energy to personally discharge the duties of medical officer. This is everywhere recognized, as is proved by the fact that in all such institutions there are assistant physicians who are responsible for the small amount (comparatively speaking) of medical work that must be done.

The superintendent should be first an executive and second an educator. If he is successful in those respects he can well afford to depend upon the physician, who should be his subordinate, for the care of the health of the inmates.

In completing the institution it will be eventually necessary to erect at least two additional buildings of a rather costly type, namely a school house and a hospital. There will also be needed an industrial and service building, but that is not necessarily of a costly type. The present building is suitable for the administrative department, and perhaps, for a number of years, there will be room in it also for the hospital department. In further extension the purpose of each building and the class of inmates who are to occupy it should be carefully considered before it is designed. The idiots for whom, unfortunately, it will perhaps always be necessary to provide, should be housed in detached cottages for males and females, near the central building. For those who have been trained and are employed, buildings on the colony plan, some distance from the center and widely separated from each other as to the sex of their occupants, should be erected. These latter cottages can be built and equipped at very moderate cost, certainly not over \$300 per bed. If they are added from time to time as required, and the available labor of the older morons and upper grade imbeciles is used as far as possible, the later ones can be built still more cheaply.

All cottage additions to the plant should be of one story. It is not necessary to make them fire-proof as is the case with those several stories high. They should be of simple design, sanitary and comfortable, but not ornate, easy to light and ventilate. In such buildings, well apart from each other, it is possible to allow the inmates an amount of freedom which is inapplicable in congregate structures.

In the course of years it may be necessary to establish one or more colonies, on other land, at a considerable distance from the training school, but preferably under the same management. This will be proper when there is a large number of trained imbeciles and morons for whom employment and a permanent home must be provided. While such colonies can not be self-supporting as a whole, yet many of these individual inmates, if their training has been successful, under kindly and wise care and control may earn their own living. There are several such colonies in different states and some of them are rapidly approaching that condition of self-support which is their aim.

In furnishing employment for morons and the better grade of imbeciles, the first and best is the housework and the care of idiots and the younger imbeciles. In using the upper grade in this way a great saving of cost may be effected. In a well organized institution for defectives, after its first few years, there are no employes of the laboring class, either male or female. The employes are teachers, foremen and forewomen; all the common labor and most of the mechanical work is done, under supervision, by the inmates.

But all such economical development depends on the successful work of the training school, which is the center and foundation of the whole undertaking.

Report

on the State Board of Charities and Corrections

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PHILADELPHIA

Prepared for
The Survey Committee of State Affairs of Colorado
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Report to the Survey Committee on the State Board of Charities and Corrections

In compliance with a request from Mr. Wright, I submit a few observations on the work of the State Board of Charities and Corrections. I must, however, disavow offering a complete or exhaustive report, or anything which can be construed as an official document. What I say must be taken as the expression of my individual opinion.

Under the terms of the law, and also of what I hold to be the best practice, the work of the board is purely that of inspecting, advising and reporting; it has, and should have, no administrative function except the administration of its own office. Such a board, properly appointed, officered and supported, can exert a powerful influence for the betterment of the management of the charities and corrections of the state; not only those of the state proper, but also those of the counties and municipalities and of the privately supported organizations and agencies. It can be the most useful official board of the whole state government.

In order to have the right influence the board must win the confidence, not only of the Governor and other state officers and the legislature, but that of the general public and the press. It must, therefore, be efficient and constant in its inspections, frank and yet wise and careful in its reports, and above all absolutely fair and non-partisan in every pronouncement. It should study the general problems of charity and correction, be fully informed of the best and most successful experiments and methods made and adopted in other states, and keenly alive to every detail of charitable and correctional work in its own state. It should tell, in an effective and popular way, what it knows.

Inspections.

So far as I have been able to judge, the inspections of the Colorado board and its secretary have been reasonably complete. I am inclined to believe that the board, or at any rate its secretary, is well advised of the conditions of the various institutions, not only those of the state, but those of the counties, and the private agencies as well. The reports received from the institutions and agencies are fairly complete, altho they have been collected with more than ordinary difficulty. Part of this difficulty arises from the fact that the fee system of official compensation still prevails in Colorado, and the county officials are therefore loth to do extra work for which they can receive no payment. In spite of this difficulty the reports received from county officials, mainly, as I judge, through the personal influence of the secretary, are much more complete and accurate than might be expected. The report of the board for 1913-1914 contains an amount of information on private agencies such as I have never seen in any similar document, and I have seen a great many.

The inspections have been greatly hindered, especially during the past biennial period, by the absurdly inadequate appropriations made by the legislature and the still more inexplicable curtailing by the Governor of the appropriations voted by the legislature.

Inspections should be frequent, certainly of the state institutions not seldomer than quarterly and of the county institutions annually. While the visits of the members of the board are valuable, yet board members working without compensation and giving, therefore, but a small part of their time, thought and energy to the work, cannot make profitable inspections. These must be made by a trained and experienced inspector, preferably the secretary, whose whole time and energy are at the service of the state. He must go very freely and give as much time as may be necessary to each institution. The board can, and ought to, know the institutions so well, from the inside, by his systematic inspections, that formal public investigations with all their hurtful effects, should rarely, if ever, be necessary. Certainly investigations should never be ordered except upon formal charges made by responsible persons. While this is true as to formal investigations, no complaints, no matter how trivial, should be disregarded. While they may be frivolous or false, they may be valuable as pointers and aids in inspection. Their danger arises when they are public, especially when they get into the press.

It is easily apparent that the board has not been able to conduct inspections on any such scale as above indicated. The secretary has had neither the time,

because of the press of other duties exacted of him, nor the financial support necessary to do such complete work. Yet, so far as I am able to judge, the work of the present secretary, with all the hindrances, has been of a high quality. I have known him for many years and although he is one of the most modest and unassuming of men, his sterling qualities of head and of heart have impressed themselves upon me and upon all who have had the privilege of his acquaintance and friendship.

What I say above as to inspections by board members must be understood as a general statement. I would not for a moment underestimate the remarkable work which has been done by certain members in that respect. I only assert and contend that it is not wise to depend on exceptional ability and devotion. Work of the character and persistence needed must usually, if not invariably, be expected only from paid agents with whom it is their main, if not only, business.

Reports.

The main avenue by which the board should reach those whom it is to influence is its formal printed report. This should be made very complete. It should give a fair and sympathetic account of the condition of every institution inspected, both those of the state and of the counties and municipalities. It should show the date of inspection, should outline any recommendation made, should state whether former recommendations have been heeded, should especially commend good work. In making these reports, as a rule, nothing that has been found wanting or in error should be reported on to the legislature and the public until the officials of the institution criticised have had opportunity to make improvements and have failed to do so. In every case of needed severe criticism, if the improvements have been made, the faults should not appear in the published report. The board must impress itself upon every official as being first the friend and adviser of every faithful public servant, and only secondly as the impartial critic of those who do ill. The board's main report should be annual. A sufficient number of copies should be printed to supply one to every member of the legislature, to every official whose work is reported on, to every judge and prosecuting attorney, county commissioner, mayor and other county and municipal officer, to every newspaper in the state and to every citizen who is interested enough to ask for one. After the first issue on such a wholesale plan, subsequent reports would be looked for eagerly by all the heads of state and county institutions. The fact that their work is frankly reported on to the public is one of the strongest inducements to good administration. It goes without saying that the value of this report, and its effective strength, depends upon the degree to which the board has deserved and gained the confidence of the people as being impartial, non-partisan, well informed and wise.

The Quarterly Bulletin.

Another useful document which the board should publish is a quarterly bulletin concerning the state institutions and other matters coming under the cognizance of the board. I would suggest as a model of its kind the Indiana Bulletin, first issued in 1889, and which has been published quarterly for twenty-seven years. It includes a comparison of the movement of population and the expenditure of the state institutions worked out to a detail of great value. The cost of this bulletin is a trifle compared to the actual financial saving which it has encouraged and to some degree compelled.

Use of the Newspapers.

Judiciously used, the newspapers can be of great assistance to the board. It cannot be over-emphasized that the greatest value of the board to the state is in being the eye of the people directed to the affairs of charity and correction. No matter how much the board knows, if this knowledge is kept to itself it has little or no effect upon public opinion, and in a democratic society public opinion is the strongest power for good or evil. The newspapers are the most important element in forming and guiding public opinion. With whatever errors and shortcomings, they desire to tell the truth. If they find public officials and boards to be honest and efficient they will be with them. If the board is competent, strictly non-partisan and fair in all its actions and reports, the newspapers of every party will commend their good work if they know of it. In each county the county paper will print the board's report on the county institutions. They will give space to everything of importance, provided it is news and is timely.

It is true that great discretion in giving items to the press must be exercised. There are matters in which premature publicity would do serious harm. Things

in progress only should not be published; only completed work. Especially should doubtful, or even serious, complaints be carefully guarded. For these reasons the dealings of the board with the press should be restricted to the secretary, but he should make it a part of his daily duty to have interesting and useful items ready for the reporters, whom he should encourage to call on him. The news-gatherers should be able to say, as was said by common consent of the reporters in one capital city: "We may go through the state house and get nothing, but there is always a story in the board of charities office." When we think what the secretary is, or ought to be doing, how he is visiting state and county institutions, jails, poor farms, orphan homes, how he is in touch with juvenile courts and probation agencies, it is easy to see that he will have a constant supply of "human interest stories," some pathetic, some humorous, some even tragic, which properly handled are the "live stuff" which the newspaper man is always hunting. And if you want the newspaper to help you, you must do your best for it. Of course names and precise localities must not be given, but that can be avoided without much trouble. If the board and its secretary are alive and onto their job, interesting items which will keep them in the public eye might be a frequent, almost a daily, occurrence in the newspapers of the state.

The Board and the Legislature.

As soon as the board is properly understood and has gained the knowledge of affairs which it ought to have, it may be of immense value to the members of the legislature. Every member who wishes to introduce a new law or amend an old one, if it has any bearing on charity or correction, ought to find in the office of the board a mine of useful information, not only upon what the state is doing and has done, but also upon what is being done under similar circumstances in other states. The board's library should contain, in easily accessible form, all the facts that can be known concerning crime, poverty, insanity and defectiveness in the state. The laws of other states should be available and especially the results of experiments that other states have made. The proceedings of the National Prison Congress and the National Conference of Charities and Correction should be so well known by the secretary that he can give their results to any member of the house or senate quickly and accurately. While the framing of new legislation may doubtfully be undertaken by the board itself, the facts and conditions which are required to be known as the guides in law-making should be available for the use of the members of the legislature.

During the session of the legislature the secretary and all the office force should be available for such assistance as above described. When the legislature, by committee, makes an investigation of some institution, that committee should call on the board's secretary to go with it, or at any rate the committee should begin its work by finding what the board knows of the matter, thus saving itself much labor, and in many cases making the investigation needless. As I have said above, the inspections of the board ought to forestall and render needless almost all public investigations. Everyone who has charge of a public institution knows how hurtful public investigations frequently are, even in cases when the result is complete exoneration.

What has been said above clearly indicates the need that the board, and especially its secretary, should be students of social problems and should be especially alive to the progress that is being made in the nation generally. The best opportunity for the acquiring of such knowledge is, without doubt, the annual meeting of the National Conference of Charities and Correction. This great meeting began as a meeting of state boards for mutual helpfulness and counsel. It still continues to discharge the same function. If possible, several members, and certainly the secretary, ought to be delegated to attend the conference regularly, and their necessary expenses should be paid out of the board's appropriation for traveling expenses, which appropriation, it must be said, ought to be much larger than at present.

Incidental to the meeting of the national congress, it is an excellent plan for members to visit institutions in other states. It is necessary to do this so as to have a standard of comparison. It is impossible to judge any institution without a standard, and observing other institutions is the best method of acquiring a standard.

The Subordinate Officials.

The board should have a sufficient force of clerks to do its work. These subordinates should be responsible to the secretary and under his authority. If

he is the right man for the job he should be given complete command of all his help. He alone should have the duty of appointing and discharging them. If he is not competent or trustworthy to this extent he is not the man the board requires. He must be held responsible for all the clerical work, and responsibility without authority is farcial.

The Secretary.

It may be inferred from all that precedes that the most important thing the board has to do is to choose its secretary wisely. Upon his competence, his wisdom, discretion and faithfulness the success of the board mainly depends. He must possess the complete confidence of all the members, who must stand back of him and support him. As he is responsible to the board for the work of his subordinates, so the board is responsible to the state for his work. They must know all he does, and how he does it. While to the outside public he must be reticent and cautious of premature publicity, he ought to be able to tell the board things which he only suspects and into which he is inquiring. It is because of this extremely confidential relation that the members of the board should restrict themselves in matters of giving publicity to any of the affairs of the board. When, as has happened to my knowledge in another state, the secretary is obliged to guard his work against the indiscretion of the members, confidence is lost and the whole work is crippled.

If the secretary is doing his full duty he has neither time nor energy for other affairs. In this connection I must call attention to the serious error, as I conceive it, of making the secretary of the board of charities serve also as secretary of the board of pardons. This is an error not merely because of the serious draft upon his time, but also because his prison inspections are complicated and rendered difficult. In prison inspection the convicts themselves are a most important source of information. Their confidence, as well as that of the officials, must be won. And when every prisoner knows that the inspector has important influence with the pardon board, their relations with and attitude to him are quite other than they should be as regards his inspections.

The salary of the secretary should be large enough to justify a high-class man giving up all other interests and devoting himself to the position as a life's work. While it is true that the necessary qualifications are such that monetary considerations alone will not secure them, while every reasonably successful secretary of the kind could probably make much more money than the possible salary in other occupations, so that a measure of real devotion is required; yet it is unfair to take advantage of such devotion by giving him a pitifully meager salary. The state should be a fair, if not a liberal, paymaster. It should demand fine and high service and pay at least a reasonable compensation for it. I consider the present salary of the secretary of the Colorado board to be a blemish on the fair name of the state. If he is not worth a good deal more than he is now being paid he is not fit for the position.

The Office Work.

The particular duties of the secretary are so important that his energies and time should be wholly given to them. He must have leisure to read and study, so as to keep abreast of the world's progress in his sphere. The routine clerical work, of which there is necessarily a large amount, should be done by clerks working under the secretary's direction. His time should not be consumed in work that could be as well done by a clerk at \$75 or \$100 per month. So he should have as large a force as can be kept busy at useful work. There are many things that could be done to advantage which the Colorado board has not yet undertaken for lack of sufficient help and money; but I do not think it well to go into these more fully at present. If desired, I might mention them later.

There are other respects in which I think the Colorado board falls short of the ideal, but those mentioned come most forcibly to my mind. I believe if the functions of inspection and report are adequately discharged all other things will follow. They are the fundamentals. No other agency of the state can so well perform them. The first essential to all progress is full and accurate knowledge of existing conditions.

I am aware that some of the suggestions above cannot be carried out without a change of law. However, most of them merely need a change of method and a more liberal appropriation. In conclusion allow me to say that in my opinion

the state is best served by the system of local or individual board of directors for each institution all working under the intelligent supervision of the Board of Charities and Corrections, each board of directors responsible to the state, through the Governor, for its own institution, the Board of Charities and Corrections unifying and harmonizing the work of all and being the invaluable aid of the Governor by report and suggestion.

As the appointment of the members of the board is with the Governor, they should be persons in whom he has full confidence, not only as to honesty and competence, but as to discretion as well. If they are the right citizens for the task and the Governor has the confidence in them that they ought to deserve, then no other organization of public servants can be so valuable to the Governor and to the people.

Summary of Findings and Recommendations

RELATING TO THE

Executive Branch of the State Government
of Colorado

AS SUBMITTED TO THE

SURVEY COMMITTEE OF STATE AFFAIRS
OF COLORADO

BY ITS STAFF



Report No. XVIII



DECEMBER, 1916

SURVEY COMMITTEE OF STATE AFFAIRS

(Created by Chapter 161, Session Laws of 1915.)

REPRESENTATIVE PHILIP B. STEWART, Chairman, Colorado Springs.

LIEUTENANT GOVERNOR MOSES E. LEWIS, Florence.

SENATOR DAVID ELLIOT, Colorado Springs.

REPRESENTATIVE SIEWERS FINCHER, Breckenridge

IRVING HOWBERT, Colorado Springs.

LAWRENCE C. PHIPPS, Denver.

VERNER Z. REED, Denver.

R. E. WRIGHT, Secretary, Denver

STAFF

J. T. BYRNE, Chief of Staff

A. H. STOCKDER

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Special Assignments and Consultation

Members of Colorado Society of Certified Public Accountants

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J. H. Baker.

George Best (Institutional Purchasing and Accounting).

Clem W. Collins (Institutional Purchasing and Accounting).

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C. H. Fulton (Institutional Purchasing and Accounting).

J. B. Geijsbeek (Land Board).

M. M. Hamma.

Page Lawrence (State Purchasing).

Ben Morris.

E. W. Pfeiffer.

S. R. Schaeffer (Institutional Purchasing and Accounting).

State Health Administration

Carroll G. Fox, M.D., Surgeon, U. S. Public Health Service, Washington, D. C.

Organization and Administration of Common School System

A. C. Monahan, Specialist in Rural Education, Bureau of Education, Washington, D. C.

Mrs. Katherine M. Cook, Assistant in Rural Education, Bureau of Education, Washington, D. C.

Taxation and Revenue

Edwin R. A. Seligman, Ph.D., LL.D., McVickar Professor of Political Economy, Columbia University.

Robert Murray Haig, Ph.D., Assistant Professor of Economics, Columbia University.

State Highway Legislation

A. N. Johnson, Consulting Engineer, Chicago.

Care and Treatment of Mental Diseases

Samuel W. Hamilton, M.D., Associate Director, National Committee for Mental Hygiene, New York City.

Care of Mental Defectives

W. L. Treadway, M.D., Assistant Surgeon, U. S. Public Health Service, Washington, D. C.

Alexander Johnson, Field Secretary, Committee on Provision for the Feeble-Minded, Philadelphia.

The work of the Survey Committee of State Affairs, relating to the Executive Branch of the State Government of Colorado, is contained in the following separate reports:

- I. Governor.
- II. Secretary of State, and Public Control of Corporations, including
 - Public Utilities Commission.
 - State Bank Commissioner.
 - Department of Insurance.
 - Bureau of Building and Loan Associations.
 - General Corporation Licensing and Control.
 - Commission Merchant Inspectors.
 - Ore Buyers' Inspector.
- III. Auditor of State, and the Public Examiner.
- IV. State Treasurer.
- V. State Auditing Board.
- VI. State Finances and Budget Procedure.
- VII. Purchasing Methods in the State Government.
- VIII. Regulation and Supervision of Labor.
 - Bureau of Labor Statistics.
 - Department of Factory Inspection.
 - Colorado Free Employment Offices.
 - Supervision of Private Employment Agencies.
 - Chief Inspector of Coal Mines.
 - Bureau of Mines.
 - State Steam Boiler Inspector.
 - Industrial Commission.
- IX. Game and Fish Department.
- X. State Board of Land Commissioners.
- XI. State Inspector of Oils.
- XII. Colorado Tax Commission.
- XIII. Revenue System of Colorado.
- XIV. Organization and Administration of the Common School System.
- XV. State Health and Sanitation.
- XVI. Care of Dependents, Delinquents and Defectives.
 - Care and Treatment of the Insane of Colorado.
 - Study of the Mental Condition of the Four Colorado Institutions for Minors:
 - Industrial School for Boys.
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - Study of the Management of the three following State Institutions:
 - Industrial School for Girls.
 - State Home for Dependent and Neglected Children.
 - State Home and Training School for Mental Defectives.
 - State Board of Charities and Corrections.
- XVII. Proposed Highway Law.
- XVIII. Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado.

LETTER OF TRANSMITTAL

February 24, 1917.

To His Excellency,

Governor Julius C. Gunter.

The Survey Committee of State Affairs herewith respectfully submits the results of its work done under an act of the Twentieth General Assembly (Chapter 161, Session Laws of 1915). The Attorney General of the State questioned the constitutionality of this act. It was twice before the Supreme Court of the State on this issue. On June 5th, 1916, the Court declared it to be constitutional. Three-quarters of the working time possible had gone, and \$1,000 of the \$7,500 appropriated had been spent in litigation. An organization was at once perfected, a plan of work laid out, and from that time every effort made to accomplish the utmost possible. Some of the studies made have been from time to time laid before the Governor and furnished the members of the General Assembly for such action as they might care to take. The final reports being now in, are collected and submitted in accordance with the provisions of the statute. These are:

State Health and Sanitation,

By Dr. Carroll Fox,

Surgeon, United States Public Health Service.

A Study of the Mental Condition of the Inmates of the Four Colorado Institutions for Minors,

By Dr. Walter L. Treadway,

Assistant Surgeon, United States Public Health Service.

State Board of Charities and Corrections,

State Home for Dependent and Neglected Children,

Industrial School for Girls,

State Home and Training School for Mental Defectives,

By Alexander Johnson,

Field Secretary, Committee on Provision for the Feeble-Minded.

Organization and Administration of the Common School System,

By A. C. Monahan, Specialist in Rural Education, and Mrs. Katherine M.

Cook, Assistant in Rural Education, United States Bureau of Education.

Care and Treatment of the Insane in Colorado,

By Dr. Samuel W. Hamilton,

Associate Director, National Committee for Mental Hygiene.

The Colorado Tax Commission,

The Revenue System of Colorado,

By Professor Robert Murray Haig, of Columbia University.

Both reports approved by Professor E. R. A. Seligman, also of Columbia University.

The Plan for a Highway Law,

Based upon recommendations by Mr. A. N. Johnson, formerly Consulting Engineer, United States Department of Good Roads.

In addition to the above, we are submitting the following reports upon administrative and executive branches of the State Government: The office of Governor, Secretary of State, Auditor of State, State Treasurer, State Finances

and Budget Procedure, Regulation and Supervision of Labor, Public Control of Corporations, State Board of Land Commissioners, State Auditing Board, Public Examiner's Office, Oil Inspector, Game and Fish Department, Purchasing Methods in the State Government, Summary Report, and chart of present organization of the executive department of the State Government.

The reports by Dr. Treadway and Dr. Fox, representing the United States Public Health Service, and the report of Mr. Monahan and Mrs. Cook, representing the United States Bureau of Education, were secured through the generous co-operation of these federal departments and without cost to the Survey Committee. The report of Dr. Hamilton was made possible, also without expense to the Committee, by the generosity of the National Committee for Mental Hygiene. The very valuable work done by Professor Haig, and afterward approved by Dr. Seligman, is entitled to the very warm thanks of the citizens of the State. Nowhere else is there available any other intelligent discussion of these difficult subjects as applied to Colorado.

The proposed Highway Law, based upon recommendations by Mr. Johnson at the request of the Committee, aims to provide a unified organization for constructing and maintaining roads throughout the State. Mr. Johnson's special work has consisted of a study of the statutes and the experience in road construction of the other states, indeed, of all countries. It is sincerely hoped that Colorado can profit by this experience and follow the lines suggested in this draft rather than to court the waste and disaster which other states have suffered by attempting to expend large sums of the taxpayers' money through weak and defective road organization.

It will be noted that the material before the Committee is voluminous and covers topics of great importance and complexity. In some of the subjects, a much more thorough study should be made before drawing conclusions. The Committee has not had the time nor the means for this additional work, nor has it had the time properly to digest the facts disclosed by some of the more important of these studies. There are, however, certain things which so obviously call for correction that the Committee does not hesitate to make recommendations thereon.

1. The funding methods of the State should be revised. The issuing of long term bonds with sinking fund provisions should be discontinued. The survey report on the State Treasurer's department shows in detail the considerable amount of excess interest charges that has been paid in the past and is now being paid under the existing system of issuing State bonds. It is very generally recognized nowadays in the financial and business world that the most practical and economical and the safest plan of financing an undertaking requiring a bond issue, both insofar as the investor and the borrower are concerned, is the serial bond plan. Under this plan, an equal installment of the principal of bonds is paid off each year from the date of issue, thus reducing interest charges and reducing the debt at the same time.

2. The Auditor's office was created to be the clearing house for information as to the financial condition of all departments and all public accounts. It should be the repository of easily and quickly secured information bearing on the business of the State in every department. This is the indispensable basis for economic and efficient administration. The system of bookkeeping in use in the Auditor's office is outgrown, inadequate. It completely fails to serve the purpose which is demanded in these books at the present time. It should be superseded by a properly devised, modern accounting system suited to public work and having in view a unified state accounting system of which the Auditor's office is the hub and center. This system should be planned and put in operation by someone skilled in the modern practice of public accounting in governmental departments.

3. The Survey Committee recommends some form of budgetary procedure to control appropriations and expenditures. The present method is extravagant, wasteful, unsystematic and demoralizing. We submit herewith a draft of a bill creating a Budget and Efficiency Department. This bill has been drafted after a careful comparative study of similar laws worked out for other states and within the limitations of our constitution, it appears to provide a procedure vastly better than the one now practiced. (Senate Bill Number 158, House Bill Number 470.) If intelligently applied, this plan should result in the saving of very large sums to the taxpayers of the State.

4. We especially call attention to the lamentable condition revealed in the study of the administration of State lands. These lands constitute a heritage

to the children of the State of untold millions of dollars. They are of incalculable value potentially to the intelligence of the future citizens of Colorado; and yet so careless have we been of this trust that approximately 150,000 acres of land due the State from the federal government have never been segregated and claimed. So long has this settlement been neglected that it is now questionable whether these lands can be secured at all, and in any event, it will be the more or less worthless remnants and not the choice lands which foresight should have provided. It appears also that no proper maps have ever been made of the State lands. They have not been classified or valued, thereby hampering greatly the settler and inviting the most disastrous results in securing fair values for them. As a corollary, the administration of the office is confused and the administration made expensive. We recommend the passage of the bill introduced by Senator Fincher to survey and claim these unappropriated lands; and also we urge such appropriations as may be necessary for installing proper records in the office, including complete classification and valuation of all lands held in this trust.

5. We recommend a continuance of the work undertaken by this Committee. and have prepared a bill (Senate Bill Number 69) drafted in such form as to insure the powers and money which the experience of the present committee indicates are needed to accomplish the best results. It is our belief that if such a committee, composed of men with foresight and wholly free of partisan purpose, can have the next two years to complete and extend the work now begun, they can point the way to improvements and economy in the public work, repaying a hundredfold the appropriation made.

6. We recommend that the report as submitted be printed by the State in sufficient numbers to make it conveniently available in all public and college libraries and a reasonable number to meet the requests of any citizen who seriously desires to inform himself on the many important subjects covered.

Respectfully submitted,

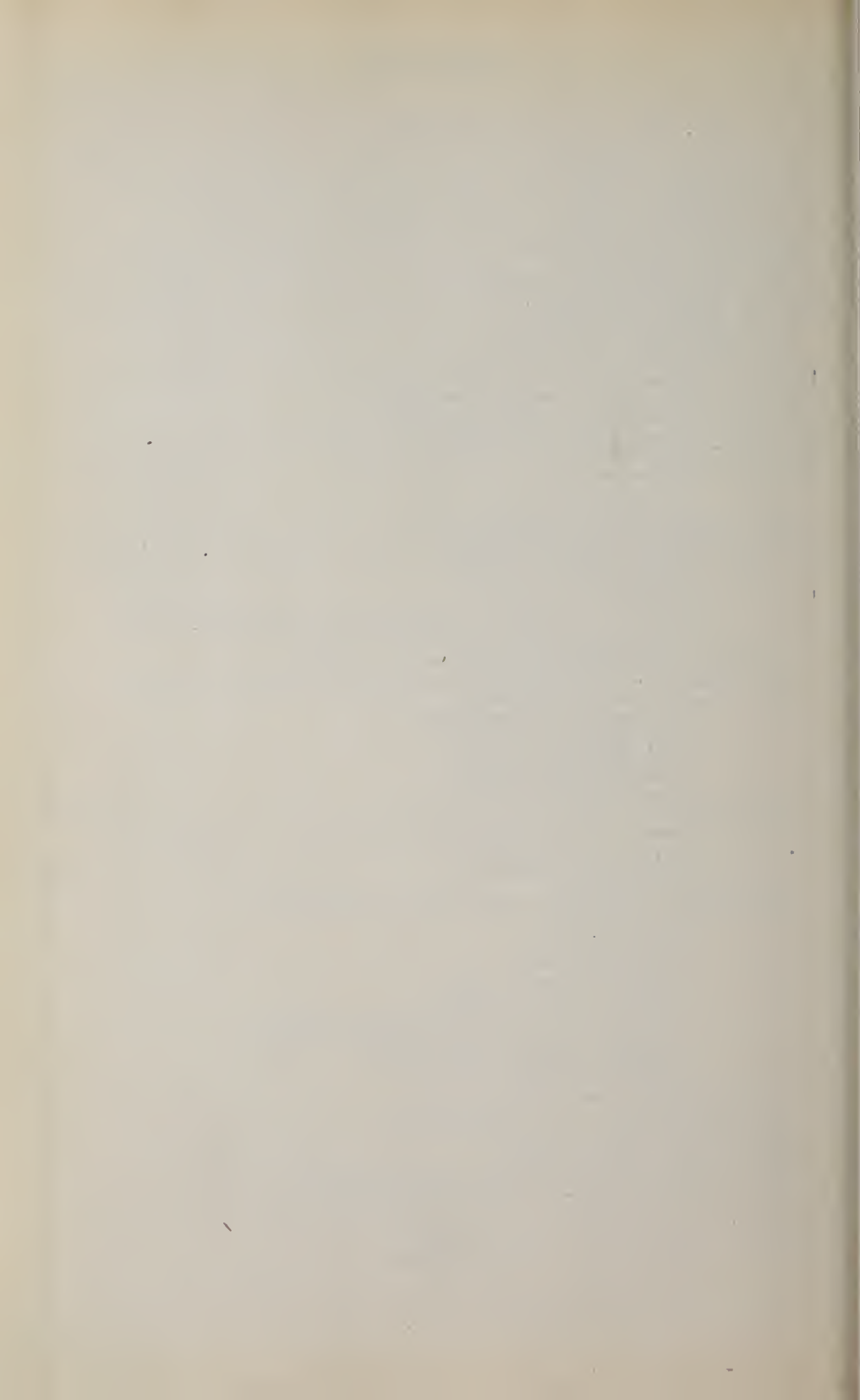
PHILIP B. STEWART, Chairman
MOSES E. LEWIS
DAVID ELLIOT
SIEWERS FINCHER
IRVING HOWBERT
LAWRENCE C. PHIPPS
VERNER Z. REED

Attest:

R. E. WRIGHT,
Secretary.

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Foreword

This report is printed at this time in order to make available to the outgoing governor and to the incoming administration the results of a portion of the work done under authority of the act of the 20th General Assembly establishing a Survey Committee of State Affairs. The contents of this report are a summary of reports made to the committee by its staff. The recommendations made have not been acted upon either to be accepted or rejected by the committee. The committee has been unable in the time available to form its conclusions and make its recommendations on the great mass of material covering topics of great importance and difficulty, without depriving the 21st General Assembly of the use of the studies made.

The constitutionality of the survey act was questioned by the attorney general of the state. In order to settle this question the act was twice carried to the Supreme Court of the state and once through the District Court. It was finally declared constitutional on June 5, 1916. Thus three-quarters of the working time available had gone and the original appropriation of \$7,500 had been reduced by cost of litigation to \$6,500. Examinations and reports by the federal government and private associations have been made for the committee without expense to it which otherwise would have cost the committee some thousands of dollars to secure.

The loss of this time has thrown a great pressure of work on the staff and made it impossible for the committee to put its report out in completed form in time to make it available for general use preliminary to the convening of the legislature.

The committee desires to express its appreciation of the unremitting, faithful and highly intelligent work done by its staff, especially to Mr. R. E. Wright, who organized the staff and has been indefatigable in general supervision of the work; to Mr. Byrne for the industry, ability and experience which he brought to the direction and oversight of the departmental studies made, particularly for his skillful personal examination and report on the auditor's office and budget plan; to the society of public accountants whose loyal co-operation has been of the greatest service and many of whose members have participated in the investigations made or have donated their services in an advisory capacity.

The committee desires also to express its appreciation for financial aid, encouragement, and helpful advice received from the executive committee of the Colorado Tax Payers' Protective League (now the Civic and Legislative Bureau of the Denver Civic and Commercial Association) and for their permission to use Mr. Wright's services as secretary of the committee.

In the report of the committee due recognition will be made of the services rendered to the work of the committee in state activities not summarized in this report.

The Survey Committee regrets that lack of time has not permitted the members of the committee to consult more fully with the heads of state departments, who have, with one or two exceptions, rendered the staff every assistance possible.

The committee will make its report as soon as possible, together with recommendations based on work already done and suggestions for continuing the work.

PHILIP B. STEWART, Chairman.



I. STATE FINANCES AND BUDGET PROCEDURE

1. Summary of Findings.

The study of state finances and budget procedure, as outlined in this report, has necessarily been restricted to certain phases of the subject owing to the very short time available for the work. It is believed, however, that sufficient ground has been covered on which to base the following conclusions and recommendations:

- a. The legislature, in its handling of estimates of expenditures and revenues, and compilation of the data for the passing of appropriation bills, etc., is assuming each biennial period a function which is inherently executive and not legislative.
- b. The legislature has failed to perform this function in the manner which its fundamental importance to the business of the state government demands. The legislature cannot do otherwise than fail in this without taking over the whole executive function of the state.
- c. The members of the legislature are in the main unfitted by training and experience to prepare a state budget and, as nearly as can be gathered, recognize their limitations in this respect and the weaknesses in the present system, and would welcome a change from a duty which would appear to have been thrust upon them rather than assumed as a legislative function.
- d. Further, even if the legislature were competent to prepare a state budget (which is an almost impossible assumption, from the short period of its session and meeting only once in every two years with a large percentage of new members), it would be putting the "cart before the horse" and would encourage lobbies, and substitute irresponsible influence for reason and sentiment for fact, and guesswork for scientific data.
- e. Moreover, the present practice of the legislature concerning the preparation of a state budget and financial program divides responsibility as between the legislature and the chief executive of the state, whereas, as a matter of fact, the responsibility under this system should rest entirely on the legislature.
- f. There is not a published statement or report anywhere in the state government showing for a biennial or other period the exact financial status of the government, how much it costs to run the government or the subdivisions thereof, what property it has, or how much is spent for salaries alone by the government each year.
- g. It is difficult, and impossible in some cases, to learn from published statements or reports what the cost of even a single department or institution of the government may be for a biennial period. As an illustration of the confusion liable to result in the mind of a legislator or other uninitiated person attempting to utilize the present published reports submitted to him biennially, reference is made to the University of Colorado. The state auditor's report for the biennial period ended November 30, 1914, the state treasurer's report and the public examiner's report for the same period all contained different information pertaining to finances of the institution for that period, and the report published by the university covered a biennial period which ended September 30, 1914, and hence showed different financial results from the reports of the auditor, treasurer and public examiner.

- h. The central accounting system of the government is an accounting system in name only. Accounting is an exact science. The only exactness in the central accounting system of the state is confined largely to seeing that cash gets into the proper account and is taken out of the proper account in accordance with law. It is absolutely incapable of furnishing the data necessary to the chief executive of the state or to the legislature in the preparation of a budget each biennium without costly analysis of fund accounts, vouchers, etc.
- i. The handicaps under which the legislature labors (this is the only branch of the government which under the present organization and methods appears to be concerned with the facts of government business from an executive standpoint, which shows the anomaly of the situation) are insurmountable in any effective administration of the state finances. A sound accounting system is the first step in a sound and efficient financial policy.
- j. The law classifying appropriations and providing for an order of payment thereof is largely the direct cause of excessive appropriations, i. e., of general revenue appropriations the total amount of which for a biennium exceeds usually by hundreds of thousands of dollars the estimated resources to pay such appropriations.
- k. The provisions of law regulating the assessing, levying and collecting of taxes, and also the legal provisions establishing the fiscal year are responsible in a considerable measure for the involved condition of the state finances and the diversity in funding state expenditures. The legislature is passing upon appropriation bills and providing for the fiscal operations of the biennial period when several months of the period have already elapsed and "short" bills are necessary in the interim. All salaries and expenses which are not statutory must be held up pending the passage of relief measures. Further, general property taxes for a fiscal year are not collected until from three to eight months after the fiscal year has closed for which they are collected or may be applied. This delay in collecting general property taxes has cost the state on an average \$35,000 a year in interest charges on warrants issued against the general revenue fund.

The levying of special taxes for certain departments and institutions and the practice of permitting the almost free use thereof and of cash receipts is practically an outgrowth of the defects in the system of levying and collecting taxes, inasmuch as these departments and institutions are not restricted to fiscal year limitations in the application of their special tax collections or of their other cash receipts.

- l. The present system of providing revenues from several different sources for funding state activities is directly responsible for lack of any effective central auditing control over all state expenditures or of any standards governing alike the expenditures of all departments, boards and institutions. It is very easy for the legislature in passing special appropriation or tax levy bills to avoid trouble by merely stating in the bills that the appropriations or levies may be expended for certain broad, general objects which may include anything and everything, but this does not permit of any real auditing control by the state auditor.

As an example more concretely illustrating the different sources drawn on in providing funds for state activities, the following is submitted from the current period (1915-1916):

INSANE ASYLUM

Authorization	Payable from	Amount
Special Appropriation	General Revenue.....	\$207,000
Special Appropriation	Public Building Land Permanent Fund.....	1,000
Special Appropriation	Public Building Land Income Fund.....	1,500
Special Appropriation	Supreme Court Library Fund.....	27,500
Continuing Appropriation	Cash Receipts.....	5,000 (est.)
Continuing Appropriation	Special Tax Levy.....	180,492 (est.)

As illustrating also the broad, general terms of appropriation bills defining the object for which the appropriation may be expended and which practically determine the legal limitation for auditing control thereof, the following is submitted from the Session Laws of 1915, Chapter 28, for the board of capitol managers:

"Sec. 1. There is hereby appropriated out of the capitol building fund the sum of one hundred sixteen thousand three hundred seventy-two dollars in addition to the short appropriation of the Twentieth General Assembly, being Senate Bill No. 62, for the maintenance and support of the capitol and Colorado State Museum buildings and grounds, including the furnishing of all supplies and service, the payment of all employes of the board of capitol managers and the payment of all other expenses of supporting, conducting and maintaining of said buildings and grounds, for the fiscal years 1915 and 1916.

"Sec. 2. There is hereby appropriated out of the capitol building fund the sum of twenty-four thousand five hundred dollars, or so much thereof as may be necessary, for alterations, repairs and improvements on the capitol building and grounds, for the replacing of old furniture and carpets and supplying new furniture when required in the various departments therein.

"Sec. 3. There is hereby appropriated out of the capitol building fund fifteen thousand four hundred thirty-seven dollars, or so much thereof as may be necessary, for improvements, furniture and fixtures for the Colorado State Museum building and grounds."

2. Summary of Recommendations.

Changes Requiring Legislative Action.

- a. A budget, as the term is defined in the detailed report on state finances and budget procedure, should be compiled under the direction and supervision of the governor and submitted by him to each session of the legislature for each biennial period. In order that the governor may be able to carry out this recommendation, it is suggested that there be created for the purpose a permanent budget and efficiency commissioner, with the necessary expert staff, qualified to make all necessary studies of every branch of the state government's activities with the object of using the results of such studies in the revision of estimates of departments, boards, institutions, etc., and the compilation of a budget.
- b. All estimates for expenditures, regardless of the sources of funds by which the estimated expenditures may be financed, should be submitted by all state departments, boards and institutions to the budget and efficiency commissioner acting for the governor, and these estimates, together with estimates of receipts and with recommendations, should be compiled by the commissioner for the information and action of the governor.

- c. That the state auditor should establish in his office a system of accounting and classification of expenditures which shall give the facts relating to the business of the state in such detail as will avoid unnecessary analysis of accounts in the preparation of statements of costs and other statements needed by the chief executive or the budget and efficiency commissioner.
- d. That the state auditor should furnish to the budget and efficiency commissioner, acting for the governor, statements of appropriations, expenditures, contract or other encumbrances, for the biennial period preceding the meeting of the legislature, together with statements of estimated revenue for the succeeding biennial period.
- e. The commissioner referred to should be empowered to make examinations and investigations of the organization of departments, boards and institutions, and of the methods and procedure of carrying on the activities of the government, not necessarily for the purpose of auditing, but for the purpose of making recommendations for promoting economy and efficiency in the state government.

Coincident with the foregoing recommendations there is a number of subordinate details to be considered in making effective the adoption of a state budget compiled and directed by the governor, and localizing in that officer responsibility for financial legislation. These details may be briefly summarized as follows:

- a. All special tax levies should be discontinued and regular biennial appropriations substituted therefor, with the exception of the tax levies for bond interest and redemption payments, required by the constitution.
- b. All cash receipts of departments, institutions, etc., not restrictive, such as the school fund, federal grants, trust funds, etc., should be converted into the general revenue as miscellaneous receipts and regular appropriations provided in exchange.
- c. The time for submitting the budget to the legislature by the governor should be set for the fifteenth day of February. (See (f) below, under constitutional changes.)
- d. The budget received by the legislature should be the basis for the enactment of appropriation bills and should thereafter be the work program to be followed by the chief executive in carrying out the intentions of the legislature as indicated in appropriation acts.
- e. Appropriation bills should as closely as possible be enacted in the order of the budget plan and in accordance with the classification outlined therein, that is by functions, divisions, and main objects of expenditure, thus leaving executive and administrative officers reasonable administrative freedom and elasticity of action.
- f. Authority should, however, be given to the governor to adjust the items within the appropriation for any department, institution or office, upon petition of a department, institution or office head approved by the budget and efficiency commissioner.

In addition to the changes in budget procedure and financial legislation suggested above, the following are recommended as of equal importance:

- a. The dates of the fiscal year should be changed to cover the twelve months beginning July first and ending June thirtieth.
- b. The dates for submitting tax schedules to county assessors, for assessing property, for setting tax levies, etc., should be changed to conform with the change in the fiscal year and to make tax receipts available in the year for which they are collected.

The proposed changes in time of submitting tax schedules, assessing property, and the determining tax rates are as follows:

	Present	Proposed
Tax schedules submitted to county assessors	April first	June first
State board of equalization meets to adjust and equalize assessments, etc.	First Monday In October	First Monday in February
State board of equalization settles its work, sets levies, etc.	Third Monday in October	Third Monday in February
Assessments and levies against counties sent to auditor, notices sent to counties, county treasurers correct rolls and send tax notices, etc.	October to February	February to June 30th
First installment of taxes due and payable	Last day of February	July first
Second and last installment of taxes due and payable	July thirty- first	January first

The proposed dates concerning schedules, assessments and levies outlined above, are suggestive only of a means to make effective the proposed change in fiscal dates and time of collecting taxes. The proposed change in the dates of the fiscal period will, if adopted, naturally entail a corresponding change in the fiscal period of counties and cities to make the system as nearly as possible uniform for all and to make taxes available in the year for which they are collected. Obviously the adoption of these changes will result in state officers carrying on their operations in two different bienniums, but this is not unusual in state and municipal governments and, further, the practice already exists in the state government of Colorado inasmuch as elective and other officers take office in January of each biennium and carry over to the following biennium until their successors take office.

The changing of the dates of the fiscal period, and of the time of levying and collecting taxes, will require also certain changes to finance the government during the period of changing from one system to another. This may necessitate borrowing or an increase in the next tax levy.

Changes Requiring Constitutional Amendment.

- a. The governor, and representatives of the executive departments, boards, commissions and offices designated by the governor to appear before the legislature, should have the right, and when requested by either house of the legislature, it should be their duty to appear and be heard in defense or explanation of any budget bill during the consideration thereof.
- b. Provisions should be made also for effective executive control by the governor over all executive departments, boards, commissions and offices.
- c. The legislature should be restricted to reducing any item in the governor's budget for the executive branch of the government and be not permitted to raise any of those items.
- d. No special bill making an appropriation should be enacted unless special provision is made to raise the revenue therefor.
- e. All appropriations recommended in the budget should be authorized by and included in one appropriation act.
- f. The date on which the governor shall submit his "estimates," (budget) to the legislature should be changed from "the commencement of each session" (Art. IV, Sec. 8) to some date thereafter, as may be determined by statute.

II. OFFICE OF GOVERNOR

1. Summary of Findings.

The "supreme executive power" of the state is vested by the constitution in the governor, "who shall take care that the laws be faithfully executed." The constitution, however, provides also that the executive department shall consist of a governor, lieutenant governor, secretary of state, auditor of state, state treasurer, attorney general and superintendent of public instruction, elected by the people. Thus the governor's "supreme executive power" is limited by the creation of those officers mentioned, who are practically independent of the governor, with the exception of the treasurer who, may be suspended by the governor upon the former's refusal or neglect of the duties required of him by law.

There are other provisions, constitutional and statutory, which restrict the free exercise of the governor's "supreme executive power," many of which have been referred to in summary form in the preceding pages relating to state finances and budget procedure. Some other instances are as follows:

- a. The governor cannot veto an item in a general or special appropriation bill if the item is provided for in a creating act passed in some preceding session.
- b. The appointing power, which is inherently an executive prerogative, is in many cases limited by senatorial sanction, which in some cases applies even to subordinate employes. The civil service law is interpreted to apply to the individual and not to the position, thus throwing open many positions to appointment which positions should be under civil service.

The governor is the "supreme executive power," yet the tangle of laws, boards, commissions and officers is such as to make it difficult for him to exercise the power which he is popularly understood to have, and further, the governor has never been provided by law with the necessary organization to exercise such powers and executive control as have been actually conferred upon him.

The governor is required by law to supervise and control the issue of hundreds of annual and biennial reports, bulletins and other documents, yet the law makes no provision for performing this duty. There are thousands of dollars involved in the printing of these reports, bulletins and other documents.

The legislature admittedly does not read the biennial reports submitted to it by the governor, and it would find great difficulty in doing so under present conditions without an interpreter. As a basis for executive or legislative judgment in determining the financial needs of departments and institutions, at the time of enacting appropriation bills, the biennial reports of departments, boards, institutions, etc., are of little value.

There is a useless waste of the governor's time in the signing of thousands of salary and expense vouchers annually for many different departments and boards. This duty has become largely clerical and has been complained of from time to time by the governor as a gratuitous imposition of labor.

There are other duties conferred on the governor which might be delegated to a central purchasing department, such as the signing of contracts for supplies and furnishings, and for repairs to the general assembly halls and rooms; the making of contracts for the publication of the records of the supreme court, and the designating of a state newspaper for legal notices and advertisements.

2. Summary of Recommendations.

In the separate report on a study of state finances and budget procedure, the powers and duties of the governor with respect to budget making and responsibility for financial legislation are given in some detail. The summary of findings and recommendations pertaining to that report are given in the preceding pages herewith. The summary referred to shows the proposed changes which require legislative action and those which require constitutional amendment to give the governor that actual control and responsibility over budget making and financial legislation which he is popularly believed to have. For this reason, the following recommendations pertain to those proposed changes concerning the governor's office which are not included elsewhere.

Changes Requiring Legislative Action.

- a. All the appointments listed in table III in the report on the office of the governor, with the exception of the commissioner of mines and the state board of land commissioners, should be appointed by the governor alone or definitely placed under civil service. The exceptions referred to are appointments provided for by the constitution.
- b. Those appointments now made by the governor alone (as listed in table II in the report on the office of the governor) which relate to single heads of departments, and which relate to heads of departments recommended in other reports by the survey committee to be consolidated under centralized authority, such as the state engineer, commissioner of insurance, state oil inspector, etc., should be appointed instead under the provisions of civil service rules and regulations in order to assure, wherever possible, continuity of service in the administration of the government.
- c. There should be a statistical expert in the governor's office for the compilation of statistics and the editing of annual and biennial reports of departments, boards and offices.
- d. The governor should be relieved of the duty of signing the vouchers for salaries and expenses of those departments, boards, commissions and offices listed in the separate report on the office of the governor, with the exception of those vouchers for his own office. All vouchers now signed by the governor, with the exception of those for his own department, should be approved by the heads of the respective departments, boards, etc., and by them transmitted to the state auditor for audit and settlement.
- e. The statutory provision (M. A. S. 1542) requiring the governor, secretary of state and the attorney general, as a committee, to make contracts for publishing records of the supreme court, and the statutory provision (M. A. S. 4490) designating the governor, state treasurer, and the secretary of state as a committee to designate a daily newspaper for legal notices and advertisements should be repealed. These duties should be conferred on a central purchasing officer.

Changes Requiring Constitutional Amendment.

- a. The power of appointing the state board of land commissioners, now conferred on the governor with the advice and consent of the senate (Art. 16, Sec. 1) should be vested in the governor alone. The commissioner of mines, now required to be appointed by the governor with the advice and consent of the senate (Art. 9, Sec. 9) should be under civil service and appointed in accordance with civil service regulations.

- b. The constitutional provision (Art. IV, Sec. 17) requiring the governor to transmit to the general assembly the reports of the executive officers and of all public institutions of the state, should be amended to leave this question optional with the governor unless otherwise provided by statute.
- c. The constitutional provision (Art. V, Sec. 29) requiring the governor and the treasurer to approve contracts for supplies for the legislative and other departments of the government; for printing journals and reports; and for repairing and furnishing halls and rooms of the general assembly and committees, should be repealed. This duty should be conferred by statute on a central purchasing department, for supplies contracts, and on the department in charge of maintenance of public buildings, for repairs contracts.

III. ATTORNEY GENERAL

No study has been made by the survey committee relating to the office of the attorney general, hence no findings or recommendations are made thereon.

IV. AUDITOR OF STATE

1. Summary of Findings.

a. Concerning Accounting Methods and Procedure.

There is no adequate central accounting system in the state government. The auditor is "the general accountant of the state," according to the statutes, but the accounting system of the auditor's office is little more than a record of fund accounts.

There is no classification of objects of expenditure and there is no record in the auditor's office showing a distribution of expenditures.

It is impossible to tell from the auditor's records what has been spent for salaries, for example, for the whole state government, without a costly analysis of the files and accounts. Further, it is impossible to tell immediately from the records the outstanding claims or liabilities of the government.

There is no system of personal property control in the auditor's office over all property of the state government.

The system of charging and crediting counties for tax assessments is weak and the auditor does not get any official notices from the tax commission to set up the tax accounts each year. The present revenue register, in which are kept the tax accounts with counties, is little more than a compilation of the counties' own reports, instead of showing the original tax charges as certified to the auditor by the tax commission.

A visiting committee on state institutions reported to the last legislature that "there is no department or bureau at the state capitol whose special business it is to keep records and data concerning all these state institutions. * * * Your committee could gain only imperfect knowledge as to the cost and character of the different buildings of the various institutions."

b. Concerning the Auditing of Cash Receipts.

The auditor does not get the monthly reports required by law to be rendered to the auditor by all collecting officers, with the exception of county treasurers' reports.

The auditor receives from the state treasurer copies of receipts issued by the latter to officers depositing money in the state treasury, whereas the law requires such documents to be forwarded to the auditor by the officer that made the deposit of funds, so that there would be an independent check over both the treasurer and the officer.

The auditor has no controlling accounts or other records in his office to verify collections reported by the secretary of state and the land board, or to verify the totals of accounts receivable and totals of the public lands of the state.

There is no system of control in the auditor's office over financial stationery used in various departments and offices in connection with the receipt of state money, such as duplicate receipt books, license and permit forms, etc.

c. Concerning the Auditing of Expenditures.

The auditing of expenditures is divided between the state auditing board and the auditor of state. Neither office has any copies of contracts for supplies or services as a basis for audit of claims.

There is no complete roster of state employes. The procedure of handling and auditing salary vouchers is weak and cumbersome. The language of appropriating acts authorizing expenditures is too broad and general to permit of adequate auditing control. Many of the cash funds of departments and institutions may be used for any purpose the heads of the departments or institutions determine upon.

The employes of the auditor's office make no certifications on vouchers or other documents as to what they have audited when passing claims for preparation of warrants.

There is no pre-auditing by the auditor of expenditures made by the secretary of state from motor vehicle and from ore buyers' license moneys, nor of expenditures made by the workshop for the blind from its cash receipts. This is largely the fault of the legislature in reversing the provisions of the state funds act of 1913.

d. Concerning Financial and Inventory Reports.

The biennial reports of the auditor are of practically little value for the governor and the legislature, or for the general public, as to the accounting facts of the government. There is no report issued by the government showing what the cost of government is, what property it owns, etc.

The printing of inventory reports rendered to the auditor under the provisions of the act of 1915 will, if complied with, cost the state several thousands of dollars without resulting in one cent's worth of benefit to the state.

2. Summary of Recommendations.

a. Suggested Changes in Accounting Methods.

There should be a complete change in the system of accounting and reporting in the auditor's office. The system should provide for establishing centralized control, by means of records and reports, of the financial transactions of all departments, institutions, and other organization units of the state service, with the exception of the University of Colorado. It should be possible under this plan to prepare statements and reports in such form and detail as may show clearly the financial condition of the state, its assets and liabilities, and the cost of operation.

Such a plan of accounting and reporting as that suggested will require the co-operation of departments, institutions, etc. The constitution requires state departments, institutions, etc., to maintain accounts of their transactions. This would preclude, without constitutional amendment, the possibility of the auditor of state installing a system of accounting which would make unnecessary the keeping of similar records in departments, institutions, etc., however desirable that might be from an efficiency and economy standpoint. There is nothing in the law, however, which inhibits the auditor of state from establishing a central system of control accounts of all financial facts of the government, and such system is absolutely essential to a full compliance with statutory duties of the auditor of state.

The co-operation needed from the departments, institutions, etc., will consist of the proper and accurate distribution on vouchers of the moneys expended by them. For this purpose it is of fundamental importance that a classification of expenditures be established, standard and uniform for application by any and all branches of the government service. Without a standard classification of expenditures it will be impossible to compare the results of business in the various departments, institutions, etc.

The detail of departmental or institutional cost to be kept in the auditor's records should be sufficient to show the main items of cost for the preparation of revenue and expense statements. All expenditure vouchers originating or received in the auditor's office should, after audit, be distributed to the accounts in the general and expense ledgers in accordance with the standard classification of accounts promulgated.

Departments, institutions, etc., should be required to keep their accounts in accordance with the standard classification of expenditures.

The real and personal property of the state should be of record in some form in the auditor's ledgers. A system of property accountability should be established by the auditor of state. The auditor undoubtedly has the right to establish a centralized system of control over personal property wherever located, by virtue of the provisions of the public examiner's act of 1909, and also by virtue of certain other sections of law relating to the prosecution of persons who fail to turn over state property in their possession, and the right of the auditor, governor and secretary of state to condemn and dispose of personal property.

General property taxes should be shown in the general ledger in controlling accounts. The law provides that the counties shall be held responsible for the collection of property taxes. The amount of assessments and taxes reported to the auditor each year should be charged to the counties and no credits made unless the county officials make the reports to the auditor as required by law. The revenue register should show the detail of taxes charged to counties in accordance with official notices of taxes levied as reported by the tax commission. The tax commission should certify to the auditor the taxes levied in each county each year and not merely forward the auditor an unsigned list of such matters.

No transfers of funds from one fund account to another, or other entries should be made in the general ledger or other records without an official document in every case authorizing the transfer or entry.

There should be personal accounts kept with all collectors of revenue (exclusive of property taxes), as required by law, and controlling accounts kept for all revenues and accounts receivable, such as controlling accounts for all flat tax accounts in the secretary of state's office, for all rents and leases of public lands as contained in the individual records of the land board.

Reports of collectors of revenue other than property taxes would be the medium for charging their accounts with such moneys collected and for crediting such accounts if treasurer's receipts were attached thereto. Reports of collections of flat tax, of leases, etc., accompanied by state treasurer's receipts, would be the medium for crediting the respective controlling accounts with such transactions. The details to be reported by all collecting agents of moneys other than taxes may be determined by the public examiner, as provided by law, although the law specifies that such reports shall state, under oath, "fully the sources and amounts of all moneys received during the period covered by the report."

Encumbrances, such as contract or open market orders, should be set up against all appropriation or fund accounts at the time the liability on contracts or orders is incurred. This will establish on the auditor's books the liability for claims arising from contract or purchase order obligations. The condition, also, of each appropriation or fund account may thus be correctly determined and proper provision made to prevent overdrawing of any of such accounts.

b. Suggested Changes in Methods of Auditing Receipts.

The auditor of state should receive the reports and accounts current required by law to be submitted to him monthly or at other times during the year. The state treasurer's copies of receipts for funds deposited in his office should be transmitted to the auditor by the depositing officers or agents, together with their reports of collections. The only exception to this rule would be the receipts of the county treasurers for tax collections deposited with the state treasurer. The auditor gets the original and duplicate of these receipts and countersigns the original, thus making it unnecessary to require the county treasurers to remit the duplicate receipts.

All forms of financial stationery used in the collecting of state moneys, with the exception of county treasurers' receipt documents, should be printed and controlled by the auditor of state, and all collecting officers, exclusive of county treasurers, should secure their supply of such stationery from the state auditor. They should be charged with such stationery when it is issued to them, and given credit for all copies used, destroyed or returned, as reported in their monthly reports of collections to the auditor, or as reported by the public examiner after examinations of their offices.

c. Suggested Changes in Methods of Auditing Expenditures.

The auditor of state should have available in his office at all times original or certified copies of all contracts, purchase orders, or other documents necessary to the proper examination and audit of any claim presented to him for settlement.

The introduction of the system of requiring copies of purchase orders to be filed with the auditor of state, will, besides establishing the encumbrances against appropriation and fund accounts, also establish a check against duplicate payments.

Under the present system of making appropriations, and of paying appropriations by classes as referred to in another part of this report, it is necessary under the law for certain institutions and departments to secure approval by the state auditing board to requisitions before incurring any liability or expending their appropriations. (See separate report on State Auditing Board.) The approving of requisitions by the state auditing board would be unnecessary with a change in the method of making appropriations. Without a change in such methods, however, it would be necessary for the auditor to get a copy of such requisitions at the time they are approved by the state auditing board, in order to establish a control over the expenditures incurred thereunder. (See separate report on appropriations and budget making.)

All salaries and wages paid by the state should be submitted to the auditor of state on regular forms of payrolls. The preparation of vouchers for salaries and wages should be discontinued except in emergency cases. The auditor's office should also maintain a roster of all permanent employes of the state.

The forms of vouchers used in the payment of claims should be designed to provide for certification by the auditor's office of each claim approved and passed for payment.

The ore buyers' act, permitting the secretary of state to make expenditures from funds received from the operation of the act without prior audit by the auditor, should be amended to require all such funds to be deposited like other state funds and drawn on only by voucher after approval by the auditor.

The expenditures by the secretary of state from the motor vehicle funds should also be discontinued and appropriation made for all the necessary expenses of the operation of the motor vehicle license act.

As an independent method of verifying expenditures for supplies, equipment, etc., there is here suggested that a division of inspection be established in the auditor of state's office. The creating of an inspection service would be in line with the suggested plan to have copies of all purchase orders sent on issue to the auditor's office, and it would also be in line with the proposed changes in purchasing methods of the state, as contained in a separate report by the survey committee on purchasing supplies.

d. Suggested Changes in Methods of Reporting.

The form and contents of reports to be rendered by the auditor of state to the governor and to departments, institutions, etc., are so closely dependent on the system of accounts maintained that, in the light of the recommendations made in the foregoing pages concerning a complete change in the accounting system, it is deemed expedient to refrain at this time from making any definite suggestions on this matter.

In general, it may be said that under any system it will probably be necessary for the auditor to issue monthly reports to departments, institutions, etc., relating to the condition of the appropriation and fund accounts for the purpose of reconciling the auditor's accounts with the accounts maintained by departments, institutions, etc. Further, all collecting officers or agents should be required to comply with the law concerning monthly reports of their collections.

The auditor's biennial report to the governor will be more complete in the financial facts reported, if the suggested accounting changes are made. That part of the report dealing with estimates of revenues and expenditures, and with recommendations for improving the public service, reducing the cost of government, etc., should be incorporated in a plan of budget to be submitted by the governor to the legislature each biennial period. Recommendations concerning this matter are made in connection with a separate report on a state budget.

The public examiner's published reports of examinations should be discontinued for the reasons stated previously in the section on comments. If the suggested changes in the accounting system are installed, it will be unnecessary to publish separately the statistics required by Section 4 of the public examiner's act of 1909. With a change in accounts, the details of the financial transactions of institutions will naturally be incorporated in the auditor's biennial report. A section of this report may also be used to print in comparative form the "substance" and a summary of the financial transactions of counties, required by law to be published by the auditor of state. With these changes, Section 4 of the act of 1909 in question would be unnecessary and might be repealed.

The act of 1915 requiring the publishing of inventory reports of property should be repealed. With the introduction of the changes in accounts and the installation of a system of property control as suggested it would be necessary to publish only balance sheet figures of property, and these figures would be contained in summary form in the auditor's biennial report.

Changes Requiring Legislative Action.

It is believed that the provisions of the constitution and statutes are sufficiently broad, particularly those of the public examiner's act of 1909, to permit the auditor of state to revise the state accounting system along the lines suggested herein without need for further legislation on this matter, with the exceptions noted below. There may be, however, need for a general reorganization of the staff of the auditor's office to make effective the modernization of the accounting procedure.

The statutes that should be repealed or amended are the following:

- a. Ore Buyers' Act (Laws of 1915).
This act should be amended to require all license money paid in under the provisions of the act to be deposited by the secretary of state like other state funds of the same kind, and the expenses arising out of the act met from appropriation.
- b. Public Examiners' Act (Laws of 1909).
Section 4 of this act should be amended to provide for the auditor of state including in his biennial report, instead of a separate report, the data or statistics required by that act.
- c. Inventory Reports of State Property (Laws of 1915).
This act should be amended to require inventory reports to be rendered to the auditor of state on or before the close of the fiscal year, and in such form as the auditor may require. The act should be amended further to provide for the establishment by the auditor of state of a complete and effective system of control over all personal property belonging to the state, to prescribe regulations governing the accountability and responsibility for such property, the disposition of un-serviceable property, etc., such regulations to be adopted with the approval of the governor.
- d. The act (Laws of 1895, Sections 1 and 3, 315, 316 M. A. S.) providing for the sale of personal property and the advertisement of such sales, etc., should be repealed if the amendment recommended under (c) above concerning inventory reports is acted upon.
- e. Wherever in the law it is required that salary vouchers shall be made out for each person to whom the state is indebted before warrant may be issued in settlement thereof, such as in the special appropriation act of 1915 for the State Home and Training School for Mental Defectives, this requirement of the law should be changed to require the use of payrolls in departments, boards, institutions, etc., with only one covering voucher for each payroll.
- f. Section 2 of the act of 1915, relating to the Industrial Workshop for the Blind, should be amended to provide that the proceeds from the sale of products of the shop shall be deposited with the state treasurer and drawn on only as provided in the state funds act of 1913.
- g. There should be an act passed requiring officers or agents of the state who collect state funds to use such financial stationery only as is furnished by the auditor of state, such stationery to comprehend receipt books or documents, license and permit forms, etc.

V. SECRETARY OF STATE

1. Summary of Findings.

a. General Corporations.

The secretary of state has very little interrogatory power, or supervision of general corporation organization prior to the issue of certificates of authority to do business in this state. The power of the secretary of state over persons desiring to incorporate is practically restricted to seeing that articles of incorporation are submitted to him in the form required by law.

The general corporation law is defective in that it gives the secretary of state practically no control over general corporations doing business in the state.

The secretary of state has no independent means of determining whether all foreign corporations doing business in the state have complied with the provisions of the general corporation law. Past experience of the secretary of state shows that such corporations have not always complied with the law.

b. Annual Reports.

The provision of the general corporation law giving corporations three years in which to be delinquent in filing their annual reports before such corporations will be declared defunct and inoperative is too liberal and permits corporations to "play possum," to be in business three years and then quit, owing the state for taxes and probably getting away with stockholders' funds besides. It also makes difficult a correct estimate of the revenues from flat taxes at budget making time.

District attorneys have failed to prosecute under the delinquent corporation act. The fine of \$1,000 is an abortive attempt to regulate the filing of annual reports.

There is a considerable amount of clerical labor involved in the preparation each year of delinquent lists for district attorneys. This work requires great care and does not admit of error. There are 1340 corporations delinquent for failure to file reports before March, 1916, and 790 to be declared defunct for failure at March, 1916, to file reports for three years prior thereto.

c. Contents of Reports.

The reports filed with the secretary of state are incomplete to give effective control over corporations.

The contents of reports are never examined by the secretary of state beyond seeing that they are properly signed and sworn to.

d. Flat Tax Receipts.

There is considerable improvement under the present administration in the system of collecting flat taxes, but there is unnecessary clerical labor in making out separate tax notices and tax receipts.

Flat tax collections under the present system pass through too many hands in the secretary of state's office before they are finally deposited with the state treasurer. This is entirely due to the system of issuing tax receipts.

e. Commission Merchant and Ore Buyers Inspectors.

There is loose administrative control over the inspectors operating under the provisions of the commission merchant and ore buyers acts. These inspectors make no written daily or other periodic reports of their activities or of what they have accomplished, and they visit the secretary's office only at infrequent times.

(The use by the secretary of state of the license money received under the operation of the ore buyers act has already been referred to in a preceding summary relating to the auditor of state.)

f. Motor Vehicle License Money.

The manner of using the money received by the secretary of state from the sale of motor vehicle licenses is irregular. In a measure this is due to the failure of the legislature to provide an appropriation for purchasing auto tags, and for incurring certain other expenses in connection with motor vehicle licensing, such as the salary and expenses of inspectors. The salaries of several clerks, however, are paid from motor vehicle license money, which appears to be an unjustified use of the funds. An opinion of the attorney general sustains the action of the secretary of state in incurring certain expenses from motor vehicle license money, but it would appear that this opinion has been liberally interpreted by the secretary.

g. Purchasing Supplies, Equipment and Printing.

There is confusion in the laws concerning the right and duty of the secretary of state to purchase supplies and equipment for various state departments and offices. The board of capitol managers also appears to have the right and duty of purchasing supplies and equipment for the same state departments and offices. The secretary of state confines himself, however, to the purchasing of office supplies and certain printing only.

Concerning the purchasing of the latter items the secretary of state has not the records or the information to handle this function to the best interests of the state. (See separate report on a central purchasing department for the state.)

h. General Duties of the Secretary of State.

The office of secretary of state seems to be a dumping ground for activities or duties which cannot be placed in some other office. Those activities suggested to be transferred from the secretary of state are shown below under "Summary of Recommendations."

2. Summary of Recommendations.

Below are given those recommendations only which relate to the activities of the secretary of state and which are separate and distinct from those activities which have to do with the public control of corporations. For the latter class of activities see a subsequent section herein relating entirely to the function of public control of corporations.

Changes Requiring Legislative Action.

The ore buyers act should be amended to provide that license money received thereunder shall be deposited daily with the state treasurer. (This will require provision in the general appropriation bill for the salaries and expenses of the inspectors appointed under the act. This proposed amendment is suggested also in the summary of recommendations herein relating to the auditor of state.)

The duty now conferred by law on the secretary of state of purchasing or procuring office supplies and equipment for certain departments and offices (see various statutes relating thereto in the detailed report on secretary of state), should be conferred instead on a central purchasing department, the creation of which department is proposed in a separate report thereon. Coincident with this proposed change, it is suggested that the said central purchasing department should take over from the secretary of state the following duties:

- a. The advertising for a state newspaper in which to do official advertising. (4492, M. A. S.)
- b. The designation of a printer to print the reports of the supreme court. (1541, M. A. S.)
- c. The advertising for proposals for printing supreme court reports, awarding of contracts, etc. (1543, M. A. S.)

The creation of a central purchasing department, as referred to above, will require a change in the handling of the "contingent and incidental fund." This fund, however, is referred to in more detail in connection with the summary herein on the state auditing board.

The following miscellaneous duties conferred by statute on the secretary of state should be transferred to the departments designated below:

- | | |
|---|--|
| <ul style="list-style-type: none"> a. The compilation, etc., of agricultural statistics (125 M. A. S.) b. The tabulation, etc., of statistics relating to poor persons (1345 M. A. S.) c. The filing of reports of district attorneys (2923 M. A. S.) d. The charge, care and custody of state property (2710 M. A. S.) e. The examination, etc., of unserviceable personal property of the state (315-316 M. A. S.) f. The issuing of certificates of rent due, etc. (2716 M. A. S.) g. The procuring of rooms for various departments and offices (see various statutes relating to this duty in detailed report on secretary of state.) | Should be transferred to:

State Board of Agriculture.

State Board of Charities and Corrections.

Auditor of State.

Board of Capitol Managers or their successors. |
|---|--|

Change Not Requiring Legislative Action.

There should be an appropriation provided from general revenue for the secretary of state for meeting the necessary salaries and expenses incurred under the operation of the motor vehicle license act.

VI. STATE TREASURER -

1. Summary of Findings.

The accounting records in the treasurer's office are incomplete in some respects and not in all cases kept in the manner required by law. The law, for example, requires the treasurer to keep an account with "each head of appropriation." The treasurer, however, keeps no accounts with general appropriations.

The system of paying state warrants is as complicated and laborious as could be devised. This is due entirely to the shortage of general revenues at certain times each year to pay state warrants as presented and causes a considerable volume of clerical work in calculating interest charges and in recording the warrants. The shortage of general revenues is due in turn to the system of collecting general revenue taxes, which system has cost the state an average of \$35,000 per annum in interest charges in the past few years.

The redemption plan under which state bonds are issued costs the state many thousands of dollars in interest charges in excess of what would be necessary if the bonds were issued on the serial bond plan. This latter plan contemplates the redemption in annual installments of the principal of bonds, thus reducing the annual interest payments. Under the serial bond plan it is possible to issue bonds at a higher rate per cent over the rates per cent for which bonds with sinking fund provisions may be issued, and still save money.

The uninvested portion of the permanent school fund is growing rapidly. On September 20, 1916, there was \$1,183,000 in this fund earning only from 2½ to 3 per cent interest. The highest rate earned by the fund is 4 per cent, representing state warrants held by the fund.

The permanent school income fund holds \$600,900 in 3 per cent state bonds which the law provides shall be sold at par and accrued interest, and the money derived from the sale thereof turned into the said fund for distribution to the several counties and school districts. The bonds in question represent the deferred interest which had accumulated on state warrants held by the permanent school fund. It is said that these bonds cannot be sold at par bearing such a low rate of interest. \$600,900 of income, therefore, is tied up and cannot be distributed to the counties and school districts of the state. The constitution requires this distribution.

2. Summary of Recommendations.

a. Suggested Changes in Books, Records and Accounts.

Changes Not Requiring Legislative Action.

- (1) Appropriation accounts should be kept by the state treasurer, as required by law.
- (2) The "public school emergency or call fund" should be set up in the manner required by law.
- (3) Separate accounts should be kept for collections of taxes to pay interest charges on insurrection bond funds.
- (4) The following accounts should be kept in the general ledger, not as memorandum accounts, but as accounts necessary

to have the ledger show by itself all the financial transactions of the treasury department:

Accounts showing the bonded debt of the state.

Accounts showing the amount of state warrants and certificates registered and outstanding.

Account showing cash received in bond exchanges.

Accounts showing all investments held by the permanent funds.

Changes Requiring Legislative Action.

- (1) The acts of 1891 and 1911 concerning teachers' normal institutes and summer normal schools, respectively, should be amended to provide for eliminating the confusion and misunderstanding apparently now existing in the operation of the acts, in so far as they concern the state treasurer's office and the state superintendent of public instruction.

b. Suggested Changes in Methods of Receiving State Funds and Other Moneys.

Changes Not Requiring Legislative Action.

- (1) Receipt books should be printed in a form which will permit of the issue of carbon copies of receipts, thus saving the clerical labor of writing three receipts for each collection of cash.

Changes Requiring Legislative Action.

- (1) The fiscal year should be for the period from July first to June thirtieth.
- (2) Assessments on real and personal property should be made as of June first each year for the following fiscal year.
- (3) The state board of equalization should sit for the purpose of examining, adjusting and equalizing assessments on the first day of February in each year, and complete its work on or before the last day of the same month in the same year.
- (4) Taxes should be due and payable July first and January first of the fiscal year for which the taxes are levied.

These changes are discussed in detail in a separate report on a state budget. The advantages briefly stated here would be to bring the revenues of the state into the fiscal period for which they are necessary to meet the expenditures of that period, to save the state approximately \$35,000 a year in interest charges, as a direct saving and indirectly perhaps as much again through increased business confidence in the financial ability of the state to meet all claims promptly and to take advantage of cash discounts on purchases. Further, the changes will make the state independent of the public school moneys and release the millions of dollars in that fund for a more profitable investment than the 4 per cent warrants and the 3 per cent and 4 per cent bonds.

The separate report on a state budget provides for a reduction in the number of special tax levies. Such a change would, if adopted, reduce considerably the bookkeeping work in the state treasurer's office and in the office of county treasurers, etc., in connection with the accounting for tax collections.

c. Suggested Changes in Methods of Disbursing State Funds and Other Moneys.

With the placing of each fiscal period on a self-supporting basis, as outlined above in connection with suggested changes in the dates of the fiscal period, time of levying taxes, etc., all of the detail clerical work incident to the purchasing of warrants, calculating interest charges, etc., would be unnecessary.

Changes Requiring Legislative Action.

The statute requiring the registering of warrants and certificates of indebtedness in the treasurer's office should be amended to permit the treasurer to save all this clerical labor and to receive instead from the auditor a copy of his register of warrants and certificates.

d. Suggested Changes Concerning General Ledger Transactions.

Changes Not Requiring Legislative Action.

- (1) All transfers between funds on the treasurer's books should be effected by means of transfer warrants or other document, signed by the treasurer or his deputy, as official record of the authorization for the bookkeeper to make such transfers.
- (2) All permanent funds should be credited with interest earned on deposits to the extent of the average daily or monthly balances in such funds.
- (3) The university permanent fund should be set up on the treasurer's books to show the correct amount to the credit of that fund and another account opened to show the bonds held as a credit to the university permanent fund income account.

e. Suggested Changes in Funding Methods.

Changes Requiring Legislative Action.

- (1) All bonds issued hereafter should be issued on the serial bond basis; that is, an equal installment of the principal of bonds should be paid off each year, thus reducing interest charges and liquidating the debt at the same time, and also saving thousands of dollars in interest cost over the present method.
- (2) Steps should be taken to refund that part of the outstanding state debt which may be refunded with the consent of the bondholders, for bonds on the serial basis. This applies only to the 1909 and 1914 series of bonds. The 1897 series is now in process of semi-annual liquidation, and the 1910 series is governed by constitutional restrictions. The 1909 and 1914 series, however, are governed by statutory provisions only.

A considerable portion of the present state bonds outstanding are owned by permanent land funds. Of the bonds of the 1909 series, the public school permanent fund holds \$724,400 of the total of \$932,000 issued. This should facilitate the refunding of the state debt on the serial bond plan, particularly when it is considered that the serial bonds could be issued at a higher interest rate than the present series of bonds and still be less expensive to the state than the present series.

To illustrate this statement, let us assume the bonds of 1909 for \$932,000 now outstanding at 3 per cent and due and payable July 1, 1929, are refunded for serial bonds at 3½ per cent, due also July 1, 1929. Assuming that the first date of payment of the first portion of the principal is made July 1, 1919, and that \$85,000 is paid off on that date and for nine years thereafter, and that on the eleventh year \$82,000 is paid off, liquidating the debt of \$932,000, the result is indicated in the following table:

SUMMARY OF FINDINGS

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Year		Present Method at 3%			
		Serial Plan at 3½% Principal and Interest	Interest Charges	Annual Credits to Sinking Fund From Taxes	
7-1-19	1	\$85,000 32,620	\$ 117,620	\$ 27,960	
7-1-20	2	\$85,000 29,645	114,645	27,960	
7-1-21	3	\$85,000 26,670	111,670	27,960	
7-1-22	4	\$85,000 23,695	108,695	27,960	
7-1-23	5	\$85,000 20,720	105,720	27,960	
7-1-24	6	\$85,000 17,745	102,745	27,960	
7-1-25	7	\$85,000 14,770	99,770	27,900	\$186,400
7-1-26	8	\$85,000 11,795	96,795	27,960	186,400
7-1-27	9	\$85,000 8,820	93,820	27,960	186,400
7-1-28	10	\$85,000 5,845	90,845	27,960	186,400
7-1-29	11	\$82,000 2,870	84,870	27,960	186,400
Principal			\$1,127,195	\$ 307,560 932,000	\$932,000
Principal and interest at 3½ per cent on serial bond plan,				\$1,239,560	
Difference in favor of serial bonds,				\$ 112,365	

Thus if the 1909 series of bonds were refunded for serial bonds, there would be a saving in interest of \$112,365, even though the serial bonds are issued at 3½ per cent. The serial bonds could still be issued at 4 per cent and show a saving of \$84,480 over the present method at 3 per cent. This saving is due naturally to the fact that instead of waiting until the last year of the life of the bonds to redeem them, they are paid off in equal installments each year of the eleven years remaining, beginning with July 1, 1919, with a resultant diminishing annual interest cost.

There is another advantage of refunding on the serial bond plan the present series of 1909 bonds besides the saving in interest cost, viz.: instead of the taxpayers having to meet in five years the principal of a debt of nearly a million dollars on this one series of bonds, the debt will be spread over eleven years. The burden on the taxpayers will, therefore, be more uniformly distributed.

f. Suggested Changes in Method of Handling Permanent and Investment Funds.

Changes Requiring Legislative Action.

- (1) Provision should be made for investing the permanent school fund in a manner which will return a greater rate per cent than the fund is now earning, and which shall reduce to a minimum the average amount of the fund which may remain uninvested in banks.
- (2) Provision should be made, also, in the event of any action of the legislature toward the greater utilization of the public school permanent fund at a higher rate per cent on the investment thereof, for protecting the state credit to the extent of any limited ability to utilize that fund in the paying of state warrants. In this connection see a previous recommendation made in this report. (P. 19, (b).)

g. Suggested Changes in Financial Reports.

The contents of the treasurer's biennial reports should depend largely on the contents of the auditor's biennial reports inasmuch as there should be no need for duplicating a lot of details in both reports. If the auditor's biennial reports show all the transactions of the state in a form which shall make possible a comprehensive grasp of the financial and operating facts for each period, the treasurer's reports should then be confined to summaries reflecting cash receipts and expenditures, by accounts in the general ledger, and such information and statistical data as would not be compiled or found in the auditor's reports.

The premise for the foregoing recommendation is that inasmuch as the state auditor is the general accountant for the state and presumed to record all the facts of the business of the state, and that the state treasurer, as such, is practically a custodian of cash and not an accounting officer, except as being accountable for his custodianship, there is no need of separate reports from the state treasurer. The state treasurer, however, is an executive officer of the state by provision of the constitution, and as such, required to publish certain reports of his activities.

h. Suggested Changes in Miscellaneous Duties.

Changes Requiring Legislative Action.

- (1) A central purchasing department for the state being recommended in a separate report, it is recommended that such a department, if created, would be a proper department to contract for the publication of legal notices, etc., in some state newspaper, thus relieving the governor, secretary of state, and treasurer of this duty.
- (2) The section of law requiring the treasurer to furnish records to county judges should be repealed as inoperative now that the inheritance tax department is established.

Change Requiring Constitutional Amendment.

- (1) All contracts for furnishings, and for repairing and furnishing the general assembly rooms and halls should be approved by the board of capitol managers or its successors, provided that if the furnishings are purchased by the state and installed by state labor then the furnishings should be purchased through the proposed central purchasing department on contracts approved by that department.

VII. CIVIL SERVICE COMMISSION

No study or survey was made by the survey committee of the civil service commission, although reference to the commission is made in the survey report on the office of the governor and in the report on the public examiner's office.

VIII. TAX COMMISSION

A separate report on the tax commission has already been published and distributed at large. For this reason the findings and recommendations thereon are not included in this summary statement.

IX. STATE BOARD OF EQUALIZATION

No special study by the survey committee of state affairs has been made of the state board of equalization. It is believed, however, that the final report on the tax commission and state revenues by Prof. Haig of New York will include some references to the state board of equalization. The report referred to may not be received until some time early in 1917.

X. MILITIA DEPARTMENT

No survey was made of the militia department, although an interview was had with the adjutant general and later with the accountant of the department. It was found that owing to the federal government having taken over the organized militia that it was inopportune to make a study of the department at this time.

The adjutant general and his accountant, however, agreed that the records of the department were not properly kept, and the accountant is authority for the statement that an inventory had not been taken of all the property of the department in many years and that the property system was very loose. The accountant referred to was recently installed by the present adjutant general in an effort to introduce a business system into the management of the department.

XI. STATE BOARD OF HEALTH

A survey of the state board of health was undertaken by a representative of the surgeon general's department in Washington, D. C. The survey is now completed, it is believed, but the official report thereon, approved by the surgeon general, may be several weeks in reaching the survey committee.

The doctor in charge of the health survey stated unofficially, however, that he found it impossible to gather from any central source figures relating to the cost of health and other activities of the state, which figures were desired for his report.

XII. STATE DAIRY COMMISSIONER

The head of the department of animal husbandry of the state agricultural college is ex-officio state dairy commissioner and subject to removal by the state board of agriculture. The work of the state dairy commissioner is closely allied to the work of the state board of health and may be treated in the report on that board.

XIII. REGULATION AND SUPERVISION OF LABOR

Under the general function of "regulation and supervision of labor" have been studied the activities of the following departments and offices. The activities of each of these departments and offices are concerned almost solely with the regulation and supervision of labor. For that reason these departments are discussed here in their related functions:

- Bureau of Labor Statistics.
- Department of Factory Inspection.
- Colorado Free Employment Offices.
- Supervision of Private Employment Agencies.
- Chief Inspector of Coal Mines.
- Bureau of Mines.
- State Steam Boiler Inspector.
- Industrial Commission.

The first four offices mentioned above are under the immediate control of the deputy labor commissioner, who in turn is under the supervision of the secretary of state as ex-officio labor commissioner.

1. Summary of Findings.

The outstanding fact in a study of the organizations listed above is that the industrial commission is charged in general terms with the same duties and powers, concerning the regulation and supervision of labor, that each of the other organizations have. The industrial commission, however, has never exercised all the powers and duties conferred on it because by doing so there would have resulted a greater duplication of records and activities than at present exists, inasmuch as the law creating the industrial commission never specifically repealed the laws creating the other organizations carrying on the same activities

Owing probably to the independence of each organization engaged in the regulation and supervision of labor there is considerable diversity in the manner of making appointments in these organizations, in the tenure of office and in the method of financing their activities, as follows:

The commissioner of mines and the chief coal mine inspector hold office for four years; the heads of the other organizations serve terms of two years.

The members of the industrial commission, the commissioner of mines, and the boiler inspector and his two deputies are appointed by the governor with the advice and consent of the senate. The chief coal mine inspector is appointed by the governor from a special list of eligibles. The labor commissioner, who is also chief factory inspector, is appointed by the secretary of state and, with the latter's approval, appoints his own subordinates.

The office of commissioner of mines is created by the constitution; the other organizations are created by statute.

The coal mine inspection department is financed by a tax on each ton of coal mined, the supervisor of private employment agencies by license fees, while the other organizations are dependent upon biennial appropriations.

The coal mine inspection fund, made up of taxes collected on every ton of coal mined, may be used by law for defraying the expenses of the coal mine inspector's office only, and the fund is practically under the control of the inspector to be expended largely as he deems necessary. The balance in this fund does not merge in the general revenues.

Other findings brought out in the study of the organizations in charge of regulation and supervision of labor are as follows:

Inadequate facilities for traveling and insufficient appropriations for traveling expenses interfere to some extent with the inspectorial work of the inspectors of metal mines, boilers and factories.

The duties of the factory inspectors overlap those of the coal and of the metal mine inspectors.

There is no need for a separate department for the inspection of steam boilers. This work could be distributed among the inspectors of the other departments with a considerable saving in the cost thereof.

The report of statistics issued biennially by the bureau of labor statistics is of little practical value because it is not prepared on complete and accurate data.

Accidents to coal miners must be reported to the chief coal mine inspector and also to the industrial commission, while both organizations conduct investigations into such accidents. The same relation exists between the bureau of mines and the industrial commission, and also between the latter and the factory inspection department. There is no established mine rescue service in the state under the control of the state government. Such a service would greatly reduce the number of fatal and serious accidents in the mines.

The appropriation for the present biennium for the support of the industrial commission was insufficient to enable it to perform its manifold duties. Other departments, therefore, had to be called upon to furnish assistance through the loan of employes and, in some cases, through the hiring of employes paid from funds of other departments.

Many defects exist in the laws relating to the supervision and regulation of the health, safety and comfort of labor. These are more specifically pointed out in the summary of recommendations.

2. Summary of Recommendations.

Changes Requiring Legislative Action.

- a. All departments having to do with the function of regulation and supervision of the health, safety and comfort of labor should be consolidated under the supervision of the industrial commission.
- b. The bureau of mines and the coal mine inspection department should be made divisions under the industrial commission and subordinate to it with essentially their present organization. The duty of collecting minerals should be delegated to the state geologist or to a mineralogist under the board of capitol managers in charge of the museum.
- c. The bureau of labor statistics and the state steam boiler inspector should be discontinued as separate departments. The duties of the former should be assumed by the industrial commission and those of the latter distributed among the several proposed inspection divisions of the industrial commission.
- d. The factory inspection department, also, should be made a division under the industrial commission.
- e. The management of free employment offices and the supervision of private employment agencies should be taken over by the industrial commission in their present organization.
- f. The coal mine inspection fund should be discontinued and receipts from the special tax on all coal mined should be deposited with the state treasurer to the credit of the general fund. The receipts from the sale of licenses to private employment agencies should be handled in the same way.
- g. The laws requiring the publication of statistics by the present bureau of labor statistics should be amended so that these statistics shall be compiled by the industrial commission and relate as closely as possible to labor only.
- h. The subordinate officials and employes of the organizations recommended to be consolidated under the industrial commission should, as far as constitutional limitations permit, be appointed by the industrial commission in accordance with an effective civil service law. No change is recommended, however, in the board of examiners of coal mine inspectors. The only constitutional restriction in the way of the extension of the civil service to the subordinate officials and employes referred to is that which provides for the appointment of the commissioner of mines.
- i. The following changes, also, are suggested to be made in the laws concerning the protection of labor:
 - (a) A law providing for the licensing of wage brokers by the industrial commission instead of by county commissioners.
 - (b) A minimum wage law for women and children.
 - (c) A law requiring the payment of wages within a specified time after the work has been performed.

- (d) A law governing the payment of seasonal wages.
- (e) A law extending a semi-monthly payday to all employes in private employments.
- (f) A law requiring all occupational diseases to be reported to the state board of health.
- (g) A law establishing a mine rescue service under the control of the state.
- (h) A law requiring all operators of steam boilers to report the installation or the operation of a steam boiler to the industrial commission.

XIV. PUBLIC CONTROL OF CORPORATIONS

There is a number of organizations under the present form of state government which carry on related activities which may be classified under the general title of "public control of corporations." These organizations are as follows:

- Public Utilities Commission
- Commissioner of Banking
- Department of Insurance
- Bureau of Building and Loan Associations
 - (Under the supervision of the Auditor of State)
- General Corporation Licensing and Control
 - (Under the supervision of the Secretary of State)
- Commission Merchant Inspectors
 - (Under the supervision of the Secretary of State).
- Ore Buyers Inspector
 - (Under the supervision of the Secretary of State).

No detailed study of the activities of the above organizations was undertaken by the survey committee with the exception of the office of the secretary of state. A study and compilation of the laws, supplemented with short interviews with the heads of the organizations, were the extent of the study made of the activities of the other organizations listed above. Time did not permit of extensive study. The survey of the office of secretary of state, however, together with the study made of the duties conferred by law on the other organizations referred to as carrying on the general function of public control of corporations, have brought out the following findings and recommendations.

1. Summary of Findings.

There is no central authority and control over all organizations in the state government engaged in the regulation and supervision of corporations. Conversely, there is division of responsibility in the carrying on of these activities, and there is a certain duplication of effort and of records.

Several thousands of dollars are said to have been lost to the state through the failure at one time of two departments to co-operate in the issuing of certificates of authority to certain corporations to do business in this state. The departments concerned were the department of insurance and the office of the secretary of state. Certificates of authority were issued by the department of insurance without any record thereof having been made as required by law with the secretary of state.

For additional findings concerning the filing and contents of annual reports, and concerning other general corporation duties of the secretary of state, see separate summary on the office of the secretary of state.

2. Summary of Recommendations.

a. Changes Requiring Legislative Action.

1. The general corporation laws should be amended to provide for effective control over the issuing of charters to corporations to do business in this state, and to provide for adequate control over corporations doing business in the state.

2. The general corporation laws should be amended to regulate the disposition of funds of general corporations in the same manner (or similar thereto) that funds of special classes of corporations are regulated in special laws thereon.
3. County assessors should be required by law to make report to the proper department of all corporations doing business in their respective counties.
4. The provisions of the general law relating to defunct corporations should be amended to provide that corporations shall be declared defunct when they fail to file an annual report within sixty days after January first of each year.
5. Corporations which are regulated by special statutes, such as railroads, building and loan associations, etc., should not be required to submit annual reports to the secretary of state.

b. Changes Not Requiring Legislative Action.

1. The present form of notice to corporations of flat taxes due and the form of receipt issued for flat taxes paid should be combined in one form and issued at the same time in as many copies as needed to facilitate the collection of flat taxes.

Concerning the centralization of public control of corporations the following recommendations are made:

a. Changes Requiring Legislative Action.

1. The granting of charters, recording of corporation documents, amendments, etc., and the regulation and supervision of corporations should be centralized under one authority and control.
2. To make effective this centralization of authority and control of related subjects, the following departments, bureaus and activities should be consolidated as organization units under one main organization or department:
 - a. Public Utilities Commission;
(This includes the function of supervision and control of public utilities as a division in the proposed department, the public utilities commission, however, to be the executive board in control of the whole department as suggested below.)
 - b. Commissioner of Banking;
 - c. Department of Insurance;
 - d. Bureau of Building and Loan Associations;
(Now under the supervision of the auditor of state.)
 - e. General Corporation Licensing and Control;
(Functions now exercised by the secretary of state in the corporation, flat tax, and recording and indexing divisions of his office.)
 - f. Commission Merchant Inspectors;
(Now under the supervision of the secretary of state.)
 - g. Ore Buyers Inspector;
(Now under the supervision of the secretary of state.)
3. The public utilities commission should be designated the central authority in charge of the new department. The public utilities commission would continue to exercise the same powers over the public utilities now conferred on it, and in addition have supervision and direction of the work of regulation of banking, insurance, building and loan associations and the other related subjects. This change would avoid the creation of a new board and at the same time bring to the management of the function of public control of all corporations an organization already developed to assume executive supervision thereof.

4. The administrative heads in immediate charge of public utilities, of banking, insurance companies, and of the other divisions in the new department should be placed in the civil service, together with all other employes under the supervision of the board in executive control of the department.

With the adoption of the changes suggested above it should be possible also to provide for a reorganization of the personnel or staff of employes thus brought together under one central authority. In the data submitted on the commissioner of banking and the bureau of building and loan associations, reference is made to the lack of sufficient examining force properly to handle the work of examining banks, loaning companies and building and loan associations. The centralization of the public control of corporations may still make necessary the employment of an additional examiner of banks, but the centralized authority may make examiners available for banks, building and loan associations and insurance companies, whereas under the existing organizations there is no co-operation between these separate departments.

Briefly summarized, the advantages of the proposed changes are as follows:

- a. There will be one central authority and control over all corporations doing business in the state;
- b. There will be one general policy and program of action for all corporations;
- c. The governor, as the chief executive of the state, will have one department reporting to him concerning public control of corporations instead of five as at present;
- d. All the records and data relating to public control of corporations will be centralized in one department;
- e. The proposed changes will make possible the fullest co-operation of employes in the exercise of this authority and control;
- f. Duplication of work of filing, recording, issuing certificates of incorporation, etc., will be practically eliminated;
- g. The employes engaged in field examinations or in inspection work may be utilized with greater efficiency;
- h. Corporations and the public in general will have one central department to deal with in connection with the public control of corporations, and corporations will avoid the necessity of filing reports and other documents with different departments and also, in the case of certain corporations, of paying for filings in each department;
- i. The administrative heads in immediate supervision of the staffs of employes engaged in regulating general corporations, banks, insurance companies, etc., will be appointed under civil service regulations, thus providing for securing continuity of service and more effective administration.

Article XV, Sec. 7, of the state constitution provides that "no railroad or other transportation company in existence at the time of the adoption of this constitution shall have the benefit of any future legislation without first filing in the office of the secretary of state an acceptance of the provisions of this constitution, in binding form." This section of the constitution, however, will, it is believed, have no bearing on the proposed statutory changes recommended in this summary.

XV. REGULATION OF PROFESSIONAL OCCUPATIONS

Under the heading of regulation of professional occupations are included the state examining boards, as follows:

- State Board of Architect Examiners.
- State Board of Barber Examiners.
- State Board of Embalming Examiners.
- State Board of Medical Examiners.
- State Board of Nurse Examiners.
- State Board of Optometric Examiners.
- State Board of Pharmacy.

The boards are self-supporting. For lack of time no study has been made by the survey committee of their activities, and no recommendations are made at this time for the consolidation of any of these boards with departments of related activities.

XVI. PUBLIC WORKS FUNCTIONS

Public works functions have been defined as "the planning, construction, maintenance and operation of public buildings, highways and canals, and the conservation of natural resources in so far as they concern engineering supervision of the property of the state."*

The public works functions of the state of Colorado are now being carried on by the following organizations:

- State Highway Commissioner.
- State Highway Commission (an Advisory Board).
- State Engineer.
- Board of Capitol Managers.
- State Forester.

A study and proposed plan of revision of the laws of Colorado relating to highways have been undertaken for the survey committee by Mr. A. N. Johnson, a consulting engineer of national reputation in highway problems. At this writing Mr. Johnson's final report is not available for including a summary thereof herein.

No special study has been made of the office of the state engineer by the survey committee beyond a digest of the laws relating to that office for the purpose of learning its function and activities.

A study has been made in some detail of the board of capitol managers. The findings and recommendations as a result of that study are as follows:

BOARD OF CAPITOL MANAGERS.

1. Summary of Findings.

- a. The board of capitol managers has, according to Sec. 567 (M. A.S.), relating to contracts for the construction of the capitol building, accepted the capitol building as a completed contract but has failed to issue the proclamation of such acceptance as required by law, thus, by such omission, continuing itself in existence contrary to the evident intention of the act creating the said board.
- b. There appears to be a conflict in authority between the board of capitol managers and the secretary of state concerning the control of the capitol building and grounds. This conflict in authority appears to arise from the complexity of the laws.
- c. The business system of the board of capitol managers is cumbersome, archaic, and entails considerable waste of clerical time.
- d. The findings point to insufficient work to justify retaining the services of the architect in an advisory capacity at \$1,200 per year.
- e. It is believed that a detailed study of the activities of the employes in charge of the care, operation, and maintenance of the buildings and grounds under the control of the board of capitol managers would be profitable to the state as indicating economies that could be effected in the activities referred to.
- f. There appears to be an unnecessarily large force of watchmen (eleven men) in the capitol and museum buildings, particularly in the former, where there are said to be six men on duty during the day and two men on duty during the night. Two of the three watchmen in the museum building are on night duty. The total cost of this service is \$9,480 per annum or \$18,960 per biennium.
- g. In addition to the three watchmen in the museum building as referred to above, there are also two custodians, or guards, who take care of the historical and war relics in that building. These custodians receive \$1,020 and \$780 per annum respectively. Their salaries are not included in the total cost referred to above for watchmen.

*New York State Constitution and Government,—An Appraisal, 1915, Bureau of Municipal Research, New York.

- h. There is a regular force of eight men employed in the care of the capitol building grounds at an annual salary cost of \$6,450. This force is increased when deemed necessary. A considerable amount of the work in the summer months of the force in charge of grounds is given to watering and cutting grass. If a gasoline mower were used for cutting grass instead of the hand mowers now used, there would be a considerable reduction in the cost of this work. The same would be true with respect to cleaning snow from the walks if a horse-drawn scraper were used.
- i. The system of accounting, i. e., the books, records, and accounts, and the method of recording the facts of business are cumbersome and incomplete, and incapable, without great labor and expense, of furnishing statements of cost of operations by divisional units as a basis for intelligent administrative judgment as to the efficiency of expenditure and of results accomplished. The financial records of the board are unable to show the cost of the construction of the capitol building and museum building. The cost of the latter building, however, is ascertainable from other records of the board.
- j. The weaknesses in the accounting system and methods as referred to above, are emphasized when it is remembered that not even the auditor of state keeps any records showing the detailed cost of the results of the operations of the board of capitol managers.
- k. It is difficult, if not impossible, under the present business methods of the board, to prepare the necessary statements of operations in support of requests for funds from the legislature, if that body is to pass intelligently on the requests from the board for funds for a biennium. In this connection it is of interest to observe that the board did not present to the last legislature (through the governor) the biennial report of its expenditures for the years 1913 and 1914 as required by law. Further, the cost of operation and maintenance of the capitol building is increasing each year, thus making imperative a proper consideration of the business methods of the board to establish the reasons for this increase. In the twenty years ended November 30, 1914, the cost of maintenance alone for the capitol building for those years was \$845,509.59, or an average of \$84,550 per biennium, exclusive of the cost of furnishings for those years. During the period and for the building referred to, the cost of maintenance has risen from \$48,427 for the biennial years 1895-1896 to \$113,428 for the biennial years 1913-1914.
- l. There does not appear to be exercised in the purchasing functions that close attention to detail and expert supervision which is commonly exercised in private business. Not all purchases of supplies and furnishings are done under formal contract and on competitive bidding. Supplies in current use are purchased from different dealers frequently in very small quantities as needed. Also, all repair plumbing work, as far as could be determined, is done by one firm without any contract or price agreement. The same is true with respect to coal purchased by the board.
- m. Supplies kept in the storeroom of the board are issued without requisition to employes of the board and no charge therefor is made to the expense records of the division or organization units of the board using the supplies.
- n. Equipment is furnished by the board of capitol managers to departments and offices in the capitol and museum buildings, but no adequate property records are kept by the board to show promptly what equipment has been furnished to each of the said departments and offices, although the board of capitol managers is supposed to exercise control over such property.
- o. The sale of unserviceable personal property of the state is conducted by the board of capitol managers, although the law (315 and 316, M. A. S.) requires the governor, secretary of state, and the auditor to conduct such sales at public auction, after advertisement thereof. No records are kept by the board showing how it conducts the sales of unserviceable property.

- p. The waste paper collected in the capitol and museum buildings is given away free by the board of capitol managers. Approximately one and one-half tons are collected monthly. The question of disposing of waste paper at a profit has been considered by the board, but no action has been taken to this end. It would seem that a mechanical baler would pay for itself in time and produce a small revenue to the state from its waste paper.
- q. The refreshment stand in the capitol building, owned and operated by a private concern, is furnished with space, light, heat, water, and janitor service without cost to the concessionaire. Why a rental is not charged by the state for this accommodation and use of state property could not be ascertained from the secretary of the board of capitol managers.
- r. There is considerably more office and vault space retained by the board of capitol managers than its needs require, whereas some other departments in the capitol building are over-crowded.

2. Summary of Recommendations.

Change Requiring Legislative Action.

- a. The act creating the state board of capitol managers should be amended to provide for abolishing the board and for conferring its duties on a board of public works, with a division thereunder of public buildings, the head of which division to have immediate charge of the capitol and museum buildings and grounds.

Changes Not Requiring Legislative Action.

Assuming the existence of the board of capitol managers as at present provided for in the law, the following suggestions are urged for adoption as requiring no legislative action:

- a. The position of advisory architect should be discontinued.
- b. The force of watchmen employed during the day in the capitol and museum buildings should be reduced.
- c. The force of employes working on the grounds should be materially reduced with the adoption of improvements in the mechanical devices used for cutting grass and removing snow from the walks.
- d. There should be installed at the earliest possible moment a modern system of accounting records. The system should be designed to show the true cost of operations by organization units and, by a comprehensive classification of expenditures, the details making up that cost. Just what general ledger and property accounts may be necessary under a revised system of accounting for the board of capitol managers will depend largely on what action is taken by the auditor of state in adopting a modern central accounting system for his office, as suggested in a separate survey report thereon. If no action is taken by the auditor in revising the state accounting system, then the board of capitol managers should proceed to adopt a complete system of accounting for its own needs.
- e. The board of capitol managers should purchase all its supplies and furnishings and perform all repairs or improvements on competitive bidding, and, wherever possible, price agreement should be entered into with dealers for the furnishing of supplies in such quantities as may make the purchases of the board attractive to dealers and thereby secure better prices to the state. (This section assumes the continued purchasing by the board of supplies and furnishings. If a central purchasing department is created, as proposed elsewhere herein by the survey committee, that department would relieve the board of capitol managers of its purchasing activities.)

- f. All supplies issued from the board's storeroom should be issued on requisition and charged to the expense accounts of the division using the supplies.
- g. The board of capitol managers should take steps to charge a rental for the services rendered by the state to the refreshment stand in the capitol building.
- h. The board of capitol managers should adopt some action toward utilizing or securing a revenue from the waste paper collected in the buildings under its charge.

Concerning a system of personal property records and the sale of unserviceable personal property, recommendations have already been made in relation thereto in the separate report on a survey of the office of the auditor of state. It is deemed of sufficient importance to suggest here, also, that a study should be made of the cost to the state of furnishing its own electric lighting and water supply as compared with the cost of such service rendered by private companies.

The water used in the capitol and museum buildings is pumped by the state from its own well, while the water for sprinkling the lawns is furnished by a private company. The state, however, pays this private concern a monthly rate of \$50 for running its pipes into the capitol and museum buildings for emergency purposes.

STATE FORESTER.

The state forester is shown above as an organization performing a public works function. The state forester, however, is under the supervision of the state board of agriculture. No report has been made on the office of the state forester on account of lack of time to study the educational functions of the state, and therefore no recommendations are made at this time by the survey committee concerning any change in the supervisory control of the office of state forester.

The adoption of the proposed plan of amalgamation of public works organizations would require the following legislative action:

- a. An act creating the new department and defining its duties and powers, and naming a board or single head in control thereof.
- b. The repeal of the several acts creating and defining the duties of the board of capitol managers.
- c. Such amendment of the act creating the state engineer as may be deemed necessary to make the office of state engineer a division in the new department of public works.
- d. The amendment of the roads and highways act of 1913 to provide for the transfer of the office of state highway commissioner as a division in the new department of public works, together with such amendment of that act as may be deemed necessary to establish the central authority and control of the board or person at the head of the said new department over roads and highways. The state highway commission, being an advisory board, may be continued as such, advising, however, the board or person in executive control of the proposed department of public works concerning highway matters instead of the highway commissioner. The duties of the advisory board of appointing employes should be delegated to the board or person in executive control of the new department.

XVII. AGRICULTURE, STOCK, GAME AND FISH

The general function of "agriculture, stock, game and fish" has been defined as including those activities of the state which have to do with the promotion of agriculture; the prevention of diseases of animals and plants; protection against insects or other pests; prevention of contagious diseases among domestic stock; inspection of brands; the preservation and propagation of game and fish; the promotion of the breeding of horses; and similar activities. Most of the organizations carrying on these activities under the present form of state government are connected with the state agricultural college and under the supervision of the state board of agriculture, with the exception of the following:

Board of Stock Inspection Commissioners.
 Game and Fish Department.
 State Racing Commission.

Owing to the lack of time available to the survey committee, no study has been made of any of the organization units under the control of the state board of agriculture. A survey was made, however, of the game and fish department, and preliminary data has been gathered concerning the board of stock inspection and the state racing commission. The findings and recommendations relating to the game and fish department, board of stock inspection, and state racing commission are as follows:

GAME AND FISH DEPARTMENT.

1. Summary of Findings.

- a. The game and fish department is charged with the function of preservation and propagation of game and fish, a function related to that of promotion of agriculture and stockraising. As such, it lends itself to consolidation under a centralized department charged with the general supervision of agriculture, stock, game and fish.
- b. The "game cash fund," consisting of the receipts from the sale of hunting and fishing licenses, is reserved to the special use of the department in the performance of its duties and functions as directed by the game and fish commissioner. The fund is large and forms the foundation for a rather extensive political patronage. Through various influences, men who understand nothing of the work of the game and fish department are forced upon the department without rendering even a fair service in return to the state. If the receipts of the department were credited to the general fund and the department were financed exclusively by biennial appropriations, the state would save thousands of dollars each biennium in this department alone.
- c. The law makes it an optional duty with the county clerks to issue hunting and fishing licenses. For each license thus issued by or under the authority of a county clerk, a fee of twenty-five cents, payable out of the amount of the license fee, is retained by the county clerk. This fee in the aggregate costs the state over \$10,000 annually.
- d. The act creating the department of game and fish specifies the amount of money that may annually be appropriated for traveling expenses for the game commissioner, chief deputy game wardens and deputies, etc. In some cases these amounts are too large and, in others, they are insufficient, but there is no provision of law whereby these traveling expense funds may be adjusted to meet actual conditions, which seriously interferes with the efficiency of the department.
- e. A written agreement has been entered into between the game and fish commissioners and the federal district forester whereby close co-operation between the forest rangers and game wardens is secured. By this agreement forest rangers have been designated as game wardens without any cost to the state, thus improving the service of this department and making it possible also to reduce the present force of state game wardens.
- f. The system of bookkeeping is inadequate to the requirements and importance of the work of the game and fish department. This department spends close to \$60,000 a year, yet it is difficult to ascertain clearly just what each activity of the department is costing. A loose accounting system is indicative of looseness in other ways, and permits extravagance and waste to go undetected.

2. Summary of Recommendations.

Changes Requiring Legislative Action.

- a. The game and fish department should be reorganized as a bureau or division of a department charged with the control of agriculture and game and fish, which should include also the functions of stock and brand inspection, and supervision and control of racing.

- b. Appointments to positions in the game and fish department should be governed by civil service rules and regulations.
- c. All expenses of the department should be paid out of moneys appropriated to the use of the department. Appropriations for traveling expenses should be reapportioned upon a more equitable basis.
- d. The "game cash fund" receipts should be converted into the general revenue of the state in conformity with a proposed uniform procedure concerning all miscellaneous cash receipts as outlined in a separate report on a state budget.
- e. The sale of hunting and fishing licenses and permits could be made obligatory rather than optional upon the county clerks, and the county clerks' fees perhaps reduced.
- f. Purchase of supplies should, wherever possible, be made through a central purchasing department for the state.

Changes Not Requiring Legislative Action.

- a. A complete and adequate system of bookkeeping should be installed.

BOARD OF STOCK INSPECTION COMMISSIONERS.

No study has yet been made by the survey committee of the activities of the board of stock inspection commissioners, although an effort will be made soon to secure some preliminary data on the work of this board. When such data is secured it will be incorporated in a separate report. In general, it may be stated here that from the nature of the services rendered by the board of stock inspection commissioners and the somewhat large force of inspectors and other employes of the board, together with the fact that the board has a special tax levy and that its expenses run close to \$90,000 per biennium, there is every reason to believe that a comprehensive study of the activities of this board would be of value to the board and to the state.

The board is financed from special tax levy and from cash receipts of the board. These funds do not merge with general revenues and the board has practically entire control of its funds.

The state veterinary surgeon, who is also chief meat inspector, is under the supervision of the board of stock inspection commissioners, although his duties as chief meat inspector are those usually placed under the supervision of the state board of health. The salary and expenses of this official are provided for by appropriation from general revenue.

STATE RACING COMMISSION.

No special study was made of the activities of the state racing commission beyond a digest of the laws governing the commission.

The object of the digest of the laws is to show the relation of the activities of the commission to those of the game and fish department and of the board of stock inspection commissioners. These activities are as follows:

The state racing commission was created by act of the legislature in 1913 to promote the breeding of horses in the state of Colorado. The commission, composed of five persons, each of whom shall be an officer or director of some association or corporation organized for the purpose of giving exhibitions of agricultural, mining, and industrial products and live stock, is appointed by the governor for overlapping terms of five years, without compensation.

The commission has the power to prescribe rules, regulations and conditions under which race meetings shall be conducted in this state, and to license corporations or associations organized for the purpose of holding fairs or exhibitions of agricultural and industrial products and live stock.

The commission shall appoint a secretary at a salary fixed by the commission, not to exceed \$300 per annum, to be paid by the several fair, industrial and live stock associations or corporations holding race meetings.

XVIII. PUBLIC INSTRUCTION

No study has been made by the survey committee concerning any of the organizations of the state responsible for the administration of the educational functions of the state, with the exception of a survey of the common school system of the state, conducted by the representatives of the United States bureau of education, Washington, D. C. The official report on this study has not yet been received.

This survey may be considered as preliminary to a survey at some future time of all the educational organizations of the state.

XIX. CARE OF DEPENDENTS, DELINQUENTS AND DEFECTIVES

Under the auspices and also under the immediate direction of the survey committee of state affairs, there have been conducted surveys or studies of different features and phases of the activities of the state having to do with the general function of "care of dependents, delinquents, and defectives."

The surveys or studies made under the auspices of the survey committee are as follows:

a. Concerning Mental Defectives.

1. Through the co-operation of the United States Public Health Service, which conducted the Colorado state board of health survey, a study was made of the inmates in the boys' industrial school, the girls' industrial school, the home for dependent and neglected children, and the home and training school for mental defectives. The results of this study have not yet been disclosed. The report thereon may be submitted before the close of the present calendar year.
2. Through the co-operation of the Committee on Provision for the Feeble-Minded, of Philadelphia, Pennsylvania, public lectures were given by its field secretary, together with advice and counsel concerning the administration of institutions for minors.

b. Concerning the Care and Treatment of the Insane.

1. Through the co-operation of the National Committee for Mental Hygiene, of New York City, New York, the associate director thereof is now conducting a survey of the care and treatment of mental diseases in Colorado. A report on this survey is not expected by the survey committee before early next year.

The surveys made under the immediate direction of the survey committee are as follows:

a. Concerning the Business Administration of State Institutions Other than Educational.

1. Insane Asylum.
2. State Reformatory.
3. State Penitentiary.
4. Boys' Industrial School.
5. Girls' Industrial School.
6. Home for Dependent and Neglected Children.
7. Home and Training School for Mental Defectives.
8. Industrial Workshop for the Blind.
9. Soldiers' and Sailors' Home.

From the business standpoint, i. e., concerning the system of accounting and the system of purchasing, storing and using supplies in each of the institutions listed above, the said institutions as individual units were found to be carefully managed, with minor defects and weaknesses here and there in methods and procedure.

Not all the institutions have accounting records designed to show the detailed and unit cost of operations. Each institution is purchasing its own supplies without any co-operation with other state institutions, although the evidence pointed to a careful system of buying. For more particulars concerning the purchasing of supplies by state institutions see a separate report thereon prepared under the direction of the survey committee.

The question of the reorganization or consolidation of the state institutions referred to in the foregoing was not taken up in the separate business survey re-

ports on those institutions. It is believed, however, that the report to be rendered by the United States Public Health Service and by the National Committee for Mental Hygiene, above referred to, may discuss the question of consolidation of institutions of related activities or functions.

XX. STATE INSPECTOR OF OILS

1. Summary of Findings.

The functions of the state inspector of oils are protection of the public against frauds in the production and sale of petroleum products and paints and similar substances; enforcement of standards established by law concerning the quality and quantity of petroleum products and paints and similar substances; supervision of drilling and capping of oil wells; provision against paints and oils being stored or placed in such position as to endanger property; and other similar duties.

The state inspector of oils is appointed by the governor from a qualified civil service list and may be removed by the governor for cause.

The state inspector has no voice in the selection of his deputies, of which there are two. One deputy is appointed by the governor from a qualified list submitted by the civil service commission, while the other is professor of mechanical engineering of the University of Colorado and ex officio deputy in charge of the laboratory.

The advantages of having a deputy connected with the university in the capacity referred to, are as follows:

- a. It secures co-operation between the university and the state oil inspector in the use of equipment and service.
- b. It provides for practical research work in the use of oils, paints and similar substances.
- c. It supplies efficient tests by expert chemists at a minimum cost to the state.

The inspection of weights and measures is a function which rightly belongs to a bureau of standards. In the absence of such a bureau, the state inspector of oils, as provided in the law creating the department, has been in part entrusted with this duty. The number of dealers in oils, gasoline and paints in this state is too large to permit of a thorough inspection of their weights and measures by the oil inspector's present force. There are only two or three counties in the state which employ county inspectors in this field. It is needless to say that inspection of weights and measures as performed by the oil inspectors is inadequate. Inspections cannot be made at intervals frequent enough to make for efficiency, and where automatic dispensers are used frequent inspections are imperative. If this work is to be continued by the state inspector of oils an increase in the inspection force and better facilities for reaching the outlying dispensers and agents will be necessary.

It is difficult for the state inspector of oils to make inspections of small interstate shipments of petroleum and its products consigned to dealers in cities and towns near the eastern boundary of the state. Railroads in that section run east and west, while the inspector's work requires him to travel north and south. This difficulty could be overcome through the use of an inexpensive make of automobile. An automobile for the inspector would save considerable time also in collecting samples in and around Denver and in other parts of the state.

No provision is made in the law for the employment of a clerk or stenographer. The duties of the state inspector of oils are such as to call him away from his office much of the time, which makes communication with the department difficult. During these periods of absence the commissioner of printing, whose office adjoins that of the inspector of oils, has attended to many clerical duties for the inspector. The present arrangement, which was agreed upon in May, 1916, whereby the inspector of oils and the commissioner of printing employ jointly, on their own responsibility, a clerk to take charge of their offices during their absence, although it meets an immediate necessity, does not permanently solve the difficulty. The auditing board refuses to approve the requisition for the salary of this clerk.

The question has been raised as to the constitutionality of the fee of one-tenth of a cent for each gallon of oil inspected, as collected by the state inspector of oils. This fee produces a revenue much in excess of the amount required to carry on the work of the inspector. The amount collected in excess of requirements merges with general revenues. The inspection of oils is an exercise of police power of the state for which there may be charged a fee sufficient only to meet the expenses of the service rendered.

In bringing forward this question of constitutionality of the amount of fee collected by the state oil inspector the purpose here is solely to indicate what is believed to be the facts in the matter so that the legislature may be forewarned and may take such steps as it deems necessary to provide against a possible temporary disruption of the oil inspection service of the state through subsequent contest in the courts concerning the amount of fee charged. In this connection there are two ways of meeting the problem, viz.:

- a. By reducing the fee, or
- b. By extending the scope of the services rendered by the state oil inspection department.

Considering that the department is handicapped by insufficient clerical assistance and by lack of automobile facilities in performing its field work, also that the activities of the department in research and inspection work could be considerably increased, it would seem the wisest course to adopt the second alternative if any action is taken at all.

2. Summary of Recommendations.

a. Changes Requiring Legislative Action.

The field of standardization of weights and measures, now partially covered by the state oil inspector, should be extended to include this activity in all its scope under the state oil inspector.

The scope of the work of the department in the inspection of oils, paints, compounds, etc., should be extended to include more research work and greater activity in inspection work in the field.

The department should be provided with the necessary clerical and laboratory assistance at the expense of the state and not at the expense of the inspectors.

Automobile facilities should be provided for the state inspector of oils and one inspector to permit them more thoroughly and expeditiously to cover their territory.

To provide against any possible conflict in the amount of fee charged by the department, steps should be taken to make the fee approximate the service rendered. It may be necessary, even if all the foregoing recommendations are adopted, to cause a slight reduction in the amount of the fee to bring it within the legal limitations.

b. Changes Not Requiring Legislative Action.

All official records of the state inspector of oils, with the exception of those maintained at the laboratory, should be kept in the office of the inspector at the state capitol.

XXI. STATE BOARD OF LAND COMMISSIONERS

1. Summary of Findings.

The state board of land commissioners, which is a trust and not a political office, is custodian for the state of some three and one-half million acres of land granted to the state by the federal government chiefly for the benefit of the public schools. The methods of control in the past have been very defective, but as only about one-fourth of the lands originally granted have been disposed of, the loss in the future will be incalculable unless the methods of control are put on a sound business basis and entirely divorced from politics.

The nature of the work of the land board is identical with the work of the industrial and land bureaus of the great land grant railroads which have built up the western part of the country. But the state land board does not carry on its work efficiently and in a businesslike manner as indicated below.

- a. Classification and valuation of state lands have never been made in such way that the state board of land commissioners can give a prospective purchaser the selling price and the general description of a parcel of land for sale. It has not the faintest idea of the value and description of the land which it controls, and its methods of appraisal cause a delay of from a year to a year and a half, after an application for a lease or purchase of land has been made, before the prospective purchaser finally secures the land.
- b. State lands are sold with all mineral rights reserved to the state regardless of whether they contain any mineral, thus putting a cloud on the buyer's title.
- c. There are still due the state approximately 150,000 acres of land from the federal government which have not yet been selected and located by the state. Naturally the longer the state waits the less land will it have to choose from.
- d. More than half of the state lands are under lease, the incomes from which is considerably less than would be derived if the lands were sold and the proceeds invested. The low rental per acre (less than ten cents) tends to prevent sales, because the initial payment on purchases is too high. Interest charges on deferred payments, also are too high.
- e. The present system of requiring purchasers to pay for the improvements made upon tenanted lands in case of sale thereof, places too heavy a burden upon the purchaser and is not conducive to promoting and increasing the sales of leased land.
- f. A large part of state lands are arid or semi-arid and cannot be sold unless water for irrigation can be supplied.
- g. Only at considerable expense, labor and time can the state board of land commissioners ascertain how much money remains unpaid on lands purchased on the installment plan. In other words, the board does not know at a given time how much is due to the state under the heading of accounts receivable. Steps have been taken by the board to remedy this condition.
- h. The present books are not adapted to the information which they should contain, and the use to which they are put, with the result that all kinds of data are scattered in every conceivable manner across pages and columns which are reserved for other data. Commercial experience teaches that these records must be very unreliable, inadequate and incorrect.
- i. The office quarters and vault space of the state board of land commissioners are entirely inadequate, resulting in great confusion and waste of time. There is no separate or private room for conferences or for the hearing of complaints. The engineer of the board has no drafting facilities and the superintendent of mineral lands, although by law a separate division of the land board, has no facilities immediately at hand to enable him to perform the manifold duties attached to his office.
- j. Without adequate quarters and changes in methods of bookkeeping, little can be done to simplify the office routine. The records are, however, becoming too complex for the ordinary clerks and a trained bookkeeper is necessary.
- k. The present fee system works a hardship upon the small land buyer and is to the advantage of the large buyer.

1. There is but one uniform salary for all employes below the chief clerk, appraisers, and the deputy register. The compensation is not based upon the character of the work required of the employes, but is set at \$100 per month regardless of the class of work performed.

2. Summary of Recommendations.

a. Changes Requiring Legislative Action.

1. A full title in fee simple without reservations should be given by the state to purchasers of lands containing no coal or minerals.
2. The rental per acre on leases should be increased; the interest on deferred payments and the initial payment should be decreased, while the number of deferred payments should be increased so as to make each payment smaller.
3. Some scheme should be devised whereby improvements to be refunded at the time of sale of the land are limited to a certain amount per acre, and the state board of land commissioners is permitted to reimburse the tenant for these improvements at once out of the special fund provided for that purpose, and to add the cost thereof to the selling price of the land.
4. A scheme should be devised whereby it would be possible for the state board of land commissioners to develop water for irrigation purposes on state lands.
5. A charge of two cents on each acre leased, and of one per cent on the selling price of land sold, should be collected in lieu of fees and applied to the maintenance of the office through appropriations.
6. Salaries should be adjusted to the grade of work required of the employes.

b. Changes Not Requiring Legislative Action.

1. An appropriation should be made to the land board for the purpose of surveying, appraising and classifying all state land. The data collected under such a survey should show whether the land is mineral or non-mineral bearing, whether it is adapted to grazing or to agricultural purposes or to town lots. The data should show, also, the possibilities of irrigation, the average rainfall, etc. With such information available in the office a purchaser could be given possession in five or six weeks after his application has been filed. It is estimated that this work will cost \$12,000.
2. The 150,000 acres of land still due to the state from the federal government should be selected at the same time the proposed survey, appraisalment and classification of lands are made. The selection of this land will probably cost around \$2,000.
3. The land records should show opposite the plat of each particular piece of land all the information pertaining thereto. The estimated cost of installing records to show all information pertaining to each piece of land is \$6,000.
4. New quarters should be provided for the land board with larger offices and vault space so that a small room could be provided for hearing complaints, etc., and space allowed for a large counter upon which to spread the books and records for inspection of prospective buyers.
5. A trained bookkeeper, as required by law, should be employed by the board.

XXII. STATE BOARD OF IMMIGRATION

In the preceding summary of findings and recommendations relating to the state board of land commissioners, reference is made to what is believed to be the true relationship of that board to the state government. In harmony with the view

referred to, it is believed, also, that the activities of the state board of immigration should be performed under the direction and supervision of the state board of land commissioners.

The activities of both boards are closely related, although the activities of the board of immigration cover a wider scope than merely the collecting of data relating to the public lands of the state. The transferring of these activities to the state board of land commissioners will place under one central executive control the development of the state through immigration and the sale and lease of the public lands of the state.

No study has been made by the survey committee of the work of the state board of immigration beyond compiling a digest of the duties conferred by law on this board, as follows:

The state board of immigration is created for the purpose of advertising the resources and attractions of the state of Colorado among the people of other states and nations to stimulate the development and increase the population of this state.

Three members of the board are appointed by the governor, with the advice and consent of the senate, and the governor shall be ex-officio a member of the board and president thereof. The term of office for which members of the board are appointed is six years. The board elects a commissioner of immigration whose duty, under the direction of the board, is to act as secretary thereof, collect data on agriculture, stock growing and feeding, horticulture, mining and other information of interest, and to perform other duties in furthering the object for which the board is created.

The members of the board receive no salary or per diem, excepting traveling expenses incurred in carrying on the work of the board. The salary of the commissioner of immigration is established in the creating act at \$3,600 per annum.

The personnel under the supervision and direction of the board of immigration is as follows:

Commissioner of Immigration.....	\$3,600
Statistician	1,800
Clerk and Stenographer.....	1,200
Stenographer	780

The immigration board is supported by appropriation from general revenues. Appropriations for this board are considered as fourth class and as such may be expended only in the event of any balance remaining in general revenues after the first, second and third class appropriations have been satisfied.

The board of immigration may solicit and receive cash contributions for the purpose of furthering the general or special advertising of the state.

The adoption of the proposed change relating to the transferring of the duties of the state board of immigration to the state board of land commissioners will necessitate the repeal of the present act creating the former board and the conferring of its powers on the state board of land commissioners. Through this change it may be possible to effect economy in expenditure for purposes of carrying on the activities of the present state board of immigration.

XXIII. STATE AUDITING BOARD

1. Summary of Findings.

The state auditing board is exercising an auditing control which should be exercised by the state auditor alone.

The duplication of the auditing function results in the duplication of work and of certain records. Further, the creating of the auditing board has resulted in confusion in the general government as to the auditing powers and duties of the board.

The auditing control of the board legally is restricted to certain funds and departments, to certain salaries and to certain expenses, yet the board is passing on expenditures over which it apparently has no control, and which frequently results in disputes between the board and state institutions concerned.

- The state auditing board has duties conferred on it which it could not exercise without duplicating records in the auditor of state's office.
- The bulk of the work performed by the auditing board relates to the approval of requisitions and vouchers for contingent and incidental expenses of departments, boards and offices. This work would be absolutely unnecessary if appropriations were made to departments in accordance with the proposed plan of state budget outlined elsewhere herein.
- The language of special tax levy acts and of certain sections of the law relating to cash receipts is so broad and general concerning the objects for which state funds may be expended that auditing control, whether exercised by the state auditing board or the state auditor, is almost negligible.
- The state auditing board has no copies of contracts or bid sheets or other evidence of contract agreements as a basis for the audit of claims for supplies and services rendered to the state. Further, the records of the board are not kept to show the outstanding claims against monthly or "blanket" requisitions approved by the board for departments and institutions. Also, the board does not keep fund accounts for all departments and institutions whose requisitions and vouchers are approved by the board.
- In practice, the auditor of state actually exercises many of the duties required by law of the state auditing board, particularly with respect to the closing of appropriation accounts. Moreover the voice and opinion of the auditor largely govern the actions of the auditing board in approving requisitions and vouchers.
- From the findings disclosed, the conclusion is reached that the state auditing board would be unnecessary under a revised system of financial legislation and budget procedure, and where the auditing function is exercised by the officer provided in the constitution to exercise that function, viz., the state auditor.

2. Summary of Recommendations.

- In accordance with the findings outlined in the foregoing, it is recommended that the present state auditing board be abolished. The auditing function of the state should be centered in one department only. That department, under the auditor of state, already exists by virtue of the constitution and statutes. (This recommendation does not include the University of Colorado, which audits its own financial transactions by constitutional exception.)
- The "contingent and incidental fund," now under the control and direction of the auditing board, should be apportioned in the general appropriation act to the respective departments, boards, etc., under the control and direction of the heads of those departments, boards, etc., subject to such auditing control as is now or may hereafter be vested in the auditor of state. This recommendation is in harmony with recommendations contained in a separate report on the preparation of a state budget, the manner of submitting estimates, of making appropriations, etc., which, if adopted, would make unnecessary the control over this fund now exercised by the state auditing board.
- The fixing of salary rates of additional clerical assistance in certain departments, a duty now performed by the state auditing board, should be done in accordance with civil service commission's rules or classified lists of state employes. Once the governor has approved the employment of additional help, as provided by law, the rates of compensation then should be dependent on the rates paid for the same class of work as defined in civil service rules.
- The right to transfer temporarily employes from one department to another to meet the pressing needs of state business, should be vested in the governor as the chief executive of the state.
- The duty of the auditing board to determine the extent to which special appropriations have been used or contracted against and to transfer any balances therein to general revenue, also to transfer unexpended balances in any appropriation after all bills and accounts have been paid,

to the funds from which such appropriations were originally drawn, should be vested in the auditor of state, who, in practice, performs this duty without official action of the state auditing board.

Appropriations should be made by the legislature in accordance with a plan of budget estimates as suggested in a separate report on a state budget, and all fees or earnings of departments or institutions should be covered into the general revenues of the state where all such receipts or earnings are not especially set aside by law as permanent funds, such as school funds, etc.

a. Changes Requiring Legislative Action.

The legislation necessary to put into effect the above recommendations is as follows:

- (1) An act to abolish the state auditing board.
- (2) An act amending those acts which require certain departments, boards, and offices to secure the approval of the state auditing board to requisitions and vouchers for expenses.
- (3) An act providing that civil service rules and regulations shall apply to the rate of salary to be paid to additional clerical or other help employed in any state office, where such salary is not provided for in the law, and also providing that the right to transfer, temporarily, employes from one department to another to meet the pressing needs of state business shall be vested in the governor.
- (4) An act conferring on the auditor of state all those duties now conferred by law on the auditing board concerning the transferring of balances of appropriations.

If the proposed changes in financial legislation and budget procedure are adopted, the change suggested above in the handling of the "contingent and incidental fund," and concerning fees and earnings of departments and institutions, will be taken care of in the manner proposed in the separate report on state finances and budget procedure.

Advantages of the Proposed Changes.

- a. The members of the state auditing board will be relieved of the duty of signing thousands of requisitions and vouchers, the great majority of which are for the necessary and current operation of business, thus giving each member more time for the specific problems of his own department.
- b. Claims against the state will pass through a less number of hands, thus facilitating the more prompt dispatch of business and settlement of accounts.
- c. There will be less cause for friction or argument between heads of departments or institutions and the central auditing authority, because the plan of budget control recommended in another report will determine the functions and duties of all persons concerned.
- d. Departments and institutions will be relieved of unnecessary clerical work in the preparation of "blanket" requisitions for necessary expenditures and the running back and forth between the office of the state auditing board of clerks getting the approval of the board to requisitions. (Requisitions for supplies and printing are excluded from the above as one of the advantages of the proposed changes, for the reason that departments, boards, etc., may still have to make such requisitions if a central purchasing department is adopted, as suggested in a separate report relating thereto.)

In addition to the foregoing advantages there is another advantage not specifically relating to changes in the state auditing board, but which, dependent on those changes, affects the transactions of another state department, viz., the office of secretary of state. The secretary of state maintains the same detail accounts relating to the "contingent and incidental fund" now maintained by the state auditing board. There is a duplication of the

records concerning this fund in both offices. The adoption of the changes suggested in connection with the state auditing board will automatically eliminate this duplication of records and of the work of keeping them.

The duplication of records in the secretary of state's office is caused by the fact that the secretary of state is a central department for purchasing supplies for certain departments, boards, etc., in the capitol building, the cost of which is chargeable to the "contingent and incidental fund" accounts. The proposal to relieve the secretary of state of the function of purchasing supplies for other departments is outlined in a separate report on the office of the secretary of state.

Such rules or regulations now in force for the audit by the auditing board of traveling and other incidental expenses may, with the adoption of the suggested changes in the state auditing board, be continued in force by the auditor of state.

XXIV. PUBLIC EXAMINER'S OFFICE

1. Summary of Findings.

The findings in this preliminary report on the public examiner's office should not be taken in any sense as an expression of hostile criticism of an organization which has been in existence so few years. It is recognized that the great amount of work to be done, together with insufficient appropriations for the purpose, have handicapped that growth and development of the office which can come only with time and wise laws and administration, and which may confidently be expected of it in the future. The object of this report is, rather, to assist in bringing the office to that usefulness as an organization for the protection of the interests of the state which it is believed it was originally intended to have. Only by discussing any defects in organization methods may this result be accomplished.

The findings, therefore, in summary form, are as follows:

- a. The force of examiners and assistants is inadequate in size properly to handle all the auditing work that should be currently kept up to date.
- b. The force of examiners and assistants does not appear from the records to have the experience, training and education usually required of men in this field of work.
- c. Neither the law nor the salaries paid offer any inducement to qualified accountants to enter the state service in this field of work.
- d. The state is at a distinct disadvantage in being unable to retain in its service its public examiners and assistants where such retention would be desirable and for the best interest of the state. The present force of examiners and assistants is subject to immediate removal at the will of the auditor of state, regardless of fitness and ability. The civil service law offers no protection because none of the examiners was appointed on competitive examination.
- e. Examinations of offices are not conducted as frequently as the service seems to demand. This results in skipping offices and periods of operations.
- f. County commissioners are, in a number of counties, employing private firms to audit their records and in some cases to devise and install accounting systems. These are duties which the public examiner's act of 1909 specifically charges the auditor of state and the public examiner to perform. The devising of accounting systems for different counties by different private firms without the co-operation of the auditor and public examiner cannot be considered a commendable practice from the standpoint of uniformity of system or of the responsibility of the auditor and public examiner concerning county records and business procedure.

SUMMARY OF FINDINGS

- g. There appears to be need for revision and uniformity of accounting methods in some state departments and county offices.
- h. The records of the public examiner's office are incomplete to show the cost of each examination made and other particulars relating to the details of the work of the office.
- i. Reports of examinations appear to be unnecessarily bulky and cumbersome and to contain at times non-essential information or information which should be of record in the general books and files of the auditor's office.
- j. The publication of the biennial report of the public examiner is not required by law, and, further, the information contained therein is here considered not of sufficient value to warrant the cost of its printing. The last biennial report (1913-1914) of the public examiner cost \$1,375.00.

2. Summary of Recommendations.

Only one change is here proposed in the provisions of the public examiner's act. This change concerns the salaries paid examiners and assistants as fixed in the act. Time was not available for a first-hand study of all the provisions of the public examiner's act, although it may be pertinent, without going into details, to refer here to recommendations made by the auditor of state in a public examiner's report of 1911 relative to the pressing need of amendments to the public examiner's act of 1909. The recommendations, however, appear not to have been adopted by the legislature.

The recommendations proposed are as follows:

a. Changes Requiring Legislative Action.

- (1) For the purpose of emphasis, there is here recommended what has been referred to in other reports by the survey committee of state affairs, viz.: The civil service law should be amended to make it a vital and practical law and one which may command and enforce the respect of all persons concerned in its provisions.
- (2) The provision of the public examiner's act of 1909, fixing the rate of pay of examiners and assistants, should be amended to leave this question to be decided each biennium by the auditor and the legislature in the general appropriation act.

b. Changes Not Requiring Legislative Action.

- (1) The public examiner's office should be reorganized to place it on a high plane of business efficiency and equipped to perform correctly and promptly any work required of it.
- (2) The public examiner and all his assistants should be under civil service rules and regulations and appointed only from a list of eligibles certified by the civil service commission as a result of a competitive examination. Further, the qualifications of the public examiner and of his assistants should be of a standard sufficient to secure an experienced and competent corps of workers.
- (3) The public examiner should install in his office a system of cost records to show the details of all work performed, and he should require of every employe of the office reports of his activities showing the time engaged each day and such other information as may be demanded by the public examiner. These reports should be turned in to the central office two or three times a month.
- (4) Examiners' reports on the results of examinations should be as nearly as possible confined to essential facts and to summaries of receipts and expenditures. Standard printed forms for submitting the results of examinations should be devised wherever this is possible. The present system of binding reports should be discontinued.

- (5) The present form of report published biennially by the public examiner should be discontinued. The results of operations of the public examiner's office should be included in summary form as a part of the state auditor's biennial report.

It is believed that, with the adoption of the proposed changes outlined above, the public examiner's office will secure that co-operation and good will from county commissioners which will make unnecessary the employment by them of private firms to do accounting and auditing work which the law requires to be performed by the public examiner. This co-operation will save the counties the thousands of dollars which, it is said, counties are now paying to private firms of accountants. In any event the reorganization of the public examiner's office as proposed will remove the incentive for the employment of private firms and localize the reason for such employment.

With respect to the question of accounting systems in county offices, it is suggested that there should be a thorough study made by the public examiner of all county offices and the systems in use, the result of the findings to be incorporated in a formal report to the auditor and governor, to set at rest the question of uniformity of systems and methods and procedure in county offices.

It is here pointed out, also, that logically before the auditor and the public examiner may insist upon changes in accounting methods in other offices, the general accounting system in the auditor's own office should be modernized and placed on a sound accounting basis.

In conclusion it should be said that unless the public examiner's office is equipped and financially supported along the lines suggested above, the office might as well be abolished and \$50,000 per biennium saved to the state, as half-way measures in a field of this kind fail to command the respect which justify the expenditure.

XXV. PURCHASING METHODS IN THE STATE GOVERNMENT

1. Summary of Findings.

There is no centralized supervision and control of the purchasing function in the state government. The organizations carrying on this function are as follows:

- a. The board of control of each state institution purchases its own supplies.
- b. The secretary of state, with the approval of the governor and the treasurer, awards contracts for office supplies to be furnished to certain state departments and offices.
- c. The secretary of state, the governor and the attorney general constitute a commission for the awarding of contracts for printing supreme court reports.
- d. Certain state departments and offices also purchase their own office supplies independently of the secretary of state.
- e. The governor, with the approval of the military board, is authorized to purchase all supplies and equipment needed by the national guard.
- f. The board of capitol managers purchases all supplies needed for the operation and maintenance of the capitol and museum buildings, and purchases also, furniture for offices in those buildings.
- g. The commissioner of public printing has the direction and supervision of all public printing of the state with certain exceptions.

SUMMARY OF FINDINGS

As a result of the many different organizations of the state performing the purchasing function there is diversity of systems and methods in use. There is lack of standardization of food and other supplies of the same kind in current use in state institutions and departments. The contract awarded by the secretary of state for office supplies is awarded for a period of two years; supplies purchased by the board of capitol managers may be purchased on competitive bidding and formal contracts or they may be purchased without competitive bidding and on open market orders in small lots as needed; supplies purchased by some state institutions may be purchased on contract or price agreements covering periods which range from one month to six months, while other state institutions may purchase considerable of their supplies in the open market at the best prices obtainable at the time of purchase. Statutory provisions governing purchases of supplies by state institutions lack uniformity of method and procedure of making such purchases.

The departments and offices for which the secretary of state enters into a two-year contract for office supplies are not furnished with copies of the schedules of supplies and prices included in the said contract. The result is that not all the departments and offices in question are familiar with the contract prices and hence approve their purchase vouchers for supplies when frequently the prices charged thereon by the very dealers who have the contracts, are current market prices and not contract prices. In justice to dealers and all persons concerned it should be observed that it is the general looseness of the system of many persons making direct purchases without reference at all times to contract specifications that causes a mix-up in prices for office supplies furnished to state departments and offices.

Neither the state auditing board nor the secretary of state closely examines requisitions from departments and offices for supplies to see that the supplies requested to be purchased are within the terms of the contracts for office supplies. The auditing board, in fact, has no copy of contracts for supplies as a basis for approval of purchase requisitions and vouchers. Moreover, invoices rendered by firms holding office supplies contracts are frequently very difficult of exact audit on account of insufficient specifications thereon relating to the supplies delivered.

Very frequently the office supplies purchased by state departments and offices are purchased at prices equal to or higher than the retail prices current in the market, regardless of the contract for such supplies, as made by the secretary of state.

The defects and weaknesses in the system of preparing the schedules of office supplies and of awarding contracts thereon have already been outlined in some detail in a separate survey report on the secretary of state. Also, the survey reports on the auditor of state and the state auditing board, contain references to weaknesses in the procedure of auditing purchase vouchers.

Although the commissioner of public printing has supervision over printing for state departments and offices he cannot by law in many instances specify the kind of paper to be used, therefore the purchases of paper for printing purposes are not in accordance with the specifications in the state contract for paper supplies.

Statutory requirements as to the cost of printing are obsolete and the restriction placed upon the prices of composition have made it necessary in many cases to avoid the strict letter of the law in getting printing done. The printing of senate and house bills is let under a schedule of maximum prices as set by statute. The statute is evaded by charging the full original price of composition when small changes are made in the subject matter printed and by a very liberal count of printer's "m's" in such composition.

It is impossible even to approximate with any degree of closeness the total amount of supplies of all kinds purchased by the state in any fiscal year, owing to the absence of any central records to refer to for that purpose. Supplies may be purchased practically from any or all appropriation and fund accounts, with the exception of where salaries are specifically set aside in an item of appropriation.

2. Summary of Recommendations.

Changes Requiring Legislative Action.

A central purchasing department should be created to take over, wherever such action would be for the best interest of the state, the purchasing of all supplies and equipment for the state.

The proposed central purchasing department in addition to being charged with the purchasing function of the state, should have a control of some kind also over supplies kept in storerooms in departments, institutions, or offices with the object of preventing the overstocking of supplies in such storerooms and of preventing waste or extravagance in the purchasing of supplies.

The central purchasing department should be empowered to purchase supplies and equipment at such times and under such price agreements for immediate or future deliveries as the condition of markets and the needs of the state may make desirable. An important activity of the new department should be the standardization of supplies used in the state service.

If a central purchasing department is created as suggested, the office of commissioner of public printing should be abolished and the duties of that office transferred to the central purchasing department.

The field of usefulness and the advantages of a central purchasing department, efficiently managed, need very little discussion here. Most cities and numerous states have centralized purchasing departments in some form or other. That there is need of such a state department in Colorado is admitted by all persons familiar with the state's purchasing methods. The executive officers of state departments and institutions visited in the course of the present state survey have almost uniformly expressed a desire to co-operate with a central purchasing department.

Colorado has recognized the principles of centralized purchasing in the conferring on the secretary of state of a limited purchasing power for a number of departments and offices, and also in creating the office of commissioner of public printing. Unfortunately the laws in these respects are inadequate to realize the full advantages of centralized purchasing. There are still too many exceptions under the present laws, and, further, the secretary of state has not the organization or facilities for performing efficiently the function of a central purchasing agency. Purchasing is merely a side line with the secretary of state.

XXVI. COST OF PUBLISHING INITIATIVE AND REFERENDUM BILLS AND CONSTITUTIONAL AMENDMENTS.

The initiative and referendum in Colorado were provided for by constitutional amendment adopted by the people in 1910.

Under this provision there were published and submitted to the people in 1912, thirty-two measures; in 1914, sixteen; and in 1916, seven. The printing cost of such legislation in Colorado for the past four state elections is shown in the following statement.

Publishing Constitutional Amendments, 1910.....	\$ 26,620.30
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1912.....	115,355.84
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1914.....	49,539.60
Publishing Initiative and Referendum Bills and Constitutional Amendments, 1916.....	60,494.34

The heavy printing cost of submitted measures in this state is due largely to the method of publication required by the constitution. The constitution requires such measures to be published in full in not more than one newspaper of general circulation in each county, for four successive weeks previous to the next general election.

In contrast to the Colorado method of publishing initiative and referendum bills and constitutional amendments, it is of interest to observe the system and cost

of publishing such measures in the state of Washington. The laws of that state require the secretary of state to publish submitted measures in pamphlet form at least sixty days prior to any election at which such measures are to be submitted to the people. The pamphlets in question are mailed by the secretary of state to every voter in the state whose address he has or can with reasonable diligence ascertain, at least fifty-five days before the election. Copies of the pamphlet are sent, also, to voting precincts in counties, to libraries of educational, charitable, penal and reformatory institutions of the state, to state officers, judges, public libraries, etc.

Under these provisions there was published and submitted to the people of the state of Washington in 1916 a pamphlet of 64 pages containing printed matter which would fill 855 inches of newspaper columns in the regular newspaper type. The whole was printed upon cheap paper similar to that used for newspapers and sent by mail to the registered voters as required by law. All together about 450,000 copies were disposed of at the following cost:

Clerk hire for checking both referendum and initiative petitions and mailing the same.....	\$17,907.74
Postage	3,171.21
Printing	10,824.85
Express	33.95
Total	\$31,937.75

The initiative and referendum bills and constitutional amendments voted upon by the people of Colorado in 1916 filled 178 inches of the ordinary newspaper column in fine print and, as required by law, were published for four consecutive weeks (or 28 days) in one newspaper of general circulation published in each county of the state. The total expense to the state, according to estimates made by the secretary of state was about \$50,000.

Assuming then that there are approximately 375,000 registered voters in Colorado, and as both states extend suffrage to women, a contrast between the cost of the two methods of publishing initiative and referendum bills and constitutional amendments is as follows:

Colorado—publishes 178 column inches in newspapers for the enlightenment of 375,000 voters.....	\$60,500
Washington—publishing 855 column inches in pamphlets and mailing the same to 450,000 voters.....	32,000

Washington, therefore, placed in the hands of its voters over $4\frac{3}{4}$ times as much printed matter as did Colorado and at practically half of the cost. In other words, if Colorado had published an amount of matter equal to that of Washington, under the present laws of Colorado, it would have cost the state over \$240,000, while under the Washington plan it cost that state but \$32,000.

It is evident that the present system of publishing initiative and referendum bills and constitutional amendments is costly. The law governing such publication is a section of the constitution, and any change in the method of publishing such measures, therefore, would require constitutional amendment.

There remains no doubt but that a constitutional amendment providing for the publication of initiative and referendum bills and constitutional amendments upon the Washington plan would in a few years at the rate such measures are being submitted to the people, save hundreds of thousands of dollars to the people of Colorado, and such an amendment cannot be too strongly urged.

The Washington plan of booklets has a further advantage over the Colorado plan in that it places in the hands of each registered voter in a neat and compact form all measures requiring his consideration and judgment. These booklets have a far wider scope of usefulness than a newspaper. Moreover, the newspapers in which the submitted measures are published in Colorado may reach a less number of registered voters than a booklet sent out on the Washington plan.

XXVII. COMMISSIONER OF PUBLIC PRINTING

A study of state printing laws and procedure has been made, but at the time of preparing this summary the report thereon was incomplete. Such report will be submitted when finished.

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