

P2896

EXCERPTS FROM  
REGULAR AND SPECIAL MESSAGES

OF

GOVERNOR HATFIELD

TO THE

LEGISLATURE OF WEST VIRGINIA OF 1915

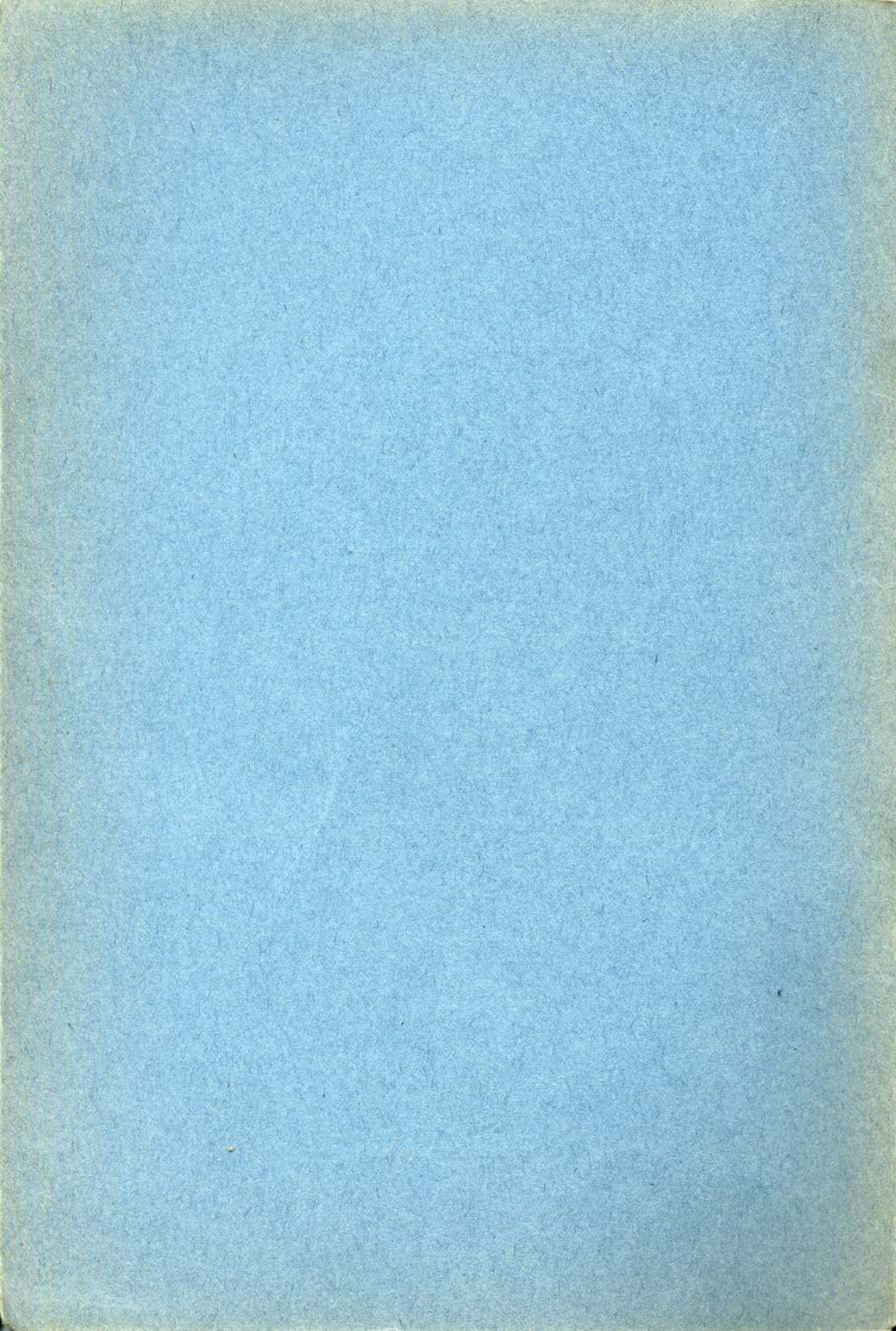
DEALING WITH THE

SUBJECT OF TAXATION AND FINANCE



CHARLESTON, W. VA.  
1915







EXCERPTS FROM  
REGULAR AND SPECIAL MESSAGES

OF

GOVERNOR HATFIELD

TO THE

LEGISLATURE OF WEST VIRGINIA OF 1915

DEALING WITH THE

SUBJECT OF TAXATION AND FINANCE



CHARLESTON, W. VA.  
1915





TRIBUNE PRINTING CO., CHARLESTON, W. VA.



**EXCERPT FROM FIRST BIENNIAL MESSAGE OF  
GOVERNOR HATFIELD TO LEGISLATURE  
JANUARY 13, 1915.**

**DEALING WITH SUBJECT OF STATE FINANCES.**

At the beginning of this administration, the State's finances were in quite an unsatisfactory condition. Commencing with the first fiscal year, July 1, 1913, there was an overdraft or deficit in the State fund amounting to approximately \$504,462.91 of moneys applicable to the payment of appropriations which were payable out of the State's general revenue as follows:

Cash on hand in the State fund, .....	\$ 35,515.76	
Collections made in the following year belonging to this year, .....	115,000.00	
		<hr/>
making a total of.....	\$150,515.76	
There was owing to the counties, districts and municipalities, out of the general fund, .....	\$ 61,936.59	
Due to blank appropriations, subject to withdrawal at any time in the general fund, but not for general purposes, ...	204,042.08	
Unpaid salaries and expenses, .....	82,000.00	
Collections belonging to the following year, .....	307,000.00	
		<hr/>
	\$654,978.67	
Making a deficit in the State fund, June 30, 1913, of.....		\$504,462.91
	<hr/>	<hr/>
	\$654,978.67	\$654,978.67

Very liberal appropriations, comparatively speaking, were made by the last Legislature for most of the State institutions and departments, without providing for any new sources of revenue to supply the funds for these appropriations, with the exceptions of authority given the Board of Public Works to lay an additional direct levy not to exceed ten cents on the one hundred dollars. It was very



necessary, in view of the material decrease in the State revenues from the loss of liquor license tax, to adopt the policy of retrenchment whenever it should be done, for the purpose of preventing a further overdraft. It will be seen from the following figures that the retrenchment policy has been carried into effect vigorously by the present administration. At the end of the year, June 30, 1914, the following conditions were shown, by audit:

Owing to Counties, Districts and municipalities, . . . . .	\$ 45,740.23	
Owing blank appropriations, . . . . .	236,693.49	
Unpaid salaries and expenses, . . . . .	82,000.00	
Collections belonging to the following year, . . . . .	307,000.00	
		<hr/>
Making a total of . . . . .		\$671,433.72
Assets, cash on hand . . . . .	\$209,917.65	
Collections, prior to January 31st, belong- ing to the following year, . . . . .	115,000.00	
		<hr/>
	\$324,917.65	\$324,917.65
		<hr/>
		\$346,516.07

It will be seen that the overdraft for the year ending June 30th, 1914, has been reduced from \$504,462.91, which was the deficit at the beginning of the year, July 1st, 1913, to \$346,516.07. At the end of the year 1914 had the full amount appropriated and available for expenditure during the year, been drawn upon, the overdraft would have been \$1,063,740.34, or would have been increased \$717,224.27, instead of being reduced as it has been to the extent of \$157,946.84.

Without additional revenue being authorized by the Legislature of 1913, with the loss of approximately \$560,000.00 of the State license tax beginning July 1st, 1914; together with the fact that \$319,055.99 of the State's funds was expended during the Kanawha strike period, it is estimated that the overdraft on July 1st, 1915, taking into consideration the direct levy for State purposes by the Board of Public Works, will not be over \$624,000.00. This has been made possible by the economy that has been put into effect by holding down all appropriations as much as possible to do so, and the withholding of the appropriations for buildings and lands in connection with State institutions made for the biennial period beginning July 1st, 1913. If the entire amount appropriated by the Legislature



would be expended, the overdraft on July 1st, 1915, would amount to \$1,474,279.74. It would seem that we have demonstrated through these figures that economy and retrenchment have been the watchwords of the administration in the handling of the State's finances.

The total amount expended for all purposes (public service tax and delinquent collected for counties, districts and municipalities, and payment of benefits under the Workmen's compensation) during the year ending July 1, 1914, was \$2,398,831.42 from the State's general revenue, and \$827,967.17 from special revenue, totalling \$3,226,798.59. This amount, briefly stated, was expended from appropriations for the following purposes:

For What Expended.	Amount expended	Per cent of total amount expended
Education .....	\$ 1,456,183.34	45.13
Asylums and Hospitals.....	427,940.01	13.26
Boys' and Girls' Industrial, and Deaf and Blind Schools.....	152,306.93	4.72
Children's Homes.....	19,679.60	.61
Courts and Law Libraries.....	133,181.53	4.13
Criminal Charges and Lunatics in Jail.....	81,899.97	2.54
Militia .....	65,934.89	2.04
West Virginia Penitentiary.....	158,398.78	4.91
Maintenance of Capitol Buildings, Mansion and Grounds.....	31,787.62	.99
State Elective Offices and Departments.....	137,517.21	4.26
State Appointive Offices, Commissions and Boards .....	302,895.62	9.39
Insurance on Public Buildings.....	2,376.37	.07
Agricultural Experiment Station.....	71,398.83	2.21
Geological and Economic Survey.....	45,765.57	1.42
Civil Contingent Fund.....	11,557.39	.36
Printing, Binding and Stationery.....	42,440.18	1.31
Refund of Erroneous Payments.....	13,716.79	.42
Extraordinary purposes.....	59,602.23	1.85
Miscellaneous purposes.....	12,215.73	.38
	\$ 3,226,798.59	100.00

I herewith submit a statement of the condition of the State's finances as of June 30, 1914, compared with the close of the two preceding fiscal periods and an estimate of the revenue and requirements for the current fiscal year:



**Condition of State Finances June 30th, 1914, and Compared with  
Condition at Stated Periods.**

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14
Surplus in State Fund.....	\$ 592,475.39	\$.....	\$.....
Deficit in State Fund.....	.....	504,462.91	346,516.07
Cash on Hand General School Fund .....	456,926.35	563,750.52	553,448.01
Cash on Hand The School Fund	26,800.00	84,200.00	9,100.00
Cash on Hand Workmen's Com- pensation Fund.....	.....	.....	183,840.78
Investment School Fund.....	973,200.00	915,800.00	990,900.00
Investment Workmen's C. Fund	.....	.....	216,000.00
Net Assets all Funds.....	\$ 2,049,401.74	\$ 1,059,287.61	\$ 1,606,772.72



**Comparative Condition of State Fund at Stated Periods, and  
Estimates for Year Ending June 30th, 1915.**

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Estimate Year Ending 6/30/15
Receipts during year .....	\$ 4,625,212.60	\$ 3,537,769.82	\$ 5,654,045.22	\$ 2,328,500.00
Cash on Hand beginning of year .....	1,173,341.40	1,132,788.77	35,515.76	209,917.65
Total receipts and cash on hand..	\$ 5,798,554.00	\$ 4,670,558.59	\$ 5,689,560.98	\$ 2,538,417.65
Disbursements ..	4,665,765.23	4,635,042.83	5,479,643.33	2,606,200.00
Cash on hand close of year..	1,132,788.77	35,515.76	209,919.65	.....
Deficit close of year .....	.....	.....	.....	67,782.35
Current Receiv- ables collected in following year .....	115,000.00	115,000.00	115,000.00	115,000.00
Total Cash on hand and Re- ceivables .....	\$ 1,247,788.77	\$ 150,515.76	\$ 324,917.65	\$ 47,217.65
Liabilities and collections be- longing to fol- lowing year ..	655,313.38	654,978.67	671,433.72	671,433.72
Surplus .....	\$ 592,475.39	.....	.....	.....
Deficit .....	.....	504,462.91	346,516.07	624,216.07



**Liabilities and Collections Belonging to Following Years at Stated Periods.**

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Estimate Year Ending 6/30/15
Current expenses paid or to be paid in following year .....	\$ 82,000.00	\$ 82,000.00	\$ 82,000.00	\$ 82,000.00
Collection belonging to following year ...	307,000.00	307,000.00	307,000.00	307,000.00
Due counties, districts and Municipalities ....	60,460.96	61,936.59	45,740.23	45,740.23
Due Blank Appropriations ..	205,852.42	204,042.08	236,693.49	236,693.49
Total .....	\$ 655,313.38	\$ 654,978.67	\$ 671,433.72	\$ 671,433.72



**Receipts of State Fund for Stated Periods and Estimates for  
Year Ending June 30th, 1915.**

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Estimate Year Ending 6/30/15
Automobile				
Licenses .....	\$ 31,037.11	\$ 28,393.06	\$ 60,173.74	\$ 70,000.00
Chauffeurs				
Licenses .....	329.25	198.75	474.75	500.00
Collateral In- heritance Tax.	168,233.37	72,080.14	281,660.20	140,000.00
Erroneous pay- ments refunded .....		583.07	2.55	
Fees, Com's				
Banking .....	3,590.00	4,025.00	7,435.00	7,500.00
Fees, Auditor's Office .....	48,972.73	51,764.52	55,503.50	55,000.00
Fees, Sec. State's Office .....	16,760.95	12,929.98	18,231.00	18,000.00
Fees, Com's				
Pharmacy .....		1,586.00		
Hunter's License	420.00	225.00	528.25	500.00
Int. on Deposits (Half) .....	22,194.96	19,123.48	18,933.43	19,000.00
License tax— Sheriffs .....	799,508.36	114,307.79	740,720.38	200,000.00
License tax— Charters .....	419,500.53	307,258.68	420,175.30	420,000.00
License tax—Din- ing & Cafe Cars	918.75	775.00	22.92	
License sell books, etc .....	15.85	1.88	6.82	
Marriage Licenses	13,043.00	10,314.00	14,415.00	15,000.00
Oil Lease Ind. Home Girls....	134.94	50.21	148.33	
Pub. Ser. Cor. State tax.....	70,653.32	28,681.60	181,924.27	309,000.00
Redeposit Out- standing Checks	17.39	107.05		
State Tax— Sheriffs .....	215,133.70	75,913.48	436,772.82	845,000.00
Sale of Books...	4,051.25	3,406.50	2,544.50	2,500.00
Sale old property	34.00	30.35	16.00	
Statutory Atty. fees .....	22,052.00	15,536.23	22,179.34	22,000.00
Tax State Seal...	2,745.00	2,112.00	3,263.00	3,000.00
Tax Ins. & Cer. Auth.....	132,978.42	153,316.75	158,967.11	160,000.00



### Receipts of State Fund for Stated Periods—(Continued)

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Year Ending 6/30/15
W. Va. Asylum Inmates .....	12,009.43	12,518.81	14,440.09	14,000.00
W. Va. Reform Sch. Inmates...	12,216.72	14,452.70	14,782.48	14,000.00
Miscellaneous ...		220.00	438.40	.....
Fees Hotel In- specter .....			2,583.25	2,590.00
Fees Board Optometry ....			124.98	.....
Sale Fairmont Normal School property .....			1,000.00	10,000.00
License tax pow- er companies..			7,980.06	1,000.00
<b>Total revenue receipts .....</b>	<b>\$ 1,996,551.03</b>	<b>\$ 929,912.18</b>	<b>\$ 2,465,447.47</b>	<b>\$ 2,328,500.00</b>
<b>Blank Appropria- tions .....</b>	<b>2,628,661.57</b>	<b>2,607,857.64</b>	<b>3,188,597.75</b>	<b>.....</b>
<b>Grand total..</b>	<b>\$ 4,625,212.60</b>	<b>\$ 3,537,769.82</b>	<b>\$ 5,654,045.22</b>	<b>\$ 2,328,500.00</b>

### Disbursements of State Funds for Stated Periods and Estimates for Year Ending June 30th, 1915.

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Estimate Year Ending 6/30/15
Salaries State officers .....	\$ 26,675.00	\$ 18,856.38	\$ 28,098.39	\$ 27,133.34
Salaries Clerks..	74,012.10	60,820.53	86,258.90	90,300.00
Labor Fund Capital .....	13,820.00	12,166.79	17,169.72	17,200.00
Contingent Ex- penses .....	18,538.19	27,732.70	21,673.71	16,000.00
Capitol building & grounds....	9,835.20	9,623.27	13,117.90	12,100.00
State Law Libraries .....	2,120.19	4,227.14	1,233.40	4,650.00
Militia .....	50,265.73	344,563.11	65,097.86	69,000.00
Printing, binding & stat.....	40,180.25	40,453.03	48,589.16	48,500.00



**Disbursements of State Fund for Stated Periods - (Continued)**

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14	Year Ending 6/30/15
Legislature .....	345.00	72,279.29	310.60	70,000.00
W. Va. University Experiment station .....	157,233.88	129,052.04	232,159.04	208,500.00
Normal Schools & Branch .....	12,365.04	6,108.65	20,757.18	21,000.00
Humane Institu- tions .....	296,468.92	195,293.76	311,712.16	430,700.00
Geological Survey	500,072.66	376,365.92	517,597.38	563,800.00
Board of Control	51,150.63	19,536.94	43,215.35	46,000.00
Board of Regents	26,639.76	2,801.42	34,929.41	35,000.00
Board Agri- culture .....	5,433.80	4,055.57	7,696.28	7,100.00
Board of Health	16,226.89	15,973.47	24,395.79	23,066.66
Department of Mines .....	1,701.44	263.24	12,104.99	12,100.00
Bureau of Labor	39,584.55	31,158.81	41,085.29	41,250.00
Com'r Banking..	5,883.78	4,264.33	5,557.50	6,000.00
Pardon Attorney.	7,483.94	5,915.29	12,822.16	13,400.00
Tax Commis- sioner .....	4,040.90	3,324.50	4,452.05	4,300.00
Forest Game & Fish Warden..	26,898.74	19,979.60	37,552.79	49,000.00
Com'r Pharmacy.	7,295.71	8,591.13	11,865.59	11,800.00
Support Lunatics	1,533.62	1,448.02	2,439.19	2,100.00
Criminal Charges	1,080.45	2,816.60	1,991.58	2,000.00
Pub. Service Com- mission .....	62,783.96	78,174.29	79,908.39	79,000.00
Archives & His- tory .....	.....	3,867.95	72,262.07	54,000.00
Board of Optome- try .....	14,967.41	7,867.47	21,525.53	20,400.00
Hotel Inspector..	.....	.....	208.75	200.00
Special Appropri- ations .....	.....	.....	2,640.08	2,500.00
	70,419.08	61,572.64	105,413.04	114,500.00
Total revenue dis- bursements ...	\$ 1,625,524.72	\$ 1,671,301.38	\$ 1,990,217.33	\$ 2,206,200.00
Blank Appropria- tions .....	2,565,955.10	2,597,194.48	3,089,840.50	.....
General School Fund .....	474,285.41	366,546.97	399,585.50	400,000.00
Grand Total..	\$ 4,665,765.23	\$ 4,635,042.83	\$ 5,479,643.33	\$ 2,606,200.00



### Unexpended Appropriations.

	Year Ending 6/30/13	Year Ending 6/30/14	Year Ending 6/30/15
Unexpended appropriations....	\$ 139,415.44	\$ 717,224.27	\$ 850,063.67
Deficit .....	504,462.91	346,516.07	624,216.07
Total unexpended Apprns. and Deficit .....	\$ 643,878.35	\$ 1,063,740.34	\$ 1,474,279.74

### Owing Blank Appropriations.

	Year Ending 9/30/12	Year Ending 6/30/13	Year Ending 6/30/14
Chief Inspr. Pub. Offices.....	\$ 3,790.31	\$ 1,978.41	\$ 5,582.09
Clothing Deaf & Blind School..	2,766.65	2,662.92	2,768.38
Fees—Investment Co's.....	.....	103.50	1,028.09
Fees—Board of Health.....	1,310.00	605.00	2,379.47
Fire Marshall Tax.....	12,079.71	18,494.50	21,006.17
Militia Fines & Cols.....	240.02	1,909.64	86.31
Nursery Reg. Ctfs.....	240.02	70.00	660.00
Board of Control Funds.....	185,665.73	178,218.11	104,915.32
Spl. Licenses Fees P. S. Com- mission .....	.....	.....	38,267.66
Total Due Blank Ap- propriations .....	\$ 205,852.42	\$ 204,042.08	\$ 236,693.49

It will be evident from a perusal of these tables that the revenue available for the liquidation of obligations for the current year will be \$2,328,500.00, and the estimated cost for running the State government is \$2,606,200.00, which leaves a current deficit of \$277,700.00. This added to the \$346,516.07 deficit brought forward from past years, makes a total deficit June 30, 1915, to be provided for in the amount of \$624,216.07. Taking into consideration the \$319,055.99 of extraordinary expenses incident to the maintenance of law and order in the years 1912 and 1913 in the Kanawha coal field, together with the \$560,000.00 license tax at the beginning of the current fiscal year, and the \$26,915.14 of deposits unavailable for checking purposes at the present time in the three banks which are in the hands of receivers, the State has sustained a total loss of \$905,971.13 in State's revenues. If this amount had been available, as in former years, the State would have \$281,755.06 of a surplus instead of a deficit, as above shown, at the end of the current year.



Comparing the per capita cost of State government in West Virginia with other states, as to general governmental expenses, in moneys paid to State officials in the administration of their duties, States having a population equal to ours, such as Kansas, Connecticut, Louisiana, Maryland, Nebraska and Washington, only one has a rate as low as our own State, based upon per capita cost. This fact and the schedule given below as to per capita cost should answer any criticism made as to extravagance in the administration of our State's finances. If West Virginia has erred at all, it has been on the side of parsimony rather than one of extravagance, in the expenditure of the State's funds. Of the forty-eight states only six have a per capita cost as low as has West Virginia. Arizona, a state much smaller in population has a per capita cost of \$15.62, New York, \$11.02. The well-governed State of Wisconsin expended money at a per capita rate of \$6.75, while West Virginia's rate per person is \$2.14, for all purposes. The per capita cost of government in our neighboring State of Ohio is more than \$8.00. The administration owes no apology or excuse for the way the fiscal affairs of West Virginia have been conducted. Our State institutions show a much lower per capita cost than any of the other states. The average per capita cost for the insane asylums is \$126.00 per year, while throughout the United States it is \$200.00. There is only one State University that has a lower per capita cost than our own University, which is \$180.60, while the average is between \$250.00 and \$650.00 per student per year.

The following is a comparative statement of the per capita cost of government in several states of the Union:

State	Population	Per Capita Expenditures.
Arizona.....	204,354	\$15.62
Connecticut.....	1,114,756	8.12
Kansas.....	1,690,949	4.66
Louisiana.....	1,656,388	4.44
Maryland.....	1,294,450	6.60
Nebraska.....	1,192,214	4.31
New York.....	9,113,279	11.02
Washington.....	1,141,990	4.84
West Virginia.....	1,221,119	2.14
California.....	2,556,047	6.73



## STATE AUDIT.

By request of the Auditor to the Chief Inspector of Public Offices, a full and complete audit has been made of the financial condition of the State and its various departments for the first time in its history. This enables me to give fully a concise and complete statement of the State's financial condition. Your task in dealing with the revenue problem will be much less irksome from this fact for the reason that you will not be required to deal with inaccurate figures or statements, but with facts based on a careful and painstaking audit, set forth in the most intelligent way with every phase of the State's financial condition as it really exists, a complete budget of all departments, showing in full detail the expenditures for the two preceding years, an estimate for the current year, as well as the one following, with a full discussion as to the amount of revenue needed, based upon facts deducted from the audit made of the State's outstanding obligations. This full and comprehensive report has been made possible by the State's uniform accounting department. The budget is not as full and complete as it can be made in the future if a law is passed requiring an annual audit of the State's financial transactions, which I earnestly request you to do. It will be of great service and bring to your body in succeeding sessions a long-felt need, and give to the public an insight into the State's financial affairs yearly. In dealing with matters looking toward the elimination of all unnecessary work I would respectfully suggest that there are many items with which you have to deal biennially in your appropriation bill, such as salaries and amounts for the support of certain departments which are fixed by statute. The present law should be amended so that it would not be necessary for appropriation bills to be made, but permit these funds, such as salaries of State officials and other fixed charges, to become available automatically.

It is my purpose later in the session to send to your body a special message dealing with the important subject of taxation and finance, and the remedy that I believe should be prescribed for providing additional revenue to meet the increasing demands of our State. I feel by so doing that greater and more substantial results will obtain than by including a discussion upon this important subject in my general message. There are many problems looking towards a more equitable adjustment of our State's revenues for the future which should be thought out seriously by your financial committees at this session. Oftentimes, we hear the statement made that we should go back to the period when we depended altogether upon direct



levies for our State's current financial needs. I cannot agree with those who believe this way. Those who have discussed this question with me do not take that position for the reason that they consider direct State taxation the most equitable method which our State has available to it for the purpose of raising revenue, but for the reason that they do not think there will be sufficient time to work out this problem. If the Legislature did nothing more at this session than solve our revenue problems for the immediate future, it would have accomplished a great deal and would merit great praise. There are no complicating matters to take the time of this session of the Legislature other than the future needs and welfare of our State, and its people, and I can see no good reason why the question of taxation and finance should not be worked out on principle fair to all, and I have many suggestions in this connection which I propose to submit to your body at the proper time for your earnest consideration.

---

## **SPECIAL MESSAGE ON FINANCE.**

**Transmitted to the Legislature February, 1915.**

---

*To the Members of the Senate and the House of Delegates:*

In conformity with the statement made in my regular message to the Legislature that I would communicate with you by special message, I take this opportunity to give you my ideas as to what should be done by the Legislature in the way of providing new revenue which is necessary to make up for that lost to the state beginning with the year 1914, by reason of the loss of approximately \$650,000 in license fees, as well as to take care of the growing demands that are yearly experienced in a state such as ours which has not yet reached its mature growth in the way of development, either from an industrial or institutional point of view.

We have been criticised by some, for expenditures incurred in running the state government, yet the fact remains undisputed that we have held the record for many years of having a lower total tax rate than any other state in the Union. I submit to you below a statement in substantiation of this assertion:



State	Average Rate
Connecticut . . . . . (approximately) . . . .	1.09
Colorado . . . . .	4.00
Idoha . . . . . (approximately) . . . .	3.00
Illinois . . . . . (approximately) . . . .	3.50
Iowa . . . . .	4.90
Kansas . . . . .	1.01
Maine . . . . .	2.15
Minnesota . . . . .	2.77
Montana . . . . .	3.60
New Jersey . . . . .	1.96
North Dakota . . . . .	4.09
Nevada . . . . .	2.15
New Hampshire . . . . .	1.60
Ohio . . . . .	1.18
Oklahoma . . . . .	2.00
Oregon . . . . . (State purposes only) . . . .	.04.4
Washington . . . . .	3.10.5
Wisconsin . . . . . (on assessed value) . . . .	1.61
Wisconsin . . . . . (on true value) . . . .	1.18
Virginia . . . . .	1.49
Vermont . . . . . (exclusive of village tax) . . . .	1.75
West Virginia, (for year ending July 1, 1912) . .	.84.8
West Virginia, (for the year ending July 1, 1913) . . . . .	.85.8
West Virginia, (for the year ending June 30, 1914) . . . . .	.96.8

The Federal Government has ready access to many revenue sources derived from commerce, but unfortunately for the American people and to the disadvantage of the states, those in power have not availed themselves of these avenues which lead to methods of raising revenue for the running of the Federal Government largely from imports from foreign nations. It does not seem to be the policy of the present national administration to look to this method as the best (as has been the case for the past fifty years with but two exceptions) but to the contrary, the inclination seems to be to raise revenue by laying taxes upon our own citizens in the way of income, excise and other methods such as "stamp tax" for the purpose of running the ordinary expenses of our Federal Government, thereby precluding the states from availing themselves of these methods which should be left solely



to them as sources from which revenue could be raised to conduct the state's affairs and maintain the state institutions.

Notwithstanding our present low total tax rate for all purposes in the state, we are constantly reminded through the press and in other ways of the increased cost of running our state government, and of the "burdensome taxation" necessary. West Virginia has the proud distinction of having no state debt, her constitution requiring that no debt be incurred other than for the running of the ordinary expenses of government. Many other states by their constitutions are permitted to issue bonds for the purpose of equalizing the development of their state and the raising of the standard of their institutions by spreading over a period of time the indebtedness incurred for that purpose, which lessens the tax burden necessary for the development of state institutions and other expenditures which must be incurred if the citizens are desirous of keeping their state abreast of other states that believe in substantial progress.

I do not believe that the people would be adverse to voting a limited amount of bonds for this very purpose in West Virginia, if the constitution permitted. I base this declaration upon the actions taken by the people in the various counties and districts of the state, indicating that the people feel that these tax burdens should be divided and that other generations should at least assume their proportional part of these expenditures, as most of the benefits made possible by the present generation will be enjoyed by future generations.

The time has come in West Virginia when we can ill afford to continue the methods of the past in the development of our state institutions, which has heretofore been of a temporary nature only. Every appropriation now made should be for the purpose of placing our state institutions upon a permanent and substantial basis, and every expenditure of money for the development and betterment of state institutions should be to this end.

There are many avenues available to us for taxation, if we are to compare the various methods now obtaining in this state with those of other states. If we can put into effect some of the taxation methods of other states in addition to those we already have in operation, we will soon replenish our depleted treasury and will be assured of ample funds to take care of our needs in the future.

It is the universal comment of those who are opposed to paying their equitable part of the taxes necessary to guarantee efficiency in the conduct of our state institutions (notwithstanding the fact that many of them get the greatest amount of consideration from some of



our institutions) that they are already handicapped, overburdened and embarrassed by the heavy taxes which they are required to pay annually. The following brief statement, in my opinion, will render false and destroy the argument of those who are constantly making this assertion.

Our miners' hospitals, three in number, cost the state annually in excess of \$83,000. These institutions care for those who are injured while engaged in hazardous occupations, and this service is rendered free of charge. This appropriation saves the industries of our state yearly many thousands of dollars. The mining department which costs the state in excess of \$45,000 per year, is devoted exclusively to one of our great industries. Our compensation law is also being administered by the state free of cost to the corporations or the recipients of indemnities. The coal industry in West Virginia paid \$61,000 in direct state taxes in 1914 as its contribution toward the maintenance of our state institutions.

When distress, discord and confusion develop between labor and capital an appeal is promptly sent for protection by the state through its militia, and the revenue books will evidence the fact that while this defense has cost the state hundreds of thousands of dollars, only an infinitesimal part of this money was contributed by the industries directly affected. We would have our critical friends think of these matters and delve into the past history of the state. It seems to me a forecast of the future will point out the error of their ways. The gas industry paid \$80,000 in direct state taxes for 1914 and previous to that year, so far as these two classes of industries are concerned, little if any direct taxes for the maintenance of our state and its industries was contributed. This statement also applies to all other corporations, and this is true, notwithstanding the fact that they have realized great benefits therefrom. If any of these corporations have paid a high tax, it has been for local purposes for which the state is in no way responsible. The railroads of our state paid much less on their valuation per mile of track than is assessed against them by any of the state contiguous to West Virginia. Ohio's assessment per mile of railroad track is much in excess of that of West Virginia, as is true in Virginia, Maryland and Pennsylvania, notwithstanding that our three great trunk railroads receive more than 70 per cent. of their tonnage from West Virginia.

Many of the owners of industries in this state came to it with a limited amount of capital, but under the kindly consideration of the legislature of the past and the fostering of these industries by the



state government we have seen these owners grow into affluence, prestige and wealth, which has been made possible by the great stores of natural resources which are found within and upon these magnificent hills of ours. We feel friendly toward those who are engaged in industrial pursuits. We stand ready to extend to them support or to give to them any encouragement that will tend to make them more prosperous. But when we hear the statements that come from many who are identified with our industries either directly or indirectly, (most of which are made by paid lobbyists who depend upon the paltry consideration they receive at the hands of corporate greed for a livelihood, to aid and abet in destroying the future welfare of our state and embarrass and handicap our institutions, limiting our boys and girls in the educational advantages they receive, for a few shekels of silver), we are reminded of the crimes flagrant in ancient times. We want to encourage the development of our state, and in no sense do we desire to do anything that would tend to keep honest promoters out of the state. But there is a class which is always complaining about the enactment of allegedly unfeasible laws which prevent capital from coming into the state. I do not believe their argument is well founded, and I personally am of the opinion that the state would be just as well off without this class. I feel that those who are not willing to assume an equitable and just part of the taxation that is necessary to assure the proper administration and progress of our state as other states are conducted where capital is successful and where there are many more tax laws and where assessed valuations are much higher than those found upon our statute books, do not represent the class that it is most desirable to have in the infancy of our state's industrial growth. I believe this statement will be approved by the yeomany of our commonwealth after they have seen an exebplification of the whole situation as to the economy with which the affairs of our state have been conducted as well as the condition which confronts us for the future. I think that those who are interested as inventors, and especially those who are connected with our industries and who are natives of the state or have adopted West Virginia as their home, will gladly join with this law-making body and others in the responsibility of caring for the state, its present and its future needs, and go along enthusiastically and give us their best assistance, looking toward the solution of our financial problems in such a way that the burden will fall upon all alike. We need the counsel, good will and support of all the citizens in these matters, and I think a moment's reflection by those who are reluctant and oppose



every principle suggested but offer nothing as a substitute will bring them to a realization of the inconsistency of their position.

The door of my administration has ever been open to all to join with me and make suggestions of a helpful nature, relative to the future care of our state and its industries, but for some cause, few have availed themselves of this opportunity, and practically every measure meritorious in character promised to the people in the platform of both parties has been strenuously resisted by those who are desirous of accomplishing nothing in the way of achievements either for our great and growing state or for the comfort and welfare of our citizens.

I have had nothing to conceal, and when asked by any citizen as to my ideas upon the question of finances or other important subjects I have given them to all frankly and freely and have invited counsel and support. I have said to the heads of practically all of our largest industries that I should be glad to confer with their representatives or with them. I have met with encouragement from some who agreed that my contentions were right, but after all I have received little support, but on the other hand have seen with chagrin and with pity the statement made that a fund should be raised for the purpose of fighting legislation as well as to oppose those who stood for the right and advocated the principles that were for the best interests of our commonwealth. I know of no desire upon the part of any one to oppress any industrial institution in our state, and so far as I am concerned I should be delighted to go over with those interested in our industries all of these problems dealing with our economic welfare.

I deem it a high privilege to assist your body in any way I can in pointing out to you the methods which I believe are equitable and fair, and which, if adopted by you, will solve for a considerable period in the future the method of raising revenue for the support of our state.

There are only two courses left open to us as a state.

The first is to stop the progress and development of our institutions and eliminate those which can be most easily sacrificed with the smallest amount of harm, and go into retrenchment in a material way and permit stagnation and retrogression to stay our hands as a commonwealth in the race with other states for civic betterment and accomplishments. In some regards we stand the peer of any other commonwealth, but if we are to hold our place and not lag behind, we must go forward in keeping with the demands that are made upon us, as was pointed out in my biennial message, in which I tried to picture the future of our commonwealth and prepare the way for



future administrations that would in some manner make the task less irksome and burdensome than it is at the present time and has been experienced by those who preceded me as chief executive.

It is essential that we provide for the more than \$900,000 that was lost at the beginning of the biennial period ending June 30, 1914, and to take care of the increasing demands that are made upon us yearly by our growing state.

In speaking of extravagance, it has been pointed out that the clerical force of our state in all of its executive branches costs less than one-half the amount expended in the administration of the city of Charleston. This one statement alone should be sufficient to convince any reasonable mind of the falsity of the repeated accusation made by the press and others of the great extravagance participated in by the state officials in the administration of their duty. A glance at our state institutions and a comparison of the per capita cost of our educational institutions with those of other states explodes the contention of extravagance, as does the statement of the per capita cost of our eleemosynary and other institutions compared with like institutions of other states. The average cost per inmate is \$70.00 less per annum in West Virginia than in other states.

A schedule of the expenses of state officials for a period of four years is herewith attached and shows conclusively that the increase for this period of time is not due to the increased expense of the state government; there is also shown the expenses of appointive offices together with the increased cost of our state educational and other institutions:



**COMPARATIVE STATEMENT OF DISBURSEMENTS FROM APPROPRIATIONS WHICH ARE PAYABLE OUT OF THE STATES  
GENERAL REVENUE—STATE ELECTIVE OFFICES AND DEPARTMENTS.**

NAME OF OFFICE.	Disbursements Year Ending June 30, 1914.		Disbursements 9 mos. Ending June 30, 1913.		Disbursements Year Ending Sept. 30, 1912		Disbursements Year Ending Sept. 30, 1911		Disburse- ments Year Ending Sept. 30, 1910
	Amount	of inc. over prec. year calc. on 12 month basis	Amount	of inc. over prec. year calc. on 12 month basis	Amount	of inc. over prec. year	Amount	of inc. over prec. year	Amount
Governor's office .....	\$11,462.61	3% †	\$ 8843.60	3%	\$ 11,424.75	1%	\$11,320.00	1 ½%	\$11,133.49
Auditor's office .....	41,039.30c	8 ¾%	28316.37	4%	36,317.65	3 ½%	35,028.22b	10 ¾%	31,660.09
Attorney General's office .....	19,964.56	16%	12872.32	10 ½%	15,521.33	7 ¾% †	16,721.73	3 ½%	16,170.90
Secretary of State's office .....	18,782.01	5%	13437.86	9 ½%	16,356.96	1% †	16,511.38	0%	16,492.93
Treasurer's office .....	9,567.80	16 ¼%	6165.53	8 ½%	7,570.82	½% †	7,602.73	1 ½% †	7,719.50
Commissioner of Agriculture's office ..)									
State Board of Agriculture .....	25,478.98	18%	16211.20	33 ¼%	16,226.89	35%	12,046.97	35% †	18,500.00
State Superintendent of School's office e	135,487.79a	70%	15630.42	2%	20,488.87	15% †	24,039.60	11%	21,643.03

† Decrease over preceding year.

a \$13,200.00, or 63 ½% of increase, is for Printing, Binding and Stationery.

b Includes expenditures occasioned by act of 1911 relating to Insurance.

c Includes expenditures occasioned by act of 1913 relating to Investment Companies.

d State Board of Agriculture abolished in 1913 and office of Commissioner of Agriculture created. 1913 includes expenditures by both.

e Paid out of General School Fund.

‡ The increase here is not in office expenses but in the printed matter furnished to district boards of education as required by law.



COMPARATIVE STATEMENT OF DISBURSEMENTS FROM APPROPRIATIONS WHICH ARE PAYABLE OUT OF THE STATES  
GENERAL REVENUE—STATE APPOINTIVE OFFICES, BOARDS AND COMMISSIONS.

NAME OF OFFICE	Disbursements year ending June 30, 1914		Disbursements 9 mos. Ending June 30, 1913		Disbursements year ending Sept. 30, 1912		Disbursements year ending Sept. 30, 1911		Disbursements year ending Sept. 30, 1910	
	Amount	% of inc. over prec. year calc. on 12 month basis	Amount	% of inc. over prec. calc. on 12 month basis	Amount	% of inc. over prec. year	Amount	% of inc. over prec. year	Amount	% of inc. over prec. year
Adjutant General's office	\$ 63,472.87	*48%	\$ 32,148.50	20 1/2 % †	\$ 53,865.73	1 1/4 % †	\$ 54,582.36	3 1/4 % †	\$ 55,000.00	3 1/4 % †
Department of Mines	41,085.29	1% †	31,158.81	5%	39,584.55	2 3/4 %	38,560.90	4 1/2 %	36,916.00	4 1/2 %
Commissioner of Banking	12,822.16	63 1/4 %	5,915.29	5 1/2 %	7,483.94	3 1/4 %	7,258.00	1 1/2 % †	7,289.25	1 1/2 % †
Forestry, Fish and Game Department	11,865.59	3 1/2 %	8,591.13	57%	7,295.71	50%	5,609.91	31 3/4 % †	8,184.41	31 3/4 % †
Bureau of Labor	5,557.50	2 1/4 % †	4,264.33	3 1/2 % †	5,883.78	41 1/2 %	4,165.68	67%	2,499.96	67%
Department of Archives and History	21,525.53	105%	7,867.37	30% †	14,967.41	33 1/2 %	11,199.77	18 1/4 %	9,484.86	18 1/4 %
State Board of Health	12,104.99	3,349%	2,633.24	79% †	1,701.44	32%	1,285.99	54% †	2,768.96	54% †
Commission of Pharmacy	2,439.19	26 1/2 %	1,448.02	26%	1,533.62	0%	1,523.25	34% †	2,306.71	34% †
Board of Regents	7,696.28	42 1/2 %	4,055.57	1 1/2 % †	5,433.80	4 1/2 %	5,210.84	1 1/2 % †	5,292.26	1 1/2 % †
Pardon Attorney	4,452.05	1 1/2 %	3,324.50	9 3/4 %	4,040.90	1 1/2 % †	4,108.00	1 1/2 % †	4,126.58	1 1/2 % †
State Tax Commissioner	f 25,059.60	29%	14,621.50	3 3/4 %	18,790.34	15 1/2 % †	22,251.48	10 1/2 % †	24,829.90	10 1/2 % †
State Tax Commissioner, Accounting Department	6,351.12	5%	4,549.20	10% †	6,755.13	44%	4,696.35	1% †	4,743.25	1% †
State Tax Commissioner, Auditing State Departments	4,552.89	.....	958.10	.....	.....	.....	.....	.....	.....	.....
State Tax Commissioner, Prohibition Department (g)	745.55	.....	.....	.....	.....	.....	.....	.....	.....	.....
Public Service Commission (g)	68,605.74	.....	3,867.95	.....	.....	.....	.....	.....	.....	.....
Hotel Inspector (g)	2,640.00	.....	.....	.....	.....	.....	.....	.....	.....	.....
COURTS.	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Supreme Court	52,591.25	9 1/2 %	36,035.37	5% †	50,514.54	0%	50,539.23	1% †	51,010.64	1% †
Circuit Court	75,962.40	6 1/2 % †	60,939.70	12 1/2 %	72,239.30	6 1/2 %	67,830.74	1 1/2 %	66,760.10	1 1/2 %

\* Increase was due to expenditures in maintaining martial law in Kanawha strike district.

† Decrease over preceding year.

f Includes \$1,900.00 account audit Virginia Debt, one-third of the increase.

g Created by Acts of 1913.



STATE INSTITUTION, NS.

	Year end- ing Sept. 30, 1911	Year end- ing Sept. 30, 1912	6 mos. end- ing June 30, 1913	Year end- ing June 30, 1914	Percentage	
					In- crease	Decrease
West Virginia Hospital	\$129,307.81	\$129,714.01	\$105,880.39	\$146,436.33	13%	New gas well.
Second Hospital	77,590.92	67,613.98	56,402.95	67,510.55	.....	15%
West Virginia Asylum	74,863.34	73,432.79	60,345.94	77,703.81	.....	.....
Miners' Hospital No. 1	31,210.02	36,408.23	27,832.47	40,415.81	30%	Furnishing new buildings.
Miners' Hospital No. 2	14,087.33	13,469.30	11,476.52	15,096.41	7%	.....
Miners' Hospital No. 3	17,118.80	16,448.08	12,622.70	18,312.40	7%	.....
Industrial Home for Boys	43,808.17	42,008.35	40,812.59	43,449.62	58%	1% Furnishing building.
Industrial Home for Girls	12,740.79	13,645.39	10,025.74	20,140.66	5%	.....
Schools for Deaf and Blind	60,330.02	48,364.41	43,822.21	63,628.58	.....	Includes Children's Home.
W. Va. Humane Society	8,874.57	15,162.00	8,663.40	11,162.94	.....	.....
West Virginia University	126,420.33	151,662.27	135,791.34	251,467.64	99%	.....
Prep. Branch Montgomery	10,857.95	20,816.65	7,346.40	10,038.65	.....	5%
Prep. Branch Keyser	10,875.99	11,903.61	10,081.37	14,869.08	37%	.....
Marshall College	31,867.96	35,662.21	29,722.67	47,319.39	50%	.....
Fairmont Normal School	23,947.00	24,317.73	23,947.02	33,965.88	42%	.....
West Liberty Normal	11,861.28	10,611.39	9,810.15	12,997.35	9%	.....
Glenville Normal School	12,234.20	17,172.83	13,594.40	17,728.40	44%	.....
Shepherd College	13,672.13	14,144.48	12,220.64	16,380.12	20%	.....
Concord Normal	17,135.30	19,807.07	18,676.73	21,656.21	26%	.....
West Virginia Colored Institute	26,300.56	32,905.05	21,140.32	37,978.43	44%	.....
Bluefield Colored Institute	10,558.83	9,482.25	7,393.30	13,088.81	25%	.....
Geological & Economic Survey	15,629.69	32,666.66	17,800.75	46,735.15	43%	See 1912.
Storer College	Nothing	2,708.33	1,874.98	2,499.89	.....	*Equipment.
King's Daughters and City Hospitals	5,582.92	9,837.10	6,752.67	12,287.07	120%	.....
Tuberculosis Sanitarium	Nothing	3,108.09	19,838.48	25,782.08	.....	.....
Anti-Tuberculosis League	Nothing	Nothing	332.23	5,349.09	.....	.....
Colored Orphans' Home	2,930.55	5,197.35	5,885.72	11,608.92	.....	Purchased 1911.
Insurance on Public Buildings	2,425.60	7,532.29	213.60	2,342.77	.....	4%
Board of Control:						
Salaries of Members	14,444.50	14,610.70	10,638.93	14,804.47	.....	No increase.
Clerk Hire and other expense	10,644.56	12,106.72	12,121.88	19,869.51	87%	Due to increase of work.
West Virginia Penitentiary: Earnings:	166,781.56	183,385.12	135,993.16	193,793.46	.....	Net earnings over expenses av. \$2,828 per month.

Percentages of increase and decrease are obtained by comparison of expenditures for 1911 and 1914.



These statements show conclusively that increased expense was principally for the care and development of the boys and girls whose destiny the state has left to its keeping, and this increased cost compared to the expenses of like institutions of other states, as previously stated, is very small. As a case in point, our State University, as pointed out in my biennial message, has a per capita cost per annum of \$180.00, and there is only one of the forty-eight states that has a lower rate of per capita cost than our own.

### ASSESSMENT OF RAILROADS.

We hear the representatives of some of the public service corporations complaining of the high rate of taxation they are called upon to pay in this state. Let us compare the assessment of railroads in West Virginia for all purposes with that in contiguous and other states, considering the amount of tonnage, to which I have previously referred, and how their valuation per mile in West Virginia compares with that of other states, and what their bonds and stocks would be worth if they had no tonnage or mileage in West Virginia. Their valuation may be excessive in other states. If that be true West Virginia is in no way to blame. I present these facts to show how groundless is the assertion that West Virginia's tax rate is higher than other states; on the contrary, it has the lowest tax rate of any state in this Union today.

The annual report of the Interstate Commerce Commission for the year ending June 30, 1913, shows that railroads paid total taxes per mile of road in various states, the District of Columbia and the United States as follows:

New Jersey .....	\$ 3,146
Massachusetts .....	1,723
District of Columbia .....	1,509
Rhode Island .....	1,411
Connecticut .....	1,226
New York .....	1,212
Ohio .....	774
Washington .....	736
Pennsylvania .....	647
Maryland .....	641
Oregon .....	608
Idaho .....	581
Indiana .....	569



California .....	558
Illinois .....	532
Virginia .....	494
United States .....	488
Delaware .....	482
Wisconsin .....	482
Michigan .....	481
West Virginia .....	452

It will be noted that in all states contiguous to West Virginia, with the exception of Kentucky, the total tax paid per mile was greater than that paid in West Virginia. The amount paid per mile in Kentucky was a little less than that paid in West Virginia for the year 1913, but for the year 1914 was very much greater.

The trunk lines traversing West Virginia paid *special taxes* per mile of line, in West Virginia and adjoining states, for the year ending June 30, 1914, as follows:

Baltimore & Ohio:

West Virginia .....	\$ 4
Ohio .....	224
Maryland .....	208
Pennsylvania .....	259
Virginia .....	44

Norfolk & Western:

West Virginia .....	\$ 4
Ohio .....	197
Maryland .....	47
Virginia .....	215

Chesapeake & Ohio:

West Virginia .....	\$ 11
Virginia .....	149
Kentucky .....	223

Virginian:

West Virginia .....	\$ 7
Virginia .....	125

Kanawha & Michigan:

West Virginia .....	\$ 9
Ohio .....	88



OPERATED RAILROAD MILEAGE AND TAX ACCRUALS WITHIN  
WEST VIRGINIA AND WITHIN THE CONTIGUOUS STATES  
OF OHIO, PENN., MARYLAND, VIRGINIA  
AND KENTUCKY.

1914.

OPERATED MILEAGE.

Name of Road	Within West Virginia	Within Contiguous State
	Miles	Miles
Baltimore & Ohio .....	1,082	1,871
Norfolk & Western .....	485	1,538
Chesapeake & Ohio .....	732	1,347
Virginian .....	169	333
Kanawha & Michigan .....	99	77
Total, .....	2,567	5,166

TAX ACCRUALS

Name of Road	Within West Virginia	Within Contiguous State
	Dollars	Dollars
Baltimore & Ohio .....	704,030	1,434,770
Norfolk & Western .....	337,828	1,174,388
Chesapeake & Ohio .....	361,430	890,000
Virginian .....	50,232	183,253
Kanawha & Michigan .....	49,649	67,049
Total .....	1,503,169	3,749,207



## TAX ACCRUALS PER MILE OF LINE OPERATED.

Name of Road	Within	Within
	West Virginia	Contiguous States
	Dollars	Dollars
Baltimore & Ohio .....	643	767
Norfolk & Western .....	697	772
Chesapeake & Ohio .....	494	660
Virginian .....	356	550
Kanawha & Michigan .....	502	871
Average total .....	586	723

NORFOLK & WESTERN RAILWAY COMPANY STATISTICS  
FOR YEAR ENDING JUNE 30th, 1914.

The statement hereunder shows mileage owned and operated, operating revenues and expenses, tax accruals, and freight tonnage of the Norfolk and Western Railway Company for the year ending June 30, 1914, both within and without the State of West Virginia.

It will be noted that 26.75 per cent. of all tracks, 24.48 per cent. of first and second track, and 23.97 per cent. of first or single track, of mileage owned, is within the State of West Virginia while only 22 per cent. of the tax accruals are within the State; this too, notwithstanding that 84.86 per cent. of the freight tonnage should be credited to West Virginia.

Tax accruals per mile of first and second track owned amount to \$697 in West Virginia and \$779 without the state, a difference in favor of West Virginia of \$82 per mile of such track owned. The per cent. of operating revenue necessary to pay taxes is 2.65 of the operating revenues apportionable to the State of West Virginia and 3.81 per cent. of such revenues apportionable to other states; 8.42 per cent. of the income from operation, after deducting operating expenses, is necessary to pay the taxes accruing in West Virginia while 11.49 per cent. is necessary to pay the taxes accruing in the other states.

It will also be noted that the income from operation per mile of first or single track operated, apportionable to West Virginia, is \$9,273 while the amount of such income apportionable to states



other than West Virginia is only \$6.780. The income per mile after deducting the interest charged is \$8,576 within West Virginia and only \$6,008 in the states outside, a difference per mile of \$2,568 in favor of West Virginia. Special attention is called to the freight tonnage which should be credited to West Virginia, practically 85 per cent. of the total.

NOFFOLK & WESTERN RAILWAY COMPANY

Year Ending June 30th, 1914.

ITEMS	Within West Va.	Without West Va.	Per- cent- age of Total within W. Va.
<b>Mileage Owned:</b>			
All Tracks .....	1,002.35	2,744.34	26.75
First and Second Tracks ....	616.01	1,900.80	24.48
First or Single Track .....	484.84	1,538.03	23.97
<b>Mileage Operated:</b>			
All Tracks .....	1,002.35	1,552.01	26.66
First and Second Tracks ....	616.01	1,914.78	24.35
First or Single Tracks .....	484.84	1,552.01	23.80
Operating Revenues .....	12,738,293.00	31,732,326.00	28.64
Operating Expenses .....	8,726,954.00	21,208,888.00	29.09
Income from Operation .....	4,011,339.00	10,523,438.00	27.60
Ration of Operating Expenses to Operating Revenues ..	68.51%	66.84%	
Operating Revenue per Mile of First or Single Track Op- erated . . . . .	27,273.00	20,446.00	
Operating Expenses per Mile of First or Single Track Op- erated .....	18,000.00	13,666.00	
Income from Operation per Mile of First or Single Track Op- erated . . . . .	9,273.00	6,780.00	
Tax Accruals, Exclusive of Fed- eral Income Tax .....	337,828.00	1,197,883.00	
Tax Accrual per Mile of First or Single Track <i>owned</i> .....	697.00	779.00	
Tax Accruals per Mile of First or Single Track <i>Operated</i> .....	697.00	772.00	
Percentage of Operating Revenue Necessary to Pay Taxes .....	2.65	3.81	



Percentage of Income Necessary to Pay Taxes .....	8.42	11.49	
Income per Mile of First or Single Track Operated After Paying Taxes .....	8,576.00	6,008.00	
Freight Tonnage .....	28,855,964.00	5,144,608.00	84.86

---

CHESAPEAKE & OHIO RAILWAY COMPANY STATISTICS  
FOR YEAR ENDING JUNE 30th, 1914.

The statement hereunder shows mileage owned and operated and tax accruals of the Chesapeake & Ohio Railway Company, for the year ending June 30, 1914, both within and without the State of West Virginia.

It will be noted that while 38.16 per cent. of the mileage of first or single track owned is within the state only 28.88 per cent. of the total taxes accrued therein. Also that the tax accruals per mile of first or single track owned were \$267 greater, or 52 per cent. on the mileage outside than on the mileage within.

The statement also shows mileage owned and operated, operating revenues and expenses, and tax accruals of the Chesapeake & Ohio Railway Company, including the Chesapeake & Ohio Railway Company of Indiana, for the year ending June 30, 1914, both within and without the State of West Virginia. The following will be noted:

(1) The ratio of operating expenses to operating revenues is less within the state than without, being 67.96 per cent. within and 70.90 per cent. without.

(2) Operating revenues per mile of first or single track operated are greater within the state than without, being \$16.699 within the state and \$14,960 without.

(3) The income from operation per mile of first or single track operated is also greater within West Virginia than without, being \$5,352 within the state and only \$4,353 without.

(4) Tax accruals, exclusive of federal income tax per mile of first or single track owned amount to \$514 within West Virginia and \$667 without the state, a difference in favor of West Virginia of \$163 per mile owned.

(5) Tax accruals per mile of first or single track operated amount to \$494 within the state as against \$579 without the state.

(6) 2.96 per cent. of the total operating revenues apportionable to West Virginia, is necessary to pay the taxes accruing within West Virginia, while 3.87 per cent. of the total operating revenues appor-



tionable to other states is necessary to pay the taxes accruing in such states.

(7) 9.33 per cent. of the income from operation apportionable to West Virginia, is necessary to pay the taxes accruing within the state. 13.30 per cent. of the income apportionable to other states is necessary to pay the taxes accruing in such other states.

(8) The income per mile of first or single track operated, after paying taxes is \$4,858 within West Virginia and only \$3,774 in other states.

It will be noted that 33.48 per cent. of the first or single track *owned* is within West Virginia while only 27.61 per cent. of the tax accruals are within the state.

CHESAPEAKE & OHIO RAILWAY COMPANY

Year Ending June 30th, 1914.

ITEMS	Within West Va.	Without West Va.	Percent- age of Total within W. Va.
Mileage of First or Single Track			
<i>Owned</i> .....	703.13	1,139.19	38.16
Mileage of First or Single Track			
<i>Operated</i> .....	731.90	1,347.29	35.15
Total Tax Accruals, Exclusive of Federal Income Tax:			
In West Virginia .....	361,430.00		
In Virginia .....		490,000.00	
In Kentucky .....		400,000.00	
Mileage Owned:			
Total .....	361,430.00	890,000.00	28.88
Tax Accruals per Mile of First or Single Track <i>Owned</i> .....	514.00	781.00	
Tax Accruals per Mile of First of Single Track <i>Operated</i> ...	494.00	659.00	
All Tracks .....	1,192.06	2,338.93	33.75
First and Single Track .....	896.87	1,681.64	34.78
First or Single Track .....	703.13	1,399.88	33.48
Mileage Operated:			
All Tracks .....	1,243.10	2,682.18	31.61
First and Single Track .....	925.64	2,016.53	31.41
First or Single Track .....	731.90	1,635.47	30.91
Operating Revenues .....	12,222,710.00	24,467,310.00	33.31



## CHESAPEAKE &amp; OHIO RAILWAY COMPANY

Year Ending June 30th, 1914.

ITEMS	Within West Va.	Without West Va.	Percent- age of Total within W. Va.
Operating Expenses .....	8,306,517.00	17,347,419.00	32.38
Income from Operation .....	3,916,193.00	7,119,891.00	35.90
Ration of Operating Expenses to Operating Revenues .....	67.96%	70.90%	
Operating Revenues per Mile of First or Single Track Op- erated .....	16,699.00	14,960.00	
Operating Expenses per Mile of First or Single Track Op- erated .....	11,347.00	10,607.00	
Income from Operation per Mile of First or Single Track Operated .....	5,352.00	4,353.00	
Tax Accruals, Exclusive of Fed- eral Income Tax .....	361,435.00	947,356.00	27.61
Tax Accruals per Mile of First or Single Track <i>owned</i> .....	514.00	677.00	
Tax Accruals per Mile of First or Single Track <i>Operated</i> ....	494.00	579.00	
Percentage of <i>Operating Revenues</i> Necessary to Pay Taxes .....	2.96%	3.87%	
Percentage of <i>Income</i> Necessary to pay Taxes .....	9.33	13.30	
Income per Mile of First or Single Track Operated After Paying Taxes .....	4,858.00	3,774.00	

## DIRECT TAXATION.

West Virginia previous to the new tax laws derived her revenue largely from direct taxation for all purposes—a very inequitable method in the raising of revenue on account of the fact that uniformity of valuation is impossible under our present system of valuation of property. Investigation of the assessors' books or of the records made by the boards of equalization of the various counties of the state will verify the point that I make. It is found a matter of record that in almost every county into which you go for investigation that



the valuation of property of like value in the different counties throughout the state, whether it be personal or other, has a range of difference of from twenty-five to fifty per cent. This condition alone is all that is necessary to convince one of the inequitable method of direct taxation as it is carried into effect at the present time in West Virginia.

Our constitution requires that all property shall be assessed at its true and actual value. This reads well and it is logical in its conclusions, but most inequitable with the present method of its application. Classification of property for taxation by all means should be adopted in our state. It is a principle that I believe a majority of our people favor, whether this legislature submits it to them for consideration or not. I feel justified in making the assertion that the taxable valuation of all properties assessed would not average sixty per cent. of its real value.

There is only one method that could be adopted that would insure uniformity in the assessed valuation of property for the purpose of direct taxation, and that would be through a centralized board authorized for the purpose. This idea has never been popular with the people for the reason that it interferes with the administration of local government.

There are two general principles before us for consideration, or a combined one as at present, for the purpose of raising revenue to run the state government. The first would be by direct taxation. If this be the method adopted, then the importance of equalization in the assessments of property by a centralized board is essential. The second method, which is easy of application in our state on account of the class of industries we have, is a license tax, in the shape of either excise or privilege. One method is a straight income tax based upon the mileage idea assessed against all citizens; another is an income tax assessed against earnings, either with or without a minimum.

The methods which have been worked out by me and those associated with me which, if put into effect, will take care of the financial condition of the state at the present time and for many years to come, are:

*First*, a tax upon privilege of corporations doing business within West Virginia, along the lines of the Federal corporation tax. This principle, if written into law, with a rate of one-half of one per cent., would bring into the state treasury an annual revenue of at least \$500,000.00. Statistics obtained from the Federal Government show that the net income from all corporations in West Virginia for the



year ending June 30, 1914, was in round numbers \$100,000,000. This method would assure an equal assumption, by all corporations of our state, of taxes necessary for the maintenance of the state government. If a corporation realized no net income, of course, it would pay no tax. It seems to me that no corporation should object to this method. As an example, if one is earning \$10,000 a year, he ought to be willing to contribute \$50.00 of this income to the maintenance of his state. There is no corporation in the state that could well complain of this tax, for the reason that corporations have paid practically no taxes for the maintenance of the state in the past. This method of taxation would reach a class of industry owners who have heretofore escaped taxation. I have in mind the owners of lands who have heretofore compelled the lessee to pay all taxes while they go free from taxation and receive their royalty without any taxes being paid by them as far as our state is concerned.

The information upon which I base these facts was obtained from the Federal Government and was only given to me in totals for the purpose of being submitted to you for your use in arriving at your conclusions when you come to consider methods of raising revenue for state purposes.

*Second*, the legislature could provide a tax on the privilege of holding land, either in fee or under lease, in excess of five thousand acres. Unfortunately for West Virginia, our citizens have lost their greatest wealth to fortunate citizens of other states and foreign nations in the sale of our most valuable lands for a mere pittance, almost too small to mention. These lands are held in large boundaries and instead of assessing a license tax against them once, as is now the case, for the privilege of holding such lands if they were assessed annually it would bring into our state a substantial revenue indeed, and it would be nothing more than proper for this class of land holders to contribute something from the great wealth which they have assembled for a mere pittance and for which they have contributed practically nothing in the past in the way of support to our state. Other states have a law of this kind and receive a substantial revenue from this yearly taxation. By an annual license tax upon all properties and holdings, either leased or owned in fee simple, of five cents for each acre in excess of five thousand acres and less than ten thousand acres; and on such holdings in excess of ten thousand acres, five cents an acre was assessed on five thousand acres thereof and ten cents on each acre in excess of ten thousand acres—a law of this kind, taking into consideration those who own outright or through lease mineral or



timber rights, and others who own the property in fee simple, requiring them to pay their proportional part of the privilege in the way of a license tax for their interest in these properties, according to figures and facts secured from the Auditor's office, a sum in excess of \$600,000 would be raised annually.

This method of taxation would not be burdensome, but in my humble judgment would be fair and equitable and help the state to be reimbursed in part at least for the great amount of property that has been lost to it for no financial consideration whatever, which should have been kept in the name of the state. This would have amounted to many thousand acres from which an annual revenue would have been received sufficient, at least, to have taken care of our educational institutions, as is done in Minnesota, from the royalties received from these properties by the state under proper lease.

*Third*, a tax, on the privilege of mining and selling coal, petroleum and natural gas, based on the value of these products at the mouth of the mine or at the point of sale within the state. Taking it that the average value of the gas would be seven and one-half cents per thousand cubic feet and there were two hundred and forty-five billion cubic feet of gas produced yearly, at two per cent. of such value, the yearly income would be in excess of \$360,000. Estimating the yearly production of oil at ten million barrels at an average value of \$1.50 per barrel, at two per cent, of such value the yearly income would be \$300,000. Estimating that sixty-five million tons of coal are produced at the average value at the mouth of the mine of sixty-five cents per ton one-half of one per cent. would average a yearly revenue of \$210,000.

Another possible method of raising revenue would be the imposition of a license tax on all things mined or manufactured within the state for the purpose of sale, the tax to be determined by the value of the product at the point of sale, whether within the state or without, based upon the following rates:

On manufactured products . . . . .	3/10 of 1 per cent.
On coal . . . . .	1/12 of 1 per cent.
On limestone, sandstone, clay, etc.	1/10 of 1 per cent.
On oil and gas . . . . .	1/2 of 1 per cent.

Manufactured products of the state had a value in 1913 of approximately \$200,000,000; coal a value of \$60,000,000; limestone, sandstone, etc., a value of \$1,500,000; gas and oil a value of \$63,000,000.



The above rates would produce the following:

On manufactured products .....	\$ 600,000
On coal .....	102,000
On limestone, sandstone, etc. ....	1,500
On gas .....	171,000
On oil .....	144,000

A grand total of approximately .....\$1,000,000

**Illustration:**

A manufacturer would pay the following tax on the value of his annual output:

On \$10,000 .....	\$ 30.00
On \$100,000 .....	300.00
On \$1,000,000 .....	3000.00

A coal company would pay the following tax on the value of its annual output:

On \$10,000 .....	\$ 8.33
On \$100,000 .....	83.33
On \$1,000,000 .....	833.33

A limestone or sandstone company would pay the following tax on the value of its annual output:

On \$10,000 .....	\$ 10.00
On \$1,000,000 .....	100.00

A gas or oil company would pay the following tax on the value of its annual output:

On \$10,000 .....	\$ 50.00
On \$100,000 .....	500.00
On \$1,000,000 .....	5000.00

The above rates are used for the following reasons: For each employee or wage earner employed in the gas or oil business within the state, gas or oil to the value of \$4,000 is produced; for each employee or wage earner in manufacturing establishments within the state there is an output of \$2,400; for each employee or wage earner employed by coal companies, coal to the value of approximately



\$675.00 is produced. It will be thus seen that each employee or wage earner of a manufacturing concern produces  $\frac{3}{5}$  of the value produced by the employee of the oil and gas company; and the employee of the coal company only  $\frac{1}{6}$  as much. In effect this means that for each one dollar of income, a coal company spends six times as much within the state for wages and salaries as the gas or oil company, and the average manufacturing plant 1 2-3 times as much.

For many years a production tax has been advocated by many of our most substantial citizens. The tax commission raised by one of our former governors, composed of some of West Virginia's most representative men, recommended this method of taxation, which has been at every session of the legislature a question that has been debated and many valuable points have been developed therefrom. Our natural gas is rapidly being exhausted, as is our oil, and it would seem to me the owners of other industrial pursuits should awaken to the fact that when these valuable natural resources are gone the burden of taxation will be greater upon them. As our laws are now constituted it is impossible to determine the value from an assessment point of view, as there is no method by which can be measured the quantity, looking toward an equitable value. The quality of oil and gas within West Virginia is practically the same wherever it is found, and there is no argument that can be substantiated against a method being adopted which will insure a tax being levied against this property, based upon some value to be determined, such as the production tax idea.

The production of gas, oil and coal in West Virginia for the year 1913 was as follows:

Gas .....	245,453,985 M. cubic feet.
Oil .....	11,569,799 barrels.
Coal, including coke .....	64,292,152 tons.

A tax of one-tenth of one cent per thousand cubic feet of gas, one and three-fourths cents per barrel of oil and one-fifth of one cent per ton of coal, based on the above production, would raise approximately \$650,000.

Another method suggested is a license or privilege tax to be assessed against the operators of coal, oil and gas leases on an acreage basis. The figures below give approximately the operated and non-operated acreage within the state:



Gas:		
Operated .....	600,000	Acres
Unoperated .....	2,400,000	"
Oil:		
Operated .....	400,000	"
Unoperated .....	1,200,000	"
Coal:		
Operated .....	500,000	"
Unoperated (Estimated) .....	2,000,000	"

A tax of 50 cents per acre on operated gas and oil acreage and 25 cents per acre on operated coal acreage and 10 cents per acre upon unoperated gas and oil acreage and five cents per acre on unoperated coal acreage would produce the following amounts:

On Operated Gas Acreage .....	\$300,000
On Unoperated Gas Acreage .....	240,000
On Operated Oil Acreage .....	200,000
On Unoperated Oil Acreage .....	120,000
On Operated Coal Acreage .....	125,000
On Unoperated Coal Acreage .....	100,000
Making a total on operated acreage of	\$ 625,000
And on unoperated acreage of .....	460,000
	<hr/>
Making a grand total of .....	\$1,085,000

An investigation will show that this would be the equivalent of a very small tax per thousand cubic feet of gas, per barrel of oil or ton of coal.

#### PRODUCTION TAX INEQUITABLE.

A production tax levied against coal on a flat basis would be inequitable on account of the difference in the quality of coal measures throughout the state. It would therefore be necessary to classify the different coal measures of the state, based upon their respective values, before an equitable production tax could be established. Penn-



sylvania has placed a production tax on the anthracite coal production and the constitutionality of this law is now being tested in the courts. I recently had a communication from the Governor of the state of Pennsylvania asking that I appoint a commission to meet with a like commission from the states of Pennsylvania and Ohio looking toward the consideration of a uniform production tax on bituminous coals. This commission should be raised in case the legislature favors a production tax upon these resources so that no advantage would be had over our coal with that of Pennsylvania or Ohio on account of this tax. West Virginia's coal production is placed at a disadvantage in competition with other states for the reason that the railroad haul is longer to the market. It is therefore essential that these questions have careful consideration before a tax is levied against these industries that would be hurtful from a competitive point of view.

I am informed that the assessment value of coal properties in Pennsylvania and Ohio for tax purposes are materially higher than the assessment in West Virginia.

#### TWO BEST METHODS.

It would seem to me, and I so recommend after mature consideration, that the best methods to be adopted by your legislature would be a tax on privilege of corporations for doing business, in keeping with the Federal corporation tax law, and a tax on privilege of holding lands above five thousand acres. These would be the most simple methods which can be adopted at the present time, and would be ample to take care of our current needs, and would possibly meet with less opposition than any other methods that could be suggested. A direct levy of twenty cents would be necessary for 1915 to take care of the present requirements of the state if additional methods are not provided for, and at least twenty cents thereafter. A direct levy for 1915 of twenty cents would cost the railroads at least \$400,000; if a corporation privilege tax were adopted instead, it would cost these same companies very much less than this amount. My earnest conclusions and convictions are that the privilege tax for holding lands in excess of five thousand acres and the corporation income tax in the form of a privilege tax, are the two methods most practical for adoption at the present time, leaving the ten cent maximum levy for state purposes in operation so that the Board of Public Works may have the authority to lay a sufficient amount to take care of the present deficit and place our state upon a substantial basis and insure the



accrue of a substantial surplus in our state treasury to take care of the current and other demands that may be made upon our state of a special character.

The measure that is now before your body, Senate Bill No. 137, providing that the counties should bear at least a part of the cost of keeping inmates in the hospitals for the insane, in the schools for the deaf and blind, and in the reform schools, assessed the county one hundred dollars a year for each inmate it shall have in said institutions, as well as in the Industrial Home for Girls, and provides how the counties may collect this back from the parents or other relatives or the estate of such inmates, who are able to pay. This bill will bring a sum of \$285,000 into the state treasury, based upon one hundred dollars for each inmate. If one-half of this amount were permitted to be charged to the county it would be a **substantial relief to the state** and would not be a material hardship upon the various counties.

A yearly license or privilege tax on royalties received by lessors from the mining of coal and the production of oil and gas has been suggested and that the rentals received by land owners from mineral lands should be considered as royalties; and that the tax should not be levied on any income from royalties under \$500 a year. This tax would apply to all persons and corporations receiving royalties or rentals above \$500 per annum from lands leased in this state, and would be levied on non-resident as well as resident owners.

It is easy to see that there are many methods available for us which can be written into law that would result in the raising of substantial revenue that would not be of an oppressive character. I have given you many methods by which can be raised substantial revenue. Some have suggested the idea that we should give the Board of Public Works the right to lay a twenty cent direct levy and adopt no other method of taxation. I do not approve of this idea for the reason of its great inequity, and that this time is just as good, or better, than any future time for providing additional means of raising revenue, and I earnestly recommend that a tax based upon the income idea be adopted by your body, together with an annual license privilege tax for the holding of tracts of land in excess of five thousand acres, based upon the following rates: that is, one-half of one per cent. upon the net income, and five and ten cents, respectively, based upon the graduated holdings of land.

As time goes by and our state becomes more prosperous, and its institutions greater in number, the corporation income tax will in-



crease the revenue so we can take care of our growing demands in a manner which will be equitable and guarantee a uniform method in the laying of taxes which will be assumed equally, based upon net earnings realized, so that no industry or class of industries can complain of paying a greater tax than the other industries.

Respectfully submitted,

*A. D. Lee*







**SPECIAL MESSAGE**  
**of Governor Hatfield Vetoing Certain Items of Appropriation Bill.**

**Transmitted to Legislature February 26, 1915.**

---

*To the Honorable Members of the Legislature:*

GENTLEMEN:

It is with reluctance and sincere regret that I return to you House Bill No. 423, known as the General Appropriation Bill, with items vetoed amounting to \$858,608.09.

I beg to refer you to that part of my message on Finance which is found in the second paragraph on page 8, thereof as follows:

“There are only two courses left open to use as a State: The first is to stop the progress and development of our institutions and eliminate those which can be most easily sacrificed with the smallest amount of harm, and go into retrenchment in a material way and permit stagnation and retrogression to stay our hands as a commonwealth in the race with other states for civic betterment and accomplishments. In some regards we stand the peer of any commonwealth, but if we are to hold our place and not lag behind, we must go forward in keeping with the demands that are made upon us, as was pointed out in my biennial message, in which I tried to picture the future of our commonwealth and prepare the way for future administrations that would in some manner make the task less irksome and burdensome than it is at the present time and has been experienced by those who preceded me as chief executive.”

Section 4 of article 10 of the Constitution specifically prohibits the creation of a permanent debt except “to redeem a previous liability,” understood to refer to the Virginia Debt, “repel invasion or defend the state in time of war;” and a debt created for any such purposes “shall be equally distributed over a period of at least twenty years.” Section 5 of the same article of the Constitution is plain and unequivocal. It provides that “whenever any deficiency in the revenue shall exist in any year,” the Legislature shall “at the regular session thereof held



next after the deficiency occurs, levy a tax for the ensuing year, sufficient with the other sources of income, to meet such deficiency, as well as the estimated expenses of the year."

Now, you have passed the General Appropriation Bill and you have made other appropriations, and you know the amount of permanent appropriations. If you will add together the amounts of these appropriations, the amount of the deficit at the beginning of the present fiscal year, and the amount of the appropriations made by you at the last session and unexpended at the beginning of said year, you will have the aggregate sum which the Constitution makes it your duty to provide for.

The audit of the state's financial condition completed by the Honorable E. A. Dover, December 12, 1914, reveals the fact that there was a deficit in the state fund on June 30, 1913, four months after I assumed the duties of governor, of \$504,462.91. The audit further reveals the fact that this deficit had been reduced to \$346,516.07 on June 30, 1914. A checking of the Auditor's office of February 1, 1915, reveals the fact that there was a deficit of \$84,872.25 in the state fund as of that date, making it impossible for the Auditor to comply with Section 3 of article 10 of the Constitution in the matter of approving warrants paid out of the General State Fund, which necessitates his being compelled to pay these warrants out of some other fund not available for this purpose.

Mr. Dover's audit estimates a deficit of \$624,000 June 30th of this year, with unpaid appropriations amounting to \$850,000. These added together make a total of \$1,474,000. The total of the appropriations made by you payable out of general revenue is \$5,049,000 as follows: General Appropriation Bill, \$4,606,000; Legislative Appropriation Bill, \$443,375. Adding the aggregate of the appropriations, \$5,049,000, to the above amount of \$1,474,000, and to the \$800,000 required to be transferred to the General School Fund (Acts 1908) gives a total of \$7,323,000.

This is approximately the amount, as I understand it, which you are required by the Constitution to provide for. Subtracting the estimated receipts from all sources, \$4,649,000, from the above total of \$7,323,000, leaves the sum of \$2,574,000 not provided for. If the said unpaid appropriations (1913 bill) of \$835,000 are left out, the amount unprovided for is still \$1,739,000.

The following table respecting the present and probable condition of the State Fund, and dealing only with the approximate amount of the General Appropriation Bill, will, it is hoped be of interest:



Deficit, July 1, 1915 .....	\$ 624,000.00	
Unexpected appropriations July 1, 1915 .....	850,000.00	
Appropriation made by 1915 Legislature for present year.....	70,000.00	
	<hr/>	
Total deficit .....		\$1,544,000.00
Appropriation Bill for 1916 .....	\$2,530,000.00	
Transfer to General School Fund to make up the annual deficit.....	400,000.00	
	<hr/>	
Total amount required.....	2,930,000.00	
Less available revenue from licenses and all other sources except direct levy....	1,175,000.00	
	<hr/>	
	1,755,000.00	
Less direct levy of 10 cents.....	1,150,000.00	
Excess of appropriations over receipts for the year 1916.....	605,000.00	
Deficit brought forward from the biennial period beginning June 30, 1913.....	1,544,000.00	
	<hr/>	
Total deficit July 1, 1916.....		\$2,149,000.00
	<hr/>	
Appropriation Bill for 1917.....	\$2,447,000.00	
Transfer to General School Fund to take care of deficit.....	400,000.00	
	<hr/>	
Total amount required.....	2,847,000.00	
Less available revenue from licenses and all other sources except direct levy....	1,175,000.00	
	<hr/>	
	1,672,000.00	
Less direct levy of 10 cents .....	1,150,000.00	
	<hr/>	
Excess of appropriations over receipts for the year 1917.....	522,000.00	
Deficit brought forward from 1916.....	2,149,000.00	
	<hr/>	
Total deficit July 1, 1917.....		\$2,671,000.00

The above table is based on a letter from the Honorable E. A. Dover, Chief Accountant, a copy of which is attached hereto.



It is therefore necessary for me to curtail this Appropriation Bill, much as I regret to do so, and especially some of the items which I believe are meritorious and are absolutely essential for the welfare of our state institutions in order to guarantee the greatest amount of happiness and comfort to our state, for the reason that your honorable bodies have not provided sufficient revenue to take care of the actual needs of a growing state such as ours.

In accordance with the above, therefore, I hereby return House Bill No. 423, with the following items disapproved:

Appropriations	1916	1917	Total
<i>Criminal Charges.</i>			
Sec. 2. For transportation of prisoners and extradition of criminals .....	5,000.00	5,000.00	10,000.00
<i>Kings' Daughters and City Hospitals.</i>			
Sec. 6. For Kings' Daughters and city hospitals for the treatment of laborers and others who may become a public charge, said amount to be paid upon approval of the state board of control.....	10,000.00	10,000.00	20,000.00
<i>Bureau of Labor.</i>			
Sec. 11. For the salary of two factory inspectors .....	2,400.00	2,400.00	4,800.00
For traveling expenses of same..	2,000.00	2,000.00	4,000.00
<i>Governor's Office.</i>			
Sec. 16. For civil contingent fund, to be expended upon the order of the governor, no part of which, however, is to be used for clerk hire in any of the state offices or institutions, other than the governor's office, for the year 1916 only .....	20,000.00		20,000.00
<i>Auditor's Office.</i>			
Sec. 25. Rebinding and rewriting records .....	5,000.00	5,000.00	10,000.00



*The Militia.*

Sec. 27. To carry into effect the provisions of chapter 41 of the acts of one thousand eight hundred and ninety-seven, as amended by the acts of one thousand nine hundred and nine, relating to the militia.. 65,000.00 65,000.00 130,000.00

*Forestry, Game and Fish.*

Sec. 30. For the protection of forests and the protection and propagation of fish and game, to be expended by and upon the approval of the forest, game and fish warden in the manner and for the purposes provided by section 60 of the acts of one thousand nine hundred and nine ..... 10,000.00 10,000.00 20,000.00  
Which sums are appropriated to be paid out of the fund known as the "Forest, Game and Fish Protective Fund," which was created by section thirty-one of chapter sixty of the acts of one thousand nine hundred and nine.

*Department of Agriculture.*

Sec. 31. Foot and mouth disease 5,000.00 5,000.00

*State Hotel Inspector.*

Sec. 32-a. Necessary to run to June 30, 1915.  
Salary Hotel Inspector ..... 812.50 812.50  
Contingent and traveling expenses ..... 750.00 750.00

*State Board of Control.*

Sec. 33. Repairs and improvements ..... 5,000.00 5,000.00



*West Virginia University.*

Sec. 35. Mining extension work	10,000.00	10,000.00	20,000.00
For girls' dormitories and agricultural buildings . . . . .	100,000.00	100,000.00	200,000.00

Provided, that the citizens or county court, or both, of Monongalia county, shall raise and place at the disposal of the state board of control for the purposes of the university the sum of \$37,500.00 for the year 1916, and the same amount for the year 1917. Said appropriation for the year 1916 to be available for use upon the raising of said sum of \$37,500.00 and placing the same at the disposal of said state board of control for that year.

*Marshall College State Normal School.*

Sec. 39. Buildings and land..	22,500.00	22,500.00	45,000.00
-------------------------------	-----------	-----------	-----------

*Fairmont State Normal School.*

Sec. 40. Buildings and land..	30,000.00	30,000.00	60,000.00
-------------------------------	-----------	-----------	-----------

*West Liberty State Normal School.*

Sec. 41. Buildings and land..	27,500.00	27,500.00	55,000.00
-------------------------------	-----------	-----------	-----------

*West Virginia Industrial Home for Girls.*

Sec. 47. Buildings and land (1917 only) . . . . .		10,000.00	10,000.00
--	--	-----------	-----------

*State Tuberculosis Sanitarium.*

Sec. 50. Buildings and land..	15,000.00	15,000.00	30,000.00
-------------------------------	-----------	-----------	-----------

*West Virginia Colored Orphans' Home.*

Sec. 51. Buildings and land..	3,000.00	3,000.00	6,000.00
-------------------------------	----------	----------	----------

*Weston State Hospital.*

Sec. 53. Buildings and land..	20,000.00	20,000.00	40,000.00
-------------------------------	-----------	-----------	-----------

*Spencer State Hospital.*

Sec. 54. Buildings and land..	7,500.00	7,500.00	15,000.00
-------------------------------	----------	----------	-----------



*Huntington State Hospital.*

Sec. 55. Building and land...	7,500.00	7,500.00	15,000.00
-------------------------------	----------	----------	-----------

*State Librarian.*

Sec. 59. For librarian at Charles Town (salary).....	500.00	5,000	1,000.00
--	--------	-------	----------

*Public Service Commission.*

Sec. 61. Current general expenses .....	60,000.00	60,000.00	120,000.00
---	-----------	-----------	------------

*State Road Bureau.**Point Pleasant Monument.*

Sec. 63-a. For improvement and ornamentation of Tu-Endie-Wei park at Point Pleasant, owned by the state and containing Point Pleasant battle monument, and to be in lieu of the appropriations made for "protecting and improving river banks around Point Pleasant monument" by chapter three of the acts of one thousand nine hundred and thirteen, \$5,000.00, which is unexpended .....

	2,500.00	2,500.00	5,000.00
--	----------	----------	----------

*Miscellaneous Appropriations.*

Sec. 64. County court, McDowell county, for clothing furnished prisoners .....	2,455.23		2,455.23
To pay salary of three additional inspectors for mine department from May 1 to June 30, 1915...	1,050.00		1,050.00
To pay traveling expenses of same	360.00		360.00
To pay stenographer and clerk hire	400.00		400.00
To pay county court of Mercer county for clothing furnished prisoners in felony cases and paid out of the county treasury .....	1,980.35		1,980.36



Special attention is directed to the fact that a fifteen cent levy for the next two years will take care of ninety per cent of the appropriations remaining after the deductions above made; so it will be seen that I have not made any unnecessary deductions.

H. D. HATFIELD,  
Governor.

February 26, 1915.

On motion of Mr. Duty, the action of the Governor, in vetoing the items in the bill (H. B. No. 423) was approved.

*Letter of E. A. Dover, accompanying veto message of His Excellency, The Governor.*

CHARLESTON, WEST VIRGINIA,  
February 26, 1915.

HONORABLE H. D. HATFIELD,  
Governor of West Virginia,  
Charleston, West Virginia.

DEAR SIR:—

In compliance with your request for information concerning the state's finances, I beg to report as follows:

*State Fund.*

Balance in state fund for all purposes, Feb. 1, 1915....	\$2,943,303.16
Less amount included in above which is collected for a specific purpose and not available for payment of general appropriations—(most all of this amount is public service corporation taxes collected which belongs to the municipalities, counties and districts.)	\$2,928,175.41
Less amount included in above balance which is borrowed from the workmens' compensation fund .....	100,000.00
Total included in above balance which is not available for payment of general appropriations.....	3,028,175.41

Overdraft in state fund of moneys available for paying ing general appropriations, February 1, 1915..... 84,872.25  
*Deficit July 1, 1915, and Appropriations and Revenue for Next Two Years.*

Estimated deficit in state fund July 1, 1915, of moneys available for general appropriations.....\$ 624,216.07  
Appropriations made by 1913 legislature that will re-



main unexpended July 1, 1915, if the above deficit is not increased .....	850,063.87
Appropriations made by 1915 legislature for remainder of year ending July 1, 1915.....	70,151.86

---

Total deficit in state fund, July 1, 1915, if all appropriations were expended .....\$1,544,431.80

Appropriations made by 1913 legislature, for the year ending July 1, 1916.....	\$2,531,608.33
Transfer from state fund to general school fund, required by acts of 1908.....	400,000.00
Total for 1916.....	\$2,931,608.33
Estimated revenue from all sources except direct levy .....	\$1,174,500.00
Ten cent state levy .....	1,150,000.00
Total revenue for 1916.....	2,324,500.00

---

Excess of appropriations over receipts for the year 1916.\$ 607,108.33  
 Deficit at beginning of year, brought forward..... 1,544,431.80

---

Total deficit July 1, 1916, if all appropriations were expended ..... 2,151,540.13

Appropriations made by the 1915 legislature for the year ending July 1, 1917.....	\$2,447,550.00
Transfer from state fund to general school fund required by acts of 1908.....	400,000.00
Total for 1917 .....	2,847,550.00
Estimated revenue from all sources except direct levy .....	\$1,174,500.00
Ten cent state levy .....	1,150,000.00

---

2,324,500.00  
 Excess of appropriations over receipts for the year 1917. 523,050.00  
 Deficit at beginning of year, brought forward..... 2,151,540.13

---

Total deficit, July 1, 1917, if all appropriations were expended ..... 2,674,590.13



The above figures are based on the House appropriation bill, and on the laws in effect January 1, 1915, with a ten cent state levy and includes only appropriations which are payable out of the state's general revenue.

It will be seen from the above statement that in order to meet the deficit July 1, 1916, it would be necessary to lay a direct levy of 19 cents in addition to the ten cents, or a total of 29 cents for the present year and for the year 1916, a direct levy of 5 cents in addition to the ten cents, or a total of 15 cents.

Respectfully submitted,

E. A. DOVER,  
*Chief Accountant.*

---

CORRESPONDENCE BETWEEN THE GOVERNOR AND AUDITOR RELATING  
TO DEFICIT IN THE STATE TREASURY, AND AVAILABLE REVENUES.

March 2, 1915.

My dear Mr. Darst:—

I am enclosing to you a statement prepared by Mr. E. A. Dover and myself, elucidating the present deficit in the state treasury, the available appropriations carried over from the 1913 biennial period, together with the appropriation bill passed by the Legislature just ended, with the state's available revenues for the ensuing biennial period.

I am informed that you feel we can get along with the present available sources of revenue and take care of our liabilities, including the appropriation bill that has just become a law after certain items amounting to almost a million dollars have been vetoed by me.

I cannot understand or see how this can be done, and I must confess I do not understand how the Legislature, after Mr. Dover's audit of the State's financial condition, can comply with article 10, section 5, of the Constitution and pass the appropriation bill they have, with the outstanding liabilities and deficit called to their attention, without providing additional revenue with which to take care of the same. Nor do I see how you can comply with section 4 of the same article of the Constitution. You had a deficit of \$84,872.25 at the beginning of the month of February, in the general state fund.

Just a few months ago the Board of Public Works was requested by you to transfer money from the Compensation and General School



funds to replenish the then depleted condition of the State fund. You are the Auditor, and I should think the paramount question with you would be to have available funds in sufficient amounts to take care of the State's liabilities. You know as well as I the great effort that has been put forth by us all to economize and curtail expenses, as well as to hold down appropriations for buildings, etc., in the past, and now to have legislators come to me and make the statement that they do, that you indicate that we have funds sufficient to take care of our liabilities, makes it, to say the least doubly hard for me to get the entangled condition with which we find ourselves confronted straightened out.

You go upon the theory that we are not going to close out business, and that these liabilities can be carried forward from year to year. What position does this put the Legislature in under section 5, of article 10? This theory could not and will not prevail for the reason that it is not tenable, from the fact that you will have a deficit of \$1,230,391.91 over any available assets at the close of the year of 1917, and you do not want it said of you as Auditor or myself as Governor that we leave the State's service with this un-business-like condition hanging over our heads.

I also wish to call you attention again to the fact that the Legislature has passed the budget law, which requires each fund in the state treasury to be kept separate and apart, and of course this will exact the carrying out by you of section 4 of article 10 in its fullness. And should section 4 be complied with at the present time we would find ourselves very much embarrassed indeed. This budget idea is right in principle and will add to instead of detract from the businesslike methods of conducting the State's financial affairs by those in whose keeping is left the administering of these duties.

If no revenue measures are provided by the Legislature, and if we keep our institutions open and take care of our liabilities which accrued long before I assumed the duties of Governor, we will be compelled to borrow money.

I wish here and now to go on record that I shall not subscribe or in any way obligate myself in this regard, in case the Legislature now in session does not provide for a sufficient amount of revenue to take care of the outstanding liabilities, as well as the appropriation bill which it has just passed. It is their plain duty to provide for the accrued deficit, as well as to provide for any appropriation that they may make, and I hope that you will see your way clear to stand by



and assist in seeing that this is done, thereby relieving yourself and all connected with the administration from further embarrassment.

Believe me,

Very sincerely,

(Signed:)

H. D. HATFIELD, *Governor*.

Honorable J. S. Darst,  
Charleston, West Virginia.

#### STATEMENT BY THE GOVERNOR.

In curtailing the appropriation bill, I tried to eliminate items which could be sacrificed with the smallest amount of harm to the welfare of our state. In my former messages, I called your attention to the fact that there was an outstanding liability in appropriations made for the past biennial period amounting to \$850,000.00, and that there was an estimated deficit of \$624,000.00, making a total of \$1,474,000.00. Of the \$850,000.00 outstanding liability in the way of appropriations for the past biennial period, \$334,587.36 represents appropriations for buildings at the several institutions of the state, some of which are under contract, and it would indeed be a great sacrifice not to provide revenue to permit the expenditure of these appropriations. The remainder represents maintenance appropriations and appropriations for the payment of salaries of state officials, and other expenses for all of our institutions, departments, commissions and boards.

It is estimated that ten per cent of this \$850,000.00 will revert back to the state treasury unexpended. This would leave, to begin with, a liability of \$1,390,000.00 plus \$70,000.00 appropriated for the remainder of the present year, or a total liability of \$1,460,000.00 to be cared for in the first part of the biennial period of 1916, without taking into consideration money appropriated for the 1916 period, passed by your body at the regular session that has just ended.

The assessed valuation of the state is \$1,400,000,000.00.  
A direct levy of ten cents, counting off the fees for collection, discount, delinquent and erroneous taxes, will realize from this source at least ..... \$1,150,000.00  
The estimated income for incorporation charter taxes, license taxes and other available resources, has, in the past, averaged ..... 1,175,000.00  
There is no reason why there should be any depreciation of this amount of revenue received from these



sources for the coming biennial period. This would make a total of .....	\$2,325,000.00
for the annual period in the way of revenue from which to meet our state's liabilities.	
Your honorable body appropriated for the period of 1916 .....	2,530,000.00
Add to this .....	400,000.00
which the record discloses is the average deficit in the general school fund, and it will give a total amount in the way of liabilities of.....	\$2,930,000.00
for the first year of the ensuing biennial period. Add to this .....	1,554,000.00
of deficit and unexpended appropriations brought forward from the past biennial period, will give a liability of .....	4,474,000.00
with an available source of revenue of .....	2,325,000.00
leaving an outstanding indebtedness amounting to....	2,149,000.00
Add to this outstanding indebtedness the appropriation made for that part of the biennial period covering 1917, which amounts to .....	2,447,000.00
plus the transfer to the general school fund to take care of the deficit in that fund (in keeping with acts, 19**) .....	400,000.00
and we will have an outstanding indebtedness of.....	4,996,000.00
To which can be applied to the state available resources or revenue for 1917, which will amount to .....	2,325,000.00
Leaving an outstanding liability amounting to.....	2,671,000.00
Take from this liability .....	858,608.09
which represents the amount curtailed from the general appropriation bill, and we will have a deficit of.....	1,812,391.91
Deduct from this ten per cent of the \$5,827,000.00 which represents the appropriation bill, amounting to \$2,530,000.00 for 1916, and \$2,447,000.00 for 1917, and the \$850,000.00 appropriations outstanding for the past biennial period from the deficit of \$2,671,000.00, would leave \$2,089,000.00. Take from the remaining	



deficit the items vetoed in the appropriation bill, which total \$858,608.09, will still leave a deficit of \$1,230,-391.91 over and above any available revenue.

So, it can plainly be seen that if I have erred at all in my veto prerogative, it has been on the side of permitting to go uncared for a liability over and above the state's revenue income. I did this, after mature deliberation, for the reason that I felt your honorable body would conclude that it was necessary to provide for some methods to raise revenue other than is at present available to the state.

H. D. HATFIELD, *Governor.*

HON. H. D. HATFIELD,  
*Charleston, W. Va.*

MY DEAR GOVERNOR:

I have your letter of March 2nd, stating you were enclosing a prepared statement by Mr. E. A. Dover and yourself, elucidating the present deficit in the state treasury, the available appropriations carried over from the 1913 biennial period, together with the appropriation bill passed by the Legislature just ended, with the State's available revenues for the ensuing biennial period.

You did not enclose the above statement, so I do not have it before me in answering this letter.

I note you state you are informed that I feel we can get along with the present available sources of revenue and take care of our liabilities, including the appropriation bill that has just become a law, after certain items amounting to almost a million dollars have been vetoed by you.

I desire to say, relative to the information you have received, I did not intend to give any impression of this kind.

The impression I intended to leave was, since the items cut out of the bill by yourself have reduced the appropriation formerly made by the Legislature some \$800,000, and if there were no more added to it by the Legislature, that the revenue available under the present law is almost sufficient to take care of the appropriation bill as passed by the Legislature.

In addition to the above, it will be necessary to raise additional revenue to take care of the deficit which we will face on June 30th, 1915, and for a working balance. The amount of the deficit depends largely on the amount used of the appropriations now available.

We estimate to take care of the above mentioned items, it will be



necessary for the Legislature to raise additional revenue, approximately \$1,000,000, and a little more would make us easier.

With reference to what you say regarding my compliance with section 4 of article 10 of the constitution, relative to a deficit of \$84,872.25 at the beginning of the month of February, in the general fund, beg to say I suppose you get the above figures by subtracting the amount that is in the state fund belonging to the so-called blank appropriations. Your figures, I presume, are correct. These blank appropriations have always been carried in the State fund. It was no fault of mine that there was not more money in the state treasury at the time you mention, or any fault of yours, to pay the demands upon the treasury and leave this fund intact. The same condition has prevailed, as you know, a number of months before the beginning of the fiscal year, and has continued to be the case since, and was pointed out by me to the board of public works, and discussed by them time and again.

At the beginning of the fiscal year when the board of public works made the transfer to the general school fund, the board of public works figured by using these blank appropriations we could make the transfer at a certain time. Since that time, the board of public works has borrowed from the workmen's compensation fund and from the general school fund, in order that we might meet the demand made on the treasury, but in doing this, the board of public works has always counted on using the so-called blank appropriations for this purpose. This was true last June, and the June before.

Not only was there a deficit at the end of February, not counting these blank appropriations, but I believe there will be an increased deficit up until the close of the fiscal year, which will have to be met by the board of public works in some manner, all of which, as you are aware, has been fully discussed by that body.

I assure you I shall be more than glad to keep these so-called blank appropriations in a separate fund, and will do so whenever the board of public works provides sufficient funds to make such transfer, and authorizes me to so do.

I have also discussed this matter in my last biennial report, and call your attention to pages 26 and 27. On the bottom of page 26 I point out just what these blank appropriations are, giving the amount of them, and stating they do not belong to the State. On page 28 I show in detail the items making up the amount, as well as the general unsatisfactory condition of the State's finances.

Without going into further detail, in reply to other questions raised



in your letter, beg to say that I do not think that any one can possibly be more interested than myself in seeing the State placed upon a sound financial basis, because I have, as auditor of the state, more to gain than probably any other officer, from the fact that when the finances grow low, it is a source of constant worry to me, because of the fact that I am in close touch with it.

I assure you that there has nothing been done or said by me with an object of discouraging an appropriation that would not only meet the needs of the State, but that would give us a good working surplus, and I am willing to continue my efforts, and join you or any member of the Legislature, or any one else, in enacting laws that will best serve this purpose.

Assuring you of my co-operation now, as in all the past since you have been Governor of the State, and my willingness to join you in anything calculated for the upbuilding or betterment of the entire State, I beg to remain,

Very respectfully,

J. S. DARST, *Auditor.*

---

CHARLESTON, WEST VIRGINIA  
February 26, 1915.

Honorable H. D. Hatfield,  
Governor of West Virginia,  
Charleston, West Virginia.

Dear sir:—

In compliance with your request for information concerning the state's finances, I beg to report as follows:

*State Fund.*

Balance in state fund for all purposes, February 1, 1915 .....	\$2,943,303.16
Less amount included in above which is collected for a specific purpose and not available for payment of general ap- propriations—(most all of this amount is public service corporation taxes col- lected which belongs to the municipali- ties, counties and districts .....	\$2,928,175.41



Less amount included in above balance which is borrowed from the Work- man's Compensation Fund .....	100,000.00
<hr/>	
Total included in above balance which is not available for payment of general appropriations .....	3,028,175.41
<hr/>	
Overdraft in state fund of moneys available for paying general appropria- tions, February 1, 1915 .....	85,872.25
<hr/>	
<i>Deficit July 1, 1915, and Appropriations and Revenue for Next Two Years.</i>	
Estimated deficit in state fund July 1, 1915, of moneys available for general appropriations .....	\$ 624,216.07
Appropriations made for 1913 legisla- ture that will remain unexpended July 1, 1915, if the above deficit is not in- creased .....	850,063.87
Appropriations made by 1915 legisla- ture for remainder of year ending July 1, 1915 .....	70,151.86
<hr/>	
Total deficit in state fund, July 1, 1915, if all appropriations were expended..	\$1,544,431.80
<hr/>	
Appropriations made by 1915 legisla- ture, for the year ending July 1, 1916 .	2,531,608.33
Transfer from state fund to general school fund, required by acts of 1908	400,000.00
<hr/>	
Total for 1916 .....	\$2,931,608.33
Estimated revenue from all sources ex- cept direct levy, .....	\$1,174,500.00
Ten cent state levy .....	1,150,000.00
<hr/>	
Total revenue for 1916 .....	2,324,500.00



Excess of appropriations over receipts for the year 1916 .....	607,108.33
Deficit at beginning of year, brought forward .....	1,544,431.80
	<hr/>
Total deficit July 1, 1916, if all appropriations were expended .....	\$2,151,540.13
<hr/>	
Appropriation made by the 1915 legislature for the year ending July 1, 1917	\$2,447,550.00
Transfer from state fund to general school fund required by acts of 1908	400,000.00
	<hr/>
Total for 1917 .....	\$2,847,550.00
Estimated revenue from all sources except direct levy .....	\$1,174,500.00
Ten cent state levy .....	1,150,000.00
	<hr/>
	\$2,324,500.00
Excess of appropriations over receipts for receipts for the year 1917 .....	523,050.00
Deficit at beginning of year, brought forward .....	2,151,540.13
	<hr/>
Total deficit, July 1, 1917, if all appropriations were expended .....	\$2,674,590.13

The above figures are based on the House Appropriation Bill, and on the laws in effect January 1, 1915, with a ten-cent state levy, and includes only appropriations which are payable out of the state's general revenue.

It will be seen from the above statement that in order to meet the deficit July 1, 1916, it would be necessary to lay a direct levy of 19 cents in addition to the ten cents, or a total of 29 cents for the present year, and for the year 1916, a direct levy of 5 cents in addition to the ten cents, or a total of 15 cents.

Respectfully submitted,

E. A. DOVER,  
Chief Accountant.



## SPECIAL MESSAGE OF THE GOVERNOR.

Transmitted March 3, 1915.

---

*To the Honorable Members of the Senate and House of  
Delegates:*

Gentlemen:

In my first biennial message, I called to your attention the fact that there would be a deficit in the State treasury amounting to at least \$624,000.00 beginning with July first, this year. I pointed out in the financial statement in that message, in detail, the fiscal transactions of the state for the previous three years, and in my special message on taxation and finance which was sent to your honorable bodies February 14th, I pointed out the fact that the state of West Virginia was getting more returns out of every dollar expended than any other state in the Union.

I called your attention to the loss of license revenue by the state, as well as the emergency expenditure of one-half million of dollars in the maintenance of law and order in the Kanawha coal fields.

I also suggested to you many methods from which could be selected what was considered best for the raising of additional revenue to replenish our state's depleted financial condition. There was no special method urged that I desired favorable consideration upon by your honorable body. There are many other methods of raising revenue not especially mentioned in my message, which, if they had been adopted, would have met with my hearty approval.

The passage of an appropriation bill at the conclusion of your regular session, which carried with it a liability of \$2,671,000.00 over the available revenue for the state, prompted me to veto \$858,608.09 of the items of this measure. The elimination of these items by veto does not



bring the remainder of the appropriation bill within the state's available resources. An extra five cents on the already available ten-cent direct levy for each year would leave a deficit of \$613,000.00.

In curtailing the appropriation bill, I tried to eliminate items that could be sacrificed with the smallest amount of harm to the welfare of our state. In my former message, I called your attention to the fact that there was an outstanding liability in appropriations made for the past biennial period amounting to \$850,000.00, and that there was an estimated deficit of \$624,000.00, making a total of \$1,474,000.00. Of the \$850,000.00 outstanding liability in the way of appropriations for the past biennial period, \$334,587.36 represents appropriations for buildings at the several institutions of the state, some of which are under contract, and it would indeed be a great sacrifice not to provide revenue to permit the expenditure of these appropriations. The remainder represents maintenance appropriations and appropriations for the payment of salaries of state officials, and other expenses for all of our institutions, departments, commissions and boards.

It is estimated that ten per cent of this \$850,000.00 will revert back to the state treasury unexpended. This would leave, to begin with, a liability of \$1,390,000.00, plus \$70,000 appropriated for the remainder of the present year, or a total liability of \$1,460,000.00 to be cared for in the first part of the biennial period of 1916, without taking into consideration money appropriated for the 1916 period, passed by your body at the regular session that has just ended.



I desire to bring to the attention of the Legislature a letter from Mr. E. A. Dover, Chief Accountant, showing that there was a deficit in the state treasury of nearly one-half million dollars when the new administration came into power and that this deficit was reduced to \$346,000 at the close of the fiscal year ending July 1, 1914.

Charleston, March 2, 1915.

HONORABLE H. D. HATFIELD,  
Governor of West Virginia,  
Charleston, West Virginia.

Dear Sir:

Replying to your request for information concerning the State's finances at the beginning of your administration and during your administration, I beg to report as follows:

An examination of the State's financial records discloses the following facts:

July 1, 1913—Deficit in State Fund of moneys applicable to the payment of appropriations which are payable out of "general revenue," approximately, .....	\$480,000.00
July 1, 1914—Deficit in State Fund of moneys applicable to the payment of appropriations which are payable out of "general revenue," approximately, .....	346,000.00
July 1, 1915—Estimated deficit in State Funds of moneys applicable to the payment of appropriations which are payable out of "general revenue," .....	624,000.00

It will be seen from the above statement that at the beginning of the first year of your administration, July 1, 1913, there was a deficit of \$480,000.00, and that during your first year the deficit was decreased \$134,000.00, from \$480,000.00 at the beginning of the year to \$346,000.00 at the end of the year.

Notwithstanding the fact that the State Fund will not receive approximately \$600,000.00 from liquor licenses during the present year, as was received in previous years, the deficit will increase only \$278,000.00, from \$346,000.00 at the beginning of the year, July 1, 1914, to \$624,000.00 at the end of the year, July 1, 1915. If the entire amount appropriated by the 1913 legislature and remaining unexpended were to be expended during the present year, the deficit



deficit July 1, 1915, to more than \$624,000.00, there must remain appropriations unexpended July 1, 1915, aggregating \$850,000.00.

The deficit in the State Fund originated during the year 1912, when only a one-cent state levy was laid and the industrial trouble in the Kanawha Valley occurred, which cost the state over \$300,000.00 for the maintenance of law and order.

Respectfully submitted,

E. A. DOVER,

*Chief Accountant.*

The assessed valuation of the state is \$1,400,000,000.	
A direct levy of ten cents, deducting the fees for collection, discount, delinquent and erroneous taxes, will realize from this source at least.....	\$ 1,150,000.00
The estimated income for incorporation charter taxes, license taxes and other available resources has, in the past, averaged.....	\$ 1,175,000.00
There is no reason why there should be any depreciation of this amount of revenue received from these sources for the coming biennial period. This would make a total of.....	\$ 2,325,000.00
for the annual period in the way of revenue from which to meet out state's liabilities.	
Your honorable body appropriated for the period of 1916.....	\$ 2,530,000.00
Add to this.....	400,000.00
which the record discloses is the average deficit in the general school fund, and it will give a total amount in the way of liabilities of.....	\$ 2,930,000.00
for the first year of the ensuing biennial period.	
Add to this.....	\$ 1,544,000.00
of deficit and unexpended appropriations brought forward from the past biennial period, will give a liability of.....	\$ 4,474,000.00
with an available source of revenue of.....	\$ 2,325,000.00
leaving an outstanding indebtedness amounting to	\$ 2,149,000.00
Add to this outstanding indebtedness the appropriation made for that part of the biennial period covering 1917, which amounts to.....	\$ 2,447,000.00
plus the transfer to the general school fund to take care of the deficit in that fund (in keeping with Acts, 1908, chapter 27, extra session).....	400,000.00
and we will have an outstanding indebtedness of	\$ 4,996,000.00
to which can be applied the state's available resources of revenue for 1917, which will amount to	\$ 2,325,000.00
leaving an outstanding liability amounting to...	\$ 2,671,000.00
Take from this liability.....	858,608.09



which represents the amount curtailed from the general appropriation bill, and we will have a deficit of..... \$ 1,812,391.91

Deduct from this ten per cent of the \$5,827,000.00 which represents the appropriation bill amounting to \$2,530,000.00 for 1916 and \$2,477,000.00 for 1917, and the \$850,000.00 appropriations outstanding for the past biennial period from the deficit of \$2,671,000.00, would leave \$2,089,000.00. Take from the remaining deficit the items vetoed in the appropriation bill which totals \$858,608.09, will still leave a deficit of \$1,230,391.91 over and above any available revenue.

So it can plainly be seen that if I have erred at all in my veto prerogative, it has been on the side of permitting to go uncared for a liability over and above the state's revenue income. I did this, after mature deliberation, for the reason that I felt your honorable body would conclude that it was necessary to provide for some methods to raise revenue other than is at present available to the state.

#### *Condition of State's Institutions.*

The deplorable condition of our institutions was pointed out to you in my biennial message, and their great needs ought to appeal to you and impress you with the fact that something is absolutely necessary to be done in the way of developing new sources of revenue. There is no state in the Union that is doing as much as ours with so small an amount of money. I know of no state that compares in any respect with West Virginia that has not a larger available source of revenue. But, whatever may be your conclusion there is one thing that I am determined upon, and that is that if the revenue is not provided for, so far as my authority goes, the state must not be piled up with liabilities and no provision made with which they may be liquidated.

The industries of our state do not seem to be liberal enough to admit that they should assume their equitable part of taxation, although they are very willing to have the state assume the burden of administering departments which are solely for their protection and for their benefit.



The Compensation Department should be made self-supporting. The tax-payers of the state generally have no direct interest in this department. The great mass of citizens receive no benefit therefrom. I feel therefore that it is nothing but equitable and just that this department be made self-supporting and that the Commissioner of the Compensation Department should be permitted to expend an amount sufficient—not to exceed, say \$85,000 or \$90,000 per year—for the purpose of carrying on and administering this department out of the premiums collected from those who come under it, and in case of election by some to carry their own risks, they should be required to pay their proportionate part in the support of this department.

I would further suggest that the state fund be relieved of the burden of expense occasioned by the Mining Department, and that a license fee be charged, based either upon the tonnage or capital stock, of the mining industries, as is the case with the banking institutions of our state as regards the Banking Department, and that the Mining Department be made self-supporting out of the fees charged for inspection, in keeping with the law creating the Mining Department.

If we are to continue to raise at least part of our money by direct taxation one class should not have an advantage over another, and in order to place all classes upon the same equity, we must begin with equity.

#### *Cost of Miners' Hospitals.*

Our miners' hospitals are doing a great humane work, yet they impose an inequitable burden, although it is difficult to regulate this inequality. The \$83,000 which these institutions cost the state annually is alone in excess of the ten-cent levy assessed against the \$61,000,000.00 of coal properties that come under the Mining Department of the State, and while the mining industry is not responsible for all the injured admitted to these institutions, it would be safe to estimate that at least 80 per cent of the expense of those institutions is directly chargeable to



this one industry. On account of the great good done for that class of workmen who are almost at the mercy of charity when disabled while earning the daily bread for themselves and those dependent upon them, I feel that nothing should be done—whatever disposition is made of those institutions in the future—that will prevent this class of workmen from receiving the consideration in the future which has been so justly accorded them by the state.

The paramount purpose of my calling your body in special session is to consider taxation and financial problems. I included other matters in the call, thinking you might give consideration to these questions which I consider of special importance, and which I justify under the special call for the reason that they will not interfere with your duties upon the paramount object of your convocation.

Of the many items in the appropriation bill that I was forced to veto on account of the lack of revenue, I consider the majority meritorious, and some absolutely essential for the welfare of those institutions upon which fell my disapproval of the appropriations made for them on account of the fact that there was no revenue available from which to meet the sum allotted to them.

Article 10 of section 5 of the constitution makes it your duty to provide for accrued deficits in any previous year, as well as to take care of any appropriation made for any ensuing year, and if after deliberation, you find that you are unable to agree upon any method looking towards the raising of additional revenue, it is your duty to reconsider the appropriation bill passed at the regular session and curtail it further in the amount of appropriations carried, so that it will come within the constitutional provision which prescribes your duty in this regard. I reiterate that our state institutions have been conducted in a parsimonious way in the past and this is largely due to the opposition of avarice and greed to the proper kind of revenue measures being written into law and the absolute failure upon the part of those who have occupied the posi-



tion of governor being able to have submitted to the people for their consideration and adoption an amendment to our constitution permitting the classification of property, as is advocated by all students of economics, and that has been carried into effect by all states having a stable, flexible, uniform, equitable and satisfactory method of taxation which has resulted in the segregation of property for local, district and state purposes, and which has brought corporations to such states instead of driving them away, as has been the case in West Virginia.

The republican party is committed to this idea which had for its purpose, ultimately, doing away entirely with the imposition that attends *ad valorem* or other property methods of taxation, based upon the direct levy for state purposes which has been eliminated by all progressive states in years past.

#### *Our State Tax Rate.*

The state tax is now 10 cents, and it is certainly not desirable to increase it until other sources of revenue have been exhausted for the reason that the direct method is inequitable in every particular. It compels some to assume an unjust proportion of the tax burdens while others escape altogether.

The controlling element which stays our hand is the method to which our constitution directs us to adhere—that taxation shall be “equal and uniform” when it has been developed that such a method is untenable and impossible of application. This statement is verified by every writer upon the subject of taxation. Any special tax imposed must be in addition and not in lieu of the general property tax under our constitution. Such is not the case in Pennsylvania, New Jersey, Wisconsin, Oregon, Virginia and other states. Classifications under their constitutions are permitted, each class being taxed at a uniform rate as well as the separation of subjects of taxation for revenue for state, counties, districts and municipalities, and no class is taxed *ad valorem* more than once. Real



estate is not taxed at all for state purposes in Pennsylvania.

Revenue for state purposes should be derived entirely from license, privilege and franchise taxes. The value of untenable properties should not be taxed upon the same basis as other classes of property. There is no class of property within our state that pays as high rate of taxation as do our banking institutions. My idea, of course, in advocating privilege, license and other methods of taxation in my message on taxation and finance, was to do away with the direct method of taxation of lands, etc., as far as it applied to state purposes. As I pointed out in my message on finance, a just classification of the different classes of property and the elimination of the old direct method will result in great good for the people of the state and assure greater sources of revenue based upon equitable methods. Not only will it do this, but it will insure that that class of people who are opposed to paying their equitable part of the tax burdens, known as "tax dodgers," will have no avenue of escape under the system. It will also guarantee a greater influx of capital and of greater magnitude than has been experienced heretofore. This has been the result of the adoption of the classification method in other states, and why should we not profit by their experience?

The National Civic Federation condemned the method of ad valorem taxation as being unjust, inadequate and that the entire system of general property taxation had broken down and should be abandoned. It was suggested at the meeting of the Federation in Washington, where such distinguished men as Senator Elihu Root, Honorable Seth Low and Honorable Alton B. Parker were present, that the income tax idea be substituted in whole or in part for the personal property tax. I called this method to your attention in my former message as to its application to corporations. This idea could be made to apply to individuals with or without a minimum exemption.

The increase of the corporation charter tax which was



advocated at the regular session, in my opinion, would be detrimental to the source of revenue and tend to reduce our income from this source rather than increase it.

It seems to me that the methods which should have your serious consideration are: *First, the taxation of privilege, excise, income or production; Last, and certainly the one least desirable, the direct tax, going back to the old iniquitous method that was copied by us from the mother state and which she in turn acquired from across the sea and which she discarded as far back as 1902 for the new and modern method based upon classification of properties.*

It will take an additional five cents to the already authorized ten cent direct levy to take care of the present liabilities in appropriations recently made by your honorable body, together with the outstanding liabilities, as pointed out in both of my messages to you at the regular session of the Legislature. This amount, if you deduct the appropriations already passed, ten per cent will cover and permit the state to go along with its administration duties and liquidate all liabilities for the ensuing biennial period; but if additional appropriations are made, new revenue is imperative. The present law, which was passed by your honorable body at the late regular session of the Legislature and of which I heartily approve, is left to the administration of our accounting department and directs that each fund in the Auditor's office be kept separate and apart. This will insure our state being run upon a business like basis, so that at the close of each day a balance can be struck and the citizens be informed of the state's real financial condition, as is required by section 4 of article 10 of the Constitution.

I would regret very much to see the levy for state purposes raised beyond the ten cents now imposed. To do so would be a reversal of the policy upon which the state entered some ten years ago, and which was to eliminate the levy upon property for state purposes entirely. There are many reasons why this should be done. The attention of the people of the state was focused upon this



phase of taxation by the report of the Tax Commission of 1902, which consisted of Honorable Henry G. Davis, former United States Senator and candidate of his party for Vice President of the United States; Honorable William P. Hubbard, former Congressman, a lawyer of very great ability, an experienced legislator and a gentleman largely acquainted with the business interests of the state; the Honorable John H. Holt, one of our ablest lawyers, and who was a candidate of his party for governor of the state; the Honorable L. Judson Williams, another of our ablest lawyers and now one of the judges of the Supreme Court of Appeals; and Captain John K. Thompson, a man of experience in legislative affairs, of scholarly attainments, a practical and successful farmer, and a gentleman of excellent sense and discretion.

We would have expected from such a commission, giving to the subject as they did, a great deal of time and attention, including hearings at many places in the state, an able report. And such is their report, especially along the practical side. It was a conservative body and they recommended, as they say, less changes than they would like to have recommended. Considerable space in this report, both in the preliminary and the final report, is taken up in the discussion of the propriety and necessity of the abolition of all taxes on property for state purposes. The Commission unanimously agreed that this ought to be done; and the reasons which I shall give immediately are mostly a condensed statement of those given by this able Commission.

#### *Uniform Assessment Impossible.*

It is impossible, in the nature of the case, to obtain even approximately equal and uniform assessment of the property of the fifty-five counties of the state by any practical method of assessment. It never has been done in West Virginia or elsewhere, and never will be done. Where is the equity in a direct state tax when a part of the property in one county is assessed at one-fourth of its



value, in another at one-half of its value, in another at three-fourths of its value, and in another at its full value? Ten thousand dollars assessed value of property would pay under a fifteen cent state levy in the first county \$3.75, in the second county \$7.50, in the third county \$11.25, and in the fourth county \$15.00. Is this uniform taxation? It would be impossible to secure an equal assessment of all property in all the counties. Much could be accomplished toward this end, however, by a state equalization board with broad powers.

There are many kinds of values that cannot be reached by direct levy and again there are certain investments that require a greater expenditure of public funds for their protection or regulation. The money invested in a home should not bear the same rate of burden as the money invested in an enterprise that requires a large expenditure of public money on its account. The money invested in a home should not bear the same rate of burden as the money invested in an enterprise that enjoys greater returns on the investment.

When we consider the usual great difference of opinion of men as to the valuation of a given piece of property with which they are all acquainted, and located in their own neighborhood, and we multiply that by fifty-five, and again multiply that by the large varieties of property and take into consideration that the assessor has not the time to make an investigation of each piece of property, we will see the hopelessness of securing by such a method equality, uniformity or justice.

Real estate is immovable and visible, and therefore it cannot be hidden, and is more likely to be assessed at a figure nearer its value than personal property, which is movable and a large proportion of which is called intangible, such as money, bonds, notes and other securities, which can be and are hidden. Hence, we always find that real estate pays an unequal proportion of taxes as compared with personal property, and we always find that tangible personal



property pays an unequal proportion of taxes as compared with the intangible. We always find, too, that it is the real estate of the smaller values that is assessed higher in proportion than holdings of larger values. The home or dwelling which is worth under five thousand dollars is always assessed relatively higher than the dwellings and mansions worth their thousands; and the contents of the humbler dwellings and homes are always assessed relatively higher than the contents of the houses of the rich, even like it is told of the customs of Biblical times. It is perhaps natural that it should be so. When an assessor looks at a piece of property worth, say three thousand dollars, he says to himself that this is not a large sum and the taxes will not be heavy, and therefore I can put it on the books at pretty nearly its value; but when he comes in contact with a house worth twenty-five thousand dollars he hesitates to put down the large value because it will result in a large tax bill, and he therefore makes a very conservative value. And so it is that we find that the farm lands among other lands are taxed more than their just share, that the smaller dwellings and homes of the middle class, or what Mr. Lincoln called "the plain people", pay more taxes in proportion to their value than the homes of the rich, and that other property held in comparatively small amount will generally pay more taxes than the same kind of property which is held in large amounts.

#### *Undervaluation of Property.*

These things alone condemn the ad valorem system. But when we add to these the incentive to undervalue property in each county in order that the county may not pay more than its just share of the state levy, we make a bad matter worse. If there are any considerable state taxes based upon the same assessment as county taxes, it is of interest to every county that its assessment should be kept as low as possible. Therefore, there came into existence the policy "to raise the requisite local revenues by high rate



applied to a low assessment, so that while the same amount might be raised for county purposes, the share contributed by the county to the state treasury should be made as low as possible in comparison with that furnished by other counties."

The Tax Commission declared that "the strictest injunction of law and the most express oaths required of tax payers and assessors have not availed to prevent this state of affairs." and, they add, "the natural and effective way to do that is to provide the state with revenues from sources with which the counties have nothing to do, so that the assessment in each county for its purposes will have no influence upon the taxes to be paid in other counties."

#### *Difficulties Inherent In System.*

And while it is to be said that no doubt much has been done under the new tax laws by the State Tax Commissioners' Department to correct some of these faults, yet the difficulties are inherent in the system. The new tax laws, following the recommendations of the Tax Commission of 1902, provided for only one assessment in each county, so that there might be, as far as possible, one standard in each county, and they placed the assessment year back to January first. But the beginning of the assessment year has been changed to April first, and thus the too short time allowed the assessors has still been shortened so that they must employ more assistants, and for every assistant employed, "and it is impossible that a considerable number should be experienced men," there is introduced a different standard, because scarcely any two men will agree about the value of a given piece of property. So you have not fifty-five different standards only, but you have as many different standards of assessment as you have men employed in making the assessments.

It is quite within reason and justice to say that every cent added to a levy for state purposes based on such assessments, is a compounding of injustice and inequality among tax payers. We ought, therefore, to work back as



rapidly as possible toward the abolition of a direct levy for state purposes.

I beg to quote a paragraph from the report of the Tax Commission of 1902, giving its conclusion, after a discussion of the subject:

“Early in its deliberations, the Commission was impressed with the importance of raising revenues sufficient for general state purposes, and for the state’s share of the support of free schools, without levying any tax upon property real or personal in the state, if that plan were possible. Slight investigation served to prove that the levying of such a tax resulted in gross inequalities among counties, and in consequence put hardships upon some counties. In some counties both real and personal property are assessed at a much larger percentage of their real value than in other counties. This, of course, results in those counties wherein property was assessed at more nearly its value paying much more than their fair proportion of the taxes for general state purposes and state school purposes. No plan has heretofore been employed by which valuation in the several counties of the state could be made anything like equal or uniform. As a consequence of this want of uniformity and equality in valuation, a lack of uniformity and equality in taxation results, so that while our statutes appear to be in accordance with the provisions of our constitution that taxation should be equal and uniform, the result reached under those statutes is not equal and uniform. It seems to the Commission that the only way to avoid this injustice is to relieve property from taxation for state purposes. If that be done, under-valuations and over-valuations in one county would not in any wise affect the other counties of the state. With low valuations, a county will have necessarily a high rate of taxation. With high valuation, high rates of taxation are not necessary.”

#### *Classification of Property.*

It is greatly to be regretted that our Constitution does not allow the Legislature full authority in the matter of the classification of property. Without classification there cannot be just taxation. Much authority could be quoted to substantiate this statement, but I content myself with a quotation from the opinion of the Supreme Court of Appeals by Mr. Justice Lamar, in the case of *Pacific Express Company vs. Seibert*, 142 U. S. 351, as follows:

“This court has repeatedly laid down the doctrine that diversity of taxation, both with respect to the amount imposed, and the various species of property selected either for bearing



its burdens or being exempt from them, is not inconsistent with a perfect uniformity and equality of taxation in the proper sense of those terms; and that the system which imposes the same tax upon every species of property, irrespective of its nature or condition or class, will be destructive of the principle of uniformity and equality in taxation and of a just adaptation of property to its burden."

In conclusion I wish to say that I am committed to no special method other than I am firmly opposed to the principle of increasing our direct levy. I wish to impress upon the members of the Legislature that it is not my desire to see enacted into law any unfair tax measure that would prove to be oppressive, either to the citizens of the state individually or to any corporation. I suggested various methods to you for consideration in my special message on finance some weeks ago. Two of these suggestions received consideration by your body.

A general tax on incomes, either with or without a minimum exemption on all parties may appeal to you as embodying principles that are fair and equitable. A tax on royalties for the privilege of mining coal to be paid by the lessor would bring a considerable amount of revenue to the state. It is estimated that at least one-half of all the coal produced in the state is mined upon a royalty basis, and a tax of one-half of one per cent would bring approximately \$300,000 of revenue. Heretofore this class of property owners has escaped taxation and has compelled the lessee to pay all the taxes.

I hope it will be the pleasure of your bodies to give deliberate consideration to this subject and that some conclusion may be reached which will result in satisfactory accomplishments for the good of our state.

Assuring you of my full support in any way that I can be of assistance to you in helping to solve the vital questions which will come before you for consideration, I am

Very respectfully,



March 3, 1915.

Governor.



**SPECIAL MESSAGE OF THE GOVERNOR  
OF MARCH 5, 1915.**

---

*To the Honorable Members of the Legislature:*

GENTLEMEN: I beg leave to convey to you a resolution adopted by the board of public works this day, (two members being out of the city) respecting the condition of the state treasury, and what will be necessary for your honorable body to do to take care of the deficit, the outstanding liabilities, and the amount appropriated by the appropriation bill (as vetoed) passed at the late regular session of your body.

With all of the available resources of the state under present laws included the ten cent state levy applied to its liabilities, as above specified, the next biennial period, there will remain a deficit of \$1,800,000. As stated in my last special message, there were many items vetoed out of the regular appropriation bill by me that were meritorious, but on account of the lack of funds there was no alternative left to me other than to eliminate them.

I convey to you the resolutions adopted by the board of public works so that you may see that the conclusions of this board are in harmony with the statement of the state's financial condition on page eight of my regular message and pages five to seven of my extra message of March 4th.

If you should lay a state levy of fifteen cents it would supply only about one-half of the amount needed and would therefore not be sufficient.

Respectfully submitted,

HENRY D. HATFIELD,

*Governor.*

March 5, 1915.

CHARLESTON, W. VA.

March 5, 1915.

*To the members of the West Virginia Legislature:*

GENTLEMEN: The board of public works, now in session, begs to call your attention to the following:

If the legislature will provide one million dollars new revenue in addition to the present ten cent state levy for each of the next two years, the state will be able to meet all liabilities, including old ap-



propriations amounting to \$850,000, together with the deficit of \$624,000 and all appropriations in the 1915 appropriation bill, after deducting the amount vetoed by the governor of \$858,608.09, and finish July 1, 1917, with a surplus of approximately \$200,000.

It is necessary, however, to pass some revenue measure that will provide funds at the beginning of the next fiscal year, July 1, 1915. If all new revenue were to be provided by a direct levy, no part of this money would be available until January, 1916; hence, it would be necessary for the state to borrow money so as to run until such time.

Respectfully submitted,

Henry D. Hatfield,

Stuart F. Reed.

E. L. Long,

J. S. Darst,

A. A. Lilly.

---

## SPECIAL MESSAGE OF MARCH 13, 1915.

---

*To the Honorable Members of the Senate and House of Delegates:*

GENTLEMEN: Owing to the fact that you have been unable to agree upon any measures to take care of the state's depleted financial condition, I venture to send you a final communication upon this most important subject. I feel, on account of the great emergency confronting us—the welfare of the state institutions, both charitable and educational being subjected to great peril, that I can justify my action in this regard.

In my several messages to you, I have called your attention in each of them to our almost dire needs, and of the distressing condition in which our institutions are placed at the present time for the want of substantial financial support. There were many items of merit vetoed in the appropriation bill that had for their purpose the caring for these institutions, and should be re-instated in the event revenue is provided to take care of them. Allow me to appeal to you to think seriously of the situation and let your cool, deliberate judgment prevail, and by mutual agreement accommodate one another in such a way that no special industries or sections will be subjected to a greater burden than another, and even up the responsibilities of the tax burden among



each other in the respective districts and counties in which the different kinds and classes of business are located, by the enactment of revenue measures, so that all will be made to assume equal share of the tax burden necessary to continue the state's progress in such a way that we can all be proud of our state's growth and development.

One of the members of your honorable body submitted a financial statement to the Senate at its opening session on March 12th, a copy of which was furnished to me, and I have had a comparative analysis made with the state's actual financial condition. I am submitting a copy of the result to you for your consideration that you may see the gross inaccuracy and misleading conclusions it brings when the figures are submitted to the acid test of a comparative statement with the state's actual financial condition. Taking its liabilities and resources and submitting them to the simple process of addition and subtraction, and the result that will be obtained is indeed conclusive and convincing, and most simple of understanding.

	Exhibit No. 1	Exhibit No. 2
Direct Levy .....	\$1,400,000.00	\$1,300,000.00
Charter License Tax .....	1,250,000.00	1,175,000.00
White Bills (Not Passed by House) ....	200,000.00	
Biennial period .....	\$5,750,000.00	\$4,950,000.00
Special Appropriations, 1916-1917 .....	\$4,328,292.55	\$3,776,892.00
Deficit 1915 for money used in 1914..	346,000.00	624,000.00
Salaries 1916-1917 .....	375,000.00	444,175.00
Delinquents and costs .....	300,000.00	300,000.00
Total .....	\$5,349,242.55	
Old Appropriations (No mention made)		850,000.00
Transfer to General School Fund for 2 years (No mention made) .....		800,000.00
Total .....		\$6,795,067.00
Residue .....	401,807.45	
Deficit .....		\$1,845,067.00

The difference in the two tables is two and one-quarter million dollars.

It is certainly to the interest of this administration to conduct the state government on the smallest amount of financial outlay possible.



I feel that the fact that there was a deficit of \$480,000 in the state treasury when this administration assumed charge, and the fact that the deficit was reduced \$134,000 the first year, is indicative of our efforts in the interest of economy, and notwithstanding the fact that the state fund will not receive approximately \$600,000 from the liquor license in the present year, as has been the case in previous years, the deficit will increase only \$278,000 from July 1, 1914, when it amounted to \$346,000 at the beginning of the year, to \$624,000, approximately, at its close, July 1, 1915.

You may have concluded that the present available resources are sufficient to take care of the deficit and outstanding liabilities of the state, but such is not the case. The board of public works pointed out to you some few days ago that it would be necessary to have \$1,800,000 of new revenue to take care of the state's accrued deficit and liabilities outstanding, and the appropriation bill passed as vetoed by the Governor, by the regular session, for the ensuing biennial period. There will be no fund available to pay current obligations beginning with the first of the coming month until the end of the fiscal year, unless provisions are made by your honorable body in this regard. Not only is this true, but the funds that will be available at the conclusion of this year will not be sufficient to take care of the state institutions and it will be necessary to curtail the force at these different institutions and the different state departments, thereby crippling the efficiency of the administration of state government.

I am giving to you a concrete financial statement showing what will be necessary to do to enable the administration to keep within its revenue limitations as prescribed by law if no additional revenue is provided. I give you this information, at the same time assuring you that I have no inclination to dictate as to what you should or should not do in adopting any particular methods for the purpose of raising revenue to meet the state's needs, and that I stand willing and ready to adopt and support any equitable method that a majority of you may decide upon, and give it my hearty support and approval. I am willing to take my part of the responsibility for any censure that may come from your action in this regard, and when I have assumed this position and called your attention specifically to the state's financial condition, I feel I have performed my full duty and by doing so I have transferred to you any burden or responsibility in this connection that I have devolving upon me. I give to you here,—in case no additional revenue is provided for,—the final result as to what the state's depleted financial condition will resolve itself into, and what it will be necessary



for the board of control and those in authority to do to keep within the present available revenues of the state.

Estimated deficit July 1, 1915.....	\$ 624,000.00
Old appropriations remaining unexpended July 1, 1915.	850,000.00
1915 appropriation bills, after veto.....	4,220,967.55

Total .....	\$5,694,967.55
-------------	----------------

Transfer to General School Fund for two years.....	800,000.00
--	------------

Total .....	\$6,494,967.55
-------------	----------------

Estimated receipts from all sources including 10 cent levy for two years July 1, 1915 to July 1, 1917.....	4,650,000.00
---	--------------

Deficit if all appropriations were expended, and if \$800,000.00 were transferred to General School Fund.	1,844,967.55
--	--------------

If it should be held that the state aid for classified high schools must be paid out of the state fund instead of the General School Fund, then the deficit would be increased .....	173,000.00
---	------------

Or, total deficit .....	\$2,017,967.55
-------------------------	----------------

If no new buildings are commenced then there could be saved out of the \$850,000.00 old appropriations on ac- count of new buildings .....	300,000.00
--	------------

Out of the remaining part of the \$850,000.00 old appro- priations there will expire and can be saved.....	150,000.00
---	------------

Total .....	\$ 450,000.00
-------------	---------------

Deducting the above \$450,000.00 from the above total required, \$1,844,967.55, there would remain to be saved in the way of a liability unprotected.....	1,394,967.55
---	--------------

If the Board of Public Works are authorized to not trans- fer the \$800,000.00 to the General School Fund then there would remain to be saved.....	594,967.55
--	------------

Estimating that 5% of the new appropriations will not be expended .....	200,000.00
--	------------

Then there would remain to be saved, in the way of a liability .....	\$ 394,967.55
---	---------------



The above amount could be saved by reducing the university, its branches, the normal schools, and the two colored schools, 40 per cent.

If the board of public works must transfer the \$800,000 to the general school fund, then a cut, equivalent to the total appropriation for the West Virginia University, its branches, normal schools, and two colored schools, together with the \$450,000 saving in old appropriations heretofore referred to and the 5 per cent saving on the total bill, and \$100,000 from some other sources must be made, to bring the state's liabilities within its available resources for the ensuing biennial period. In case no additional revenue is provided by the legislature, no alternative will be left other than to carry out the retrenchments in strict conformity with the state's financial condition.

These conclusions have been reached by the accounting department and the board of control, so when you are in possession of these facts you have all the complete and full information obtainable, as well as the inevitable results which must follow if some provisions are not made looking towards the providing of funds sufficient to take care of the state and the institutions that have grown from eight to more than twenty-eight in the last twenty years, and whose demands have been increasing year by year on account of the increasing demands that have been made upon them. All of these facts and figures have been pointed out to you and it is a waste of time for me to again submit them at this time. After all of these facts and figures have been submitted to you, I asked you in the name of all the people to give serious and deliberate consideration to the great responsibility which rests upon your shoulders, and for which the people are looking to you for results.

Assuring you of my earnest desire to assist you in any way I can in arriving at a solution of this perplexing situation, I am ,

Respectfully,

HENRY D. HATFIELD,

*Governor.*

March 13th, 1915.



## SPECIAL MESSAGE

### Transmitting Correspondence Between the Auditor and the Governor in Regard to State Finances.

---

*To the Honorable Members of the Senate and the House of Delegates:*

GENTLEMEN: I beg leave to submit to you a copy of a communication I recently sent to the Honorable John S. Darst, auditor of this state, and of his reply thereto, which substantiates the statements I have made to you through my several messages respecting the state's financial condition and needs.

The auditor's letter shows that the assertion that there is a substantial difference of opinion between the accounting department and myself, and the auditor as to the state's financial condition is not true; also, the auditor's letter is in full accord with the resolution recently adopted by the board of public works and sent to you, pointing out that it was necessary to have at least \$1,800,000 new revenue to meet the state's financial needs. This all shows that there is no difference among any of the departments or officers of the government respecting the financial needs of the state.

I especially call your attention to the paragraph in the auditor's letter which states that it will be necessary to borrow money to conduct the affairs of state, beginning the first of the ensuing month.

I feel that you should have this information, so that you may be informed as to the unanimous conclusion of the state officials. I again respectfully direct your attention to the command and responsibility of section five of article ten of the constitution.

Respectfully submitted,

HENRY D. HATFIELD,  
*Governor.*

March 13, 1915.

12th March, 1915.

HONORABLE JOHN S. DARST,

*Auditor of the State of West Virginia,  
Charleston, West Virginia.*

DEAR SIR: In my conversation with you at the last meeting of the board of public works, I understood you to say that all available state funds would be exhausted by April first, and there would be no money in the state fund to meet state obligations until some time in June. I would be glad to have a reply from you as to whether or



not I am correct in my understanding of your statement, as to the state's financial status in this regard.

In regard to the money with which you are now meeting the state's daily obligations, I would like to know if these obligations are being met with the money in the state fund for this purpose, or whether these liabilities are being cared for by moneys that are in the state fund for specific purposes, such as blank appropriations and moneys that really belong to counties, districts and municipalities. Of course, I understand that there is no segregation of any of these funds and that they are all carried in the state fund, but if all the obligations that are due the counties, districts and municipalities were met and the blank appropriation fund credited with what is due it, what would be the condition of the state fund from which you pay all general charges upon the state treasury? What will be our situation as far as meeting current obligations from April first? I am under the impression that you will have no funds available from the remainder of the direct state tax still in the hands of the sheriffs, which is all due before June 30th, this year, and amounting to approximately \$400,000. I would like also to know how much additional to this \$400,000 will be necessary to run the state from now until the end of the fiscal year and take care of the deficit now accrued.

I understand that the license and charter taxes amounting to \$400,000 are due to be paid into the state treasury during the months of June and July, but will apply to the revenue of the state for the fiscal year of 1916. Am I correct in this conclusion?

I am writing you this letter for the reason that the legislature is now on the eve of adjourning without providing any method looking towards caring for the state's depleted financial condition, or to provide for the outstanding deficit or liabilities, which, in part, must necessarily become a deficit by June 30th, unless provided for. I am writing to obtain from you an expression as to whether I am correct in my conclusions as given above.

I feel that you and all others who are connected with the state administration are deeply interested in this matter. I am quite sure that you have not forgotten the many economic methods adopted by us in the past two years for the purpose of carrying on the state institutions, and I feel sure that you as auditor, nor any one else connected with the administration who really have their duties at heart, want to be again confronted with the experience of the past two years. I will appreciate very much indeed a prompt and full reply to this inquiry.



From what I gather from the President of the board of control and from yourself and others, I am led to the conclusion that unless some relief is given to us by the legislature that it will be almost necessary to do one of two things, at the beginning of the coming month, that is, that we will have to borrow money with which to run the state insitutions, or close their doors. At least, we will not be able to meet our obigations in any part until we receive the \$400,000 which becomes available, at the outside, June 30th, 1915.

Thanking you in advance for the prompt consideration that you may give this letter, with cordial regards, I am,

Yours very sincerely,

(Signed)

HENRY D. HATFIELD.

(COPY)

STATE OF WEST VIRGINIA,  
*Auditor's Office.*  
*Charleston.*

March 13, 1915.

J. S. DARST,  
*Auditor.*

HON. H. D. HATFIELD,  
*City.*

MY DEAR GOVERNOR: I have just received your communication of March 12th, this morning, and I hasten to answer, in order that you have have the information requested of me at the earliest possible moment.

I note you say you understood me to say that "all available state funds would be exhausted by April 1st, and there would be no money in the state fund to meet state obligations until some time in June."

In reply, beg to say that you are entirely correct as to my judgment regarding the condition of the state fund on April 1st.

In reply to the question as to the money which is being used to meet the state's daily obligations at this time, beg to say that if all the money now in he state fund were to be paid out in this month—\$2,600,000 belonging to the counties, districts and municipalities, and \$263,000 belonging to blank appropriations, there would have been a deficit of \$12,760.13, March 1st. There have been of late pretty heavy drafts upon the state treasury, as you know, because of the expense incident to the legislative session. These so-called blank appropriations that are in the state fund, part of which have been used from time to time when the state's finances were low, have always been carried in the state fund, and were considered by the board of public works



when we made the transfer last June. When we borrowed money from the workmen's compensation fund, we figured with using these blank appropriations that we could make the transfer at a certain time, and upon other occasions it has been considered advisable to use these so-called blank appropriations when we could not avoid it, with all of which you are familiar.

You ask, "What will be our situation as far as meeting current obligations, from April 1st?"

My judgment is that we will have to borrow money upon April 1st to meet the current expenses of the state government. Of course, it is impossible for me to state the exact amount.

I note you say you are under the impression we will have no funds available from the remainder of the direct state tax still in the hands of the sheriff, which is due June 30th, amounting to approximately \$400,000.

I beg to say in reply, there is \$355,000 due on a balance from the sheriffs, from the state tax. One-fourth of this \$355,000 is due in May, and the balance in August.

I note your understanding relative to the license tax collected from charters, amounting to \$400,000, that they are due to be paid into the state treasury during the months of June and July, but will apply to the revenue of the state for the fiscal year of 1916.

This money will be collected, as you say, in June and July. About \$250,000 will be collected in June, and the balance in the early days of July. The money collected in June, of course, will be credited to the fiscal year it is collected in, which is 1915, and that collected in July will apply in 1916.

If we were to make a comparison of this year with last year, for the same period, running up to the end of the fiscal year, June 30th, counting the receipts the same and the expenditures the same, and using the blank appropriations the same as we did last year, and not paying back the \$100,000 we borrowed from the workmen's compensation, we would be some place in the neighborhood of even. But I desire to say that I do not anticipate the receipts of the state government will be as large for the period, as they were last year, from the fact that our collections are closer than they were then. So I state, if we were to pay back the \$100,000 that we borrowed from the workmen's compensation, together with whatever is due on account of the blank appropriations, there is likely to be a deficit of from four to five hundred thousand dollars, on June 30th.

As I have above stated, I believe that it will be necessary to borrow



money at the beginning of next month, to meet the demands made upon the state treasury, and it will be necessary to continue to borrow additional sums from time to time, up until the beginning of the next fiscal year.

If I can be of any further service by answering any further questions, or making the matter plainer, I shall be glad to write you further, or take it up personally, because there is no question that is more vital to me at this time than the fact that the state must have money to meet its obligations, and my sincere desire is that it will not only have sufficient to do this, but that it will have a surplus at all times, in order that all connected with the state government will be easy, from the knowledge that we have the necessary funds to pay all claims against the state at all times.

Very respectfully,

(Signed)

J. S. DARST,  
*Auditor.*



1870

...

...

...



