

FISCAL ANALYSIS
of the
OPERATING FUNDS
of
THE COMMONWEALTH OF PENNSYLVANIA
1923-1943



A Report to
THE JOINT STATE GOVERNMENT COMMISSION
(OF THE GENERAL ASSEMBLY)

by its
COMMITTEE ON CONTINUATION
OF THE TAX STUDY

REPORT NO. 9
AUGUST 17, 1944

CAPITOL BUILDING
HARRISBURG, PA.

JOINT STATE GOVERNMENT COMMISSION
OF
THE GENERAL ASSEMBLY

(Created in 1937, P. L. 2460, as last amended 1943, P. L. 13)

"A continuing agency of the General Assembly to undertake studies and develop facts, information and data on all phases of government for the use of the General Assembly and Departments and Agencies of the State Government."

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LETTER OF TRANSMITTAL

To the Members of the Joint State Government Commission of the
General Assembly of Pennsylvania:

Under authority of the Act of July 1, 1937, P. L. 2460 (Act creating Joint State Government Commission), as last amended by the Act of March 8, 1943, P. L. 13, we submit herewith a Report covering a Fiscal Analysis of the Operating Funds of the Commonwealth of Pennsylvania 1923-1943.

LLOYD H. WOOD, *Chairman,*
Committee on Continuation
of the Tax Study.

August 17, 1944

FOREWORD

This is the ninth of a series of studies of the costs of government in the Commonwealth of Pennsylvania and its political subdivisions, under preparation by the Joint State Government Commission. These surveys are submitted in the form of reports by the Commission's Committee on Continuation of the Tax Study, which was organized for the purpose of developing recommendations to the 1945 session of the General Assembly for revision of the tax structure of the Commonwealth.

The reports issued to date are:

No. 1—The Debt of the Commonwealth of Pennsylvania and its Local Subdivisions.

No. 2—Fiscal Operations and Debt of the School District of Philadelphia—1920-1943.

No. 3—Fiscal Operations and Debt of the School District of Pittsburgh—1919-1943.

No. 4—Fiscal Operations and Debt of the School District of Scranton—1919-1943.

No. 5—Fiscal Operations and Debts of Eleven Selected School Districts—1920-1943.

No. 6—An Analysis of the Fiscal Operations of the School Districts of the Commonwealth of Pennsylvania—1920-1942.

No. 7—An Analysis of Public Expenditures for Education in the Commonwealth of Pennsylvania—1920-1942.

No. 8—An Analysis of the Tax Structure and Revenues of the General Fund of the Commonwealth—1913-1943.

This particular report (No. 9) is an Analysis of the Operating Funds of the Commonwealth of Pennsylvania—1923-1943. It has been

divided into four parts. Part I deals with the expenditures of the various operating funds, including the locally shared, license fee and tax funds. Part II deals with the revenues of the operating funds. Parts III and IV are fiscal analyses of the General Fund and the Motor License Fund and highway expenditures, respectively.

While 62 percent of the expenditures of the Commonwealth from 1923 to 1943 were made from the General Fund, there were 51 other operating funds in existence for varying periods during that time. The General Fund in the State Treasury is the depository of all receipts of the Commonwealth, not designated by law for deposit in special funds. Four funds, the Motor License Fund, the Game Fund, the Fish Fund, and the Unemployment Compensation Administration Fund, dominate the field of special funds and these four funds accounted for 29 percent of operating fund expenditures in the two decades.

The twenty-year period covered by this report is one of great extremes of boom and depression, with national income gyrating from a low of \$45 billion in 1932 to a high of \$140 billion in 1943.

The Commonwealth's revenues fluctuated in consonance with the variation in national income but the current war-time boom has assisted in stabilizing the State finances. It has been possible in the current biennium to eliminate outstanding deficits and reduce taxes. The Commonwealth now has an unusual opportunity to prepare for the impact that is sure to follow the cessation of hostilities, when the federal government, because of its huge war debt, may be compelled to discontinue many of its present functions and return them to the states, where they normally belong.

This report reviews the growth of state expenditures over the twenty-year period and analyzes the increasing costs of various state functions.

Aside from the extraordinary growth in the costs of state government and the tax burden, incidental thereto, one feature of Pennsylvania's fiscal operations, which is worthy of special scrutiny, is the great difference that exists in the manner of controls, exercised over monies in its General Fund and those in the special funds. These special funds, with few exceptions, are spent, biennium after biennium, with little or no periodic review or control by the General Assembly.

On the other hand, monies in the General Fund are controlled with great care and appropriated in specific amounts for specific purposes. Quite logically this raises the question of the advisability of merging some of the special funds with the General Fund and of devising means for more strict accounting and control of the others.

Total receipts of the operating funds as defined in this report of the Commonwealth from all sources, including bond issues, in the 1923-1925 biennium amounted to \$222.8 million, and for 1941-1943 they reached a total of \$734.2 million, an increase of 230 percent. Over the same period, operating expenditures, which were \$209.7 million in 1923-1925, rose to \$657.3 million in 1941-1943, an increase of 213 percent. The high point of spending was in 1937-1939, when the total reached \$667 million. This peak was due largely to the huge sums spent for emergency unemployment relief and other forms of public assistance.

On May 1, 1943, there were 22 operating funds in the State Treasury, along with 15 additional trust and working capital funds which are not directly concerned in the operations of the Commonwealth. As an illustration of the number of separate funds devoted to financing the various departments it may be noted that the Department of Public Instruction is supported by five funds; the State Treasurer, the Department of Forests and Waters and the Department of Revenue are supported by four funds; the Highway Department and the Civil Service Commission are financed by three funds; eleven other departments and agencies are financed by two funds; while the remaining twelve departments or agencies are financed from only one fund.

The Motor License Fund ranks second only to the General Fund among the Commonwealth's operating funds. In 1921 the General Assembly levied the first tax on the sale of gasoline. In 1925 the Motor License Fund was created and all monies from the Commonwealth's share of the liquid fuels tax, registrations, license fees, and penalties for violations of the Act were paid into it. This has been the source of funds for operating the Highway Department. Motor (License) Fund receipts in 1923-1925 were \$46.9 million and in 1941-1943 \$160.8 million. This fund's expenditures which in 1923-1925 were \$54.1 million, rose to \$162.3 million in 1941-1943. The high point of receipts, \$174.2 million was in 1939-1941 while the peak ex-

penditures, \$169.1 million, came in 1937-1939. Over the twenty-year period one-third of the total expenditures of the Commonwealth for all purposes was disbursed for highways, a total of \$1.5 billion.

The Joint State Government Commission is necessarily concerned with the over-all costs of government and the tax burdens of all the political subdivisions of the Commonwealth, as well as with those of the Commonwealth itself, in the preparation of its recommendations to the General Assembly for revision of the tax structure of the Commonwealth. It is hoped that the various reports of the Commission will contribute substantially to efforts of the General Assembly to reconstruct on a more scientific and equitable basis the tax system of the state, as well as constitute valuable additions to the permanent records of the Commonwealth. The surveys of this Commission should, however, be distinguished from those of other official agencies, relating to the methods of allocation of state grants among the various political subdivisions and to the fiscal practices and procedures of these political subdivisions.

The Commission and its Committee on Continuation of the Tax Study again express to the Pennsylvania Economy League their great appreciation of the assistance of the technical staff of its Harrisburg office in the development of these reports.

IRA T. FISS, *Chairman,*
Joint State Government Commission

LLOYD H. WOOD, *Chairman,*
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**FISCAL ANALYSIS
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OPERATING FUNDS
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1923-1943**

**Part I: EXPENDITURES OF THE
OPERATING FUNDS**

The fiscal operations of the Commonwealth of Pennsylvania are conducted largely through the General Fund, which accounted for approximately 62 percent of the expenditures of the Commonwealth for the period from 1923 to 1943. The balance of the expenditures were paid out of other special operating funds, of which there were 52 in existence throughout all or part of the 1923-1943 period. The majority of the expenditures for special funds were made, from the Motor License Fund, the Game Fund, the Fish Fund, and the Unemployment Compensation Administration Fund. These four funds accounted for 29 percent of operating fund expenditures for the 1923-1943 period.

This report presents an analysis of the fiscal operations of the operating funds¹ of the Commonwealth for the twenty-year period, beginning June 1, 1923 and ending May 31, 1943, as well as the total costs of operating the state government for the same period.

During the past ten biennia the cost of various functions of state government in the Commonwealth have undergone material changes. The general trend in the cost of all functions during the twenty-year period has been steadily upward with some minor fluctuations within

¹ The term, operating funds, is defined in a later part of this report, which includes comments on each fund.

the period. The population of the Commonwealth increased 11.1 percent, from 9.0 million¹ in 1923 to 10 million² in 1943. The income of the State increased 46.8 percent, from \$6.2 billion in the calendar year 1923 to \$9.1 billion³ in the calendar year 1942. From 1923 to 1943 the wealth of the State increased from \$28.3 billion to \$32.0⁴ billion. However, over the same period the total expenditures of the state government of the Commonwealth from all operating funds increased from \$210 million for the 1923-1925 biennium to \$657 million for the 1941-1943 biennium, an increase of 213 percent.

The twenty-year period, 1923-1943, covered by this analysis, includes the period of intense prosperity after the first world war, followed by a ten year period of the worst depression in modern times. Consequently, during the twenty-year period revenues from all sources and the expenditures for all functions of state government rose steadily with some fluctuations, particularly in revenues. During the period 1923-1942, realized national income rose from \$65.7 billion in 1923 to \$79.5 billion in 1929, fell to a low of \$44.7 billion in 1933, and rose again to \$75.0 billion in 1940, and, as a result of World War II, to \$115 billion⁵ in 1942. In this same period income for the State rose from \$6.2 billion in 1923 to \$7.0 billion in 1929, fell to a low of \$3.9 billion in 1933, but, as with national income, rose again sharply to \$6.0 billion in 1940 and to \$9.1 billion⁶ in 1942.

Report No. 8 to the Joint State Government Commission by its Committee on Continuation of the Tax Study, published June 23, 1944, presented an Analysis of the Tax Structure of the General Fund of the Commonwealth and the biennial revenue yields of that tax structure during the period from 1913 to 1943. The purpose of the present report is to review the growth of state expenditures over the twenty-year period, to analyze the increasing costs of various functions of state government, and to present an operating statement of the General

¹ Revised estimate of 1923 Pennsylvania population, published in *Statistical Abstract of the United States*, 1931, U. S. Department of Commerce.

² Based on the Pennsylvania Department of Commerce's estimate of Pennsylvania population of 10.2 million in 1950.

³ Estimated from National Industrial Conference Board, Inc., *Distribution of Income by States from 1919 to 1939*.

⁴ Based on an estimated national wealth of \$388 billion in 1943.

⁵ Preliminary estimate of National Industrial Conference Board, Inc.

⁶ See footnote (1) above.

Fund of the Commonwealth of Pennsylvania for the twenty-year period, showing the surpluses and deficits, applicable to each biennium. From such an analysis it is hoped that certain conclusions may be drawn, which may be useful in the postwar years, in the determination of the costs of state government and of the individual functions thereof, and the revenues, which will be required to finance the expenditures necessary to maintain all essential and beneficial governmental services for the citizens of the Commonwealth. In projecting the necessary revenues and costs of state government into the future, it is impossible to forecast exactly what the yields from taxes and other sources of income will be, nor is it possible to forecast exactly what the various functions of government will require for their support. However, the analysis of the last twenty years, containing, as they did a period of intensive prosperity, followed by a period of deep depression, and then, as a result of the present war economy, by the period of the greatest prosperity in American history, furnishes, at least, a realistic base on which to project such anticipated revenues and expenditures at varying levels of state and national income.

The ability of the United States and of the Commonwealth of Pennsylvania to maintain a balanced economy, adequate opportunities for employment, and equitable distribution of wealth among all economic groups, as well as the possibility of avoiding wholesale repudiation of national, state, and municipal debts, will depend upon the ability of the nation and the Commonwealth to utilize to the maximum the tremendously expanded capacity of their industries, mines, factories, and manufacture of forest products, as well as their greatly expanded labor force and capital resources. Every unit of government—state, county, and municipal—in the United States has a responsibility to its respective citizens to do everything possible to reduce costs and debts of government to the maximum extent possible, consistent with the efficient performance of all necessary governmental functions.

Funds in State Treasury

The monies of the Commonwealth are deposited and disbursed from the State Treasury. On the surface it would appear that the State Treasury is an integrated depository of all state funds, but actually the State Treasury is an aggregation of separate funds (operating

and trust). The number of funds in the State Treasury has grown steadily year after year, although efforts in the early part of the twenty-year period were successful in temporarily reducing the number at that time.

A tabulation, showing the number of funds of all kinds in the State Treasury at the end of each biennium from 1923 to 1943, is shown below:

NUMBER OF FUNDS IN STATE TREASURY—1923-1943

<i>End of Biennium</i>	<i>Operating</i>	<i>All Other</i>	<i>Total</i>
May 31, 1923	20	5	25
May 31, 1925	25	8	33
May 31, 1927	24	13	37
May 31, 1929	14	11	25
May 31, 1931	16	8	24
May 31, 1933	12	9	21
May 31, 1935	18	13	31
May 31, 1937	22	15	37
May 31, 1939	22	16	38
May 31, 1941	22	17	39
May 31, 1943	22	15	37

The number of funds involved and the policy of financing various state functions out of more than one fund make the accounting and analysis of both revenues and expenditures quite difficult. It would not be feasible to have all the monies in the State Treasury in one fund, but it might be highly practicable to eliminate many of the special funds and, where it is desirable to segregate receipts, dedicated to special purposes, these receipts could be accounted for by crediting them to special appropriation accounts in the General Fund. At the present time, certain dedicated receipts are so deposited in the General Fund and accounted for by special appropriation accounts.

The special funds are, in effect, "blanket" appropriations of receipts, which, with a few exceptions, are spent biennium after biennium without periodic legislative scrutiny. It is true that in some cases the General Assembly makes specific appropriations from these special operating funds, but the amounts are relatively small, compared to the total. This is in contrast with the General Fund, from which, with a few exceptions, monies are appropriated in great detail and each appropriation is for a specific amount.

Agencies Supported By Operating Funds

In order to indicate the complexity of compiling and controlling operating costs of the various state agencies, the following table has been prepared to show the number of agencies, wholly or partly supported out of each of the operating funds:

STATE AGENCIES FINANCED BY OPERATING FUNDS ¹

1941-1943

<i>Names of Fund</i>	<i>Wholly Supported Agencies</i>	<i>Partly Supported Agencies</i>	<i>Total Agencies</i>
1. General	9	17	26
2. Motor License	²	5	5
3. Trust a/c National Industrial Recovery Highways ³ .....	..	1	1
4. Fish	1	1	2
5. Game	1	2	3
6. Federal Social Security .....	..	2	2
7. Milk Control .....	..	2	2
8. Banking .....	..	1	1
9. State Forest and Waters ⁴ .....	..	1	1
10. Flood Control .....	..	1	1
11. Veteran's Compensation .....	..	1	1
12. Federal Vocational Education .....	..	1	1
13. Federal Rehabilitation .....	..	1	1
14. State School .....	..	1	1
15. Historical Commission .....	..	1	1
16. Unemployment Compensation Administration ..	..	2	2
17. Conrad Weiser Memorial Park .....	..	1	1
18. Special Grade Crossing .....	..	1	1
19. State Farm Products Show .....	..	1	1
<i>Sub-Total</i>	11	43	54
20. State Stores Fund ⁵	1	1	2
<i>Sub-Total</i>	12	44	56
Deduct: Duplications	0	27	27
GRAND TOTAL	12	17	29

¹ The three shared tax funds are not included in this table, for they are not used for the support of any state agency.

² The Motor License Fund is considered the whole support of the Highway Department. However, during this biennium and the four preceding biennia, the Trust a/c National Industrial Recovery Highways contributed to the support of the department. There was also a minor appropriation during the 1941-1943 biennium from the General Fund.

³ Closed prior to May 31, 1943.

⁴ Abolished as of June 1, 1943.

⁵ The State Stores Fund is not considered as an operating fund in this study.

The foregoing table shows that there were seven funds, which contributed to the support of two or more agencies. These seven funds wholly supported 11 agencies and partially supported 17 agencies. The remaining 12 operating funds furnish partial support for 12 agencies.

Including the State Stores Fund, 12 agencies were wholly supported by one fund, while 17 agencies were supported out of more than one fund.

From the departmental viewpoint, the situation is as fully complicated as from the fund viewpoint, as is shown in the following table:

OPERATING FUNDS FINANCING AGENCIES—1941-1943

Name of Agency ¹	Total Number of Funds	General	Motor License	All Others
1. Governor's and Lt. Governor's Office	1	1	..	..
2. Pennsylvania State Police	2	1	1	..
3. Auditor General	1	1	..	..
4. State Treasurer	4	1	1	2 Game, Milk Control,
5. Internal Affairs	1	1	..	..
6. State	1	1	..	..
7. Justice	1	1	..	..
8. Public Instruction	5	1	..	4 { Federal Vocational Education, Federal Rehabilitation, State School, Historical Commission.
9. Military Affairs	2	1	..	1 Veteran's Compensation.
10. Insurance	1	1	..	..
11. Banking	2	1	..	1 Banking.
12. Agriculture	2	1	..	1 State Farm Products Show.
13. Property and Supplies	2	1	..	..
14. Forest and Waters	4	1	..	3 { State Forests & Waters, ² Flood Control, Conrad Weiser Memorial Park.
15. Mines	1	1	..	..
16. Highways	3	1	1	1 Trust a/c NIRH. ³
17. Health	2	1	..	1 Federal Social Security.
18. Labor and Industry	2	1	..	1 Unemployment Compensation Administration.
19. Welfare	2	1	..	1 Federal Social Security.
20. Revenue	4	1	1	2 Fish, Game.
21. Public Assistance	1	1	..	..
22. Commerce	2	1	1	..
23. Game Commission	1	..	..	1 Game.
24. Fish Commission	1	..	..	1 Fish.
25. Public Utilities Commission ..	2	1	..	1 Special Grade Crossing.
26. Liquor Control Board	1	..	..	1 State Store Fund.
27. Milk Control Board	2	1	..	1 Milk Control.
28. Civil Service Commission ...	3	1	..	2 { State Store Fund, Unemployment Compensation Administration.
29. Parole Board	1	1	..	..

¹ Agencies arranged according to state organization chart.

² Abolished as of June 1, 1943.

³ Closed prior to May 31, 1943.

A summarization of the preceding table shows that 12 agencies are wholly supported by one fund; 11 agencies by two funds; the Department of Highways by three funds;¹ the Treasury Department, the Department of Forests and Waters, and the Department of Revenue, each by four funds; and, finally the Department of Public Instruction draws from five funds.

This situation could be simplified greatly by the merging of many of these funds with the General Fund.

Funds Included in This Report

This report makes an analysis of certain funds, which are designated as "operating funds." The operating funds are those in which all taxes, licenses, fees, fines, and other revenues and receipts from all sources, including federal grants for various purposes, are deposited, and from which are paid the expenditures for the state operating departments and institutions, subsidies to schools, monies shared with or distributed to political subdivisions, debt service on all direct obligations of the Commonwealth, capital outlays, and miscellaneous state expenditures.

Excluded from this analysis are the trust funds or the so-called "custodial funds" of the type, that have been created for holding in trust certain monies for particular purposes. The so-called "custodial funds" excluded are: four sinking funds; two land scrip funds (the proceeds from federal land scrip held in trust for Pennsylvania State College, with interest on earnings paid to the college periodically, as provided by law); the State Workmen's Insurance Fund and a related fund (these funds were created for the purpose of carrying out the provisions of the workmen's compensation law); two funds for the liquidation of workmen's compensation insurance companies (one for stock companies and one for mutual companies); two unemployment compensation funds (one for benefits and the other for contingent reserves); two retirement funds (one for public school employes and one for state employes); the State Insurance Fund (created to cover losses by fire and other casualties, for which the state is self-insured); the Purchasing Fund (used as a working capital fund for the purchase of commodities); and the Victory Tax Fund (in which federal taxes,

¹ See footnote 2 on page 13.

withheld from the earnings of state employes, are held in trust and remitted to the federal government).

In addition to the exclusion of the "custodial funds," several other funds are also excluded from this report to avoid a possible distortion of trends. These are: the State Stores Fund (the working capital fund for the state liquor stores system, from which the profit from the system, as well as the sales tax on liquor, are transferred periodically to the General Fund); the Manufacturing Fund (used as the working capital fund for the operation of prison labor industries); the Federal Unemployment Relief Fund; and the Federal Surplus Commodity Stamp Fund. Wherever these funds bear any relation to the operating funds, as used in this report, proper footnotes or comments are included. Otherwise, their existence can and will be ignored without impairment of the purposes of this analysis.

Operating Fund Transactions

During the period from 1923 to 1943 the receipts of the operating funds increased from \$223 million in 1923-1925 to \$734 million in 1941-1943, an increase of 230 percent, while expenditures of the operating funds increased from \$210 million to \$657 million, or 213 percent in comparable periods. A statement showing the receipts, expenditures, and the variations between these two items, follows:

SUMMARY OF RECEIPTS AND EXPENDITURES OF THE COMMONWEALTH'S OPERATING FUNDS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Revenues</i>	<i>Receipts</i> ¹		<i>Expenditures</i>	<i>Excess of Receipts over Expenditures</i>
		<i>Bond Issues</i>	<i>Total</i>		
1923-1925	202,757	20,000	222,757	209,716	13,041
1925-1927	244,650	30,000	274,650	249,606	25,044
1927-1929	285,338	.....	285,338	269,387	15,951
1929-1931	361,401	.....	361,401	364,313	— 2,912 ²
1931-1933	327,744	.....	327,744	354,237	—26,493 ²
1933-1935	339,544	75,000	414,544	435,256	—20,712 ²
1935-1937	548,065	.....	548,065	527,981	20,084
1937-1939	645,947	.....	645,947	666,969	—21,022 ²
1939-1941	663,977	.....	663,977	659,288	4,689
1941-1943	734,173	.....	734,173	657,259	76,914

¹ Tax anticipation notes, issued and repaid, and interfund loans are not included, for they were repaid each year.

² Excess of expenditures over total receipts.

It will be noted that the receipts for the biennia 1923-1925 include \$20 million from road bond issues and 1925-1927 includes \$30 million from the same source. Excluding these bond issues from the receipts would result in expenditures exceeding receipts by \$7.0 million in 1923-1925 and \$5.0 million in 1925-1927.

During the 1933-1935 biennium \$25 million general expense bonds and \$50 million veterans bonds were issued. Excluding these amounts from the receipts for that biennium would increase the amount by which the expenditures exceeded the receipts from \$20.7 million to \$95.7 million.

A statement, showing the liquid balance in the operating funds at the end of each biennium, is presented below:

EXCESS OF RECEIPTS OVER DISBURSEMENTS AND BALANCES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Excess of Receipts over Disbursements</i>	<i>Cash</i>	<i>Investments (Par Value)</i>	<i>Temporary Loans from Custodial Funds (Deduction)</i>	<i>Total</i>
May 31, 1923	.....	18,756	675	...	19,431
1923-1925	13,041	31,699	773	...	32,472
1925-1927	25,044	56,442	1,075	...	57,517
1927-1929	15,951	72,285	1,183	...	73,468
1929-1931	—2,912 ¹	69,291	1,264	...	70,555
1931-1933	—26,493 ¹	42,698	1,364	...	44,062
1933-1935	—20,712 ¹	23,324	26	...	23,350
1935-1937	20,084 ²	44,391	63	1,000	43,454
1937-1939	—21,022 ¹	22,720	212	500	22,432
1939-1941	4,689	27,573	49	500	27,122
1941-1943	76,914	102,424	2,112	500	104,033

¹ Excess of disbursements over receipts.

² Does not include \$20 thousand par value of bonds deposited in Conrad Weiser Memorial Park Fund, but not shown as a "cash receipt" on the financial records of the Commonwealth.

OPERATING FUNDS' EXPENDITURES

The operating funds of the Commonwealth have been grouped below under several headings and the expenditures, as reported for the various funds on a cash basis, are compared for periods of five biennia, 1923-1933 and 1933-1943. Expenditures from the operating funds between 1933 and 1943 more than doubled expenditures between 1923 and 1933. This was due, not only to the addition of several new funds,

but to the fact that the General Fund's expenditures for the 1933-1943 period increased approximately 140 percent over the 1923-1933 expenditures, while expenditures for the highway funds and other departmental funds increased only 31 percent and 50 percent, respectively. Another factor, responsible for this increase, was the increase in amounts returned to political subdivisions, which were 226 percent greater in 1933-1943 than in the five biennia, 1923-1933.

OPERATING FUNDS' EXPENDITURES—1923-1943
(in thousands of dollars)

	1923-1933	1933-1943	Increase		Percent of
			Amount	Percent	Total Dollar Increase
General Fund	816,153	1,949,632	1,133,479	138.9	75.6
Highway Funds	574,746	754,884	180,138	31.3	12.0
Social Security Funds		41,577	41,577	....	2.8
Special Educational Funds	419	1,091	672	160.4	....
Other Departmental Funds	18,790	28,178	9,388	50.0	.6
Veterans' Compensation Fund....		50,364	50,364	....	3.4
<i>Sub-Totals</i>	1,410,108	2,825,726	1,415,618	100.4	....
Shared-Tax Funds	37,151	121,027	83,876	225.8	5.6
<i>Grand Total</i>	<u>1,447,259</u>	<u>2,946,753</u>	<u>1,499,494</u>	<u>103.6</u>	<u>100.0</u>

General Fund

The General Fund in the State Treasury is the fund in which all general receipts of the Commonwealth are deposited. In other words, all receipts, not designated by law to be deposited in special funds, are deposited in the General Fund of the Commonwealth.

Comparative Basis of General Fund Expenditures

From time to time special funds were created to finance functions, formerly financed out of the General Fund, or to finance new functions. These special funds grew so rapidly that during the 1925-1927 biennium there were thirty-seven special funds. A determined effort by the General Assembly at the 1927 Session abolished many of these funds and diverted their receipts into the General Fund. Since that time several special funds have been created and abolished and the functions, formerly financed out of these special funds, are now supported out of the General Fund. In addition, certain expenditures of the General Fund are actually no more than transfers, caused by the action of the

General Assembly in appropriating general fund monies for segregation in special funds.

In order to provide a comparative statement of general fund expenditures from 1923 to 1943, expenditures, now made from the General Fund, but formerly expended from special funds, and expenditures of special funds, financed by appropriations from the General Fund, are consolidated in the following table. Further, expenditures from the General Fund for other than general purposes, i.e., expenditures for the Department of Highways and shared-taxes, paid from the General Fund, have been eliminated. The adjusting items are discussed in the paragraphs subsequent to the following table:

GENERAL FUND EXPENDITURES—1923-1943 ADJUSTED TO A COMPARABLE BASIS

(in thousands of dollars)

<i>Biennium</i>	<i>Total General Fund Ex- penditures</i>	<i>Expenditures from Special Funds for General Fund Purposes</i>	<i>Total— General Fund and Merged Funds</i>	<i>Less General Fund Expenditures for Highways</i>	<i>Comparative Expenditures for General Fund Purposes</i>
1923-1925	135,250	1,652	136,902	19,604	117,298
1925-1927	128,506	2,321	130,827	4,855	125,972
1927-1929	151,103	908	152,011	7,696 ¹	144,315
1929-1931	187,676	308	187,984	24	187,960
1931-1933	208,402	26	208,428	.....	208,428
1933-1935	217,905	6,316	224,221	.....	224,221
1935-1937	360,009	513	360,522	.....	360,522
1937-1939	442,289	1,373	443,662	.....	443,662
1939-1941	476,654	1,063	477,717	.....	477,717
1941-1943	442,273	1,237	443,510	3	443,507
Total	<u>2,750,067</u>	<u>15,717</u>	<u>2,765,784</u>	<u>32,182</u> ¹	<u>2,733,602</u>

¹ Includes \$7.256 million of gasoline tax receipts, placed in the General Fund in 1927-1929 only, for distribution to the counties for highway purposes.

Special Fund Expenditures for General Fund Purposes

It will be noted that from the biennium 1923-1925 to the biennium 1931-1933 the amounts expended for General Fund purposes by these special funds decreased from \$1.7 million to \$26 thousand.

During the biennia 1933-1935 and 1935-1937 liquor store profits used for public assistance purposes, instead of being deposited in and expended from the General Fund, were spent directly out of the State

Stores Fund.¹ These expenditures from the State Stores Fund amounted to \$6.3 million in 1933-1935 and \$393 thousand in 1935-1937.

During the biennium 1935-1937 the Forests and Waters Fund was established and continued through the biennium 1941-1943. This fund was abolished by the 1943 Session of the General Assembly and the receipts were diverted to the General Fund, beginning June 1, 1943. Expenditures from this fund, while in existence, were as follows:

**FORESTS AND WATERS FUND EXPENDITURES—
1935-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Amount</i>
1935-1937	116
1937-1939	331
1939-1941	341
1941-1943	477

The Flood Control Fund was created in 1933 by order of the General Assembly, which deposited part of a General Fund appropriation and certain miscellaneous receipts in a special fund. Expenditures from the Flood Control Fund for the period under review were as follows:

FLOOD CONTROL FUND EXPENDITURES—1935-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Amount</i>
1935-1937	4
1937-1939	1,042
1939-1941	722
1941-1943	760

Expenditures from General Fund for Shared Taxes

Certain receipts and expenditures, now deposited in and paid out of special funds, were for a time paid out of the General Fund. Included in the General Fund expenditures for the period 1927 to 1931 were liquid fuels taxes, returned to the counties, amounting to \$7,256 thousand in 1927-1929 and expended directly from the General Fund, and \$1,139 thousand in 1929-1931, *transferred* to and expended by the Liquid Fuels Tax Fund.

¹ This fund is used as a working capital fund for the state liquor store system.

Expenditures from General Fund for Highway Purposes

There were also disbursements from the General Fund for highway purposes during the biennia from 1923 to 1931¹ and in 1941-1943 as follows:

HIGHWAY EXPENDITURES PAID FROM GENERAL FUND—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Amount</i>
1923-1925	19,604
1925-1927	4,855
1927-1929	440
1929-1931	24
1941-1943	3

The amount for 1923-1925 included debt service on road bonds, amounting to \$7.1 million. After 1925 the debt service for road bonds was paid from the Motor License Fund. The other highway expenditures from 1923 to 1931, shown in the preceding table, include the salary of the Secretary of Highways and appropriations for inter-state, state, and county highway bridges. After 1931 all these amounts were paid out of highway funds.

Comparable Expenditures for General Fund Purposes

The preceding analysis of comparable expenditures for General Fund purposes over two decades, 1923-1943, emphasizes the increase in such expenditures which amounted to only \$117.3 million in 1923-1925, but rose to \$443.5 million in 1941-1943. Expenditures from the General Fund, on the other hand, showed a smaller increase of 277 percent from \$135.3 million to \$442.3 million, between the same biennia. The rate of increase in biennial expenditures for general fund purposes amounted to 278 percent, compared to a rate of 227 percent in expenditures from the General Fund in the twenty-year period.

Since the General Fund is the largest fund of the Commonwealth, a later section of this report has been assigned for a detailed discussion

¹ After that with minor exceptions all expenditures for highway purposes were made either from the Motor License Fund or the "Trust Account-National Industrial Highway Fund."

of its operations, receipts, expenditures, surpluses, and deficits. In the later section, General Fund expenditures are analyzed on a basis of expenditures, applicable to the biennium of appropriation, in contrast to the General Fund expenditures reported above, all of which are on a cash basis.

Highway Funds

During the period from 1923 to 1943 the expenditures on a cash basis, from the operating funds, classified as highway funds, amounted to \$1.3 billion, of which \$1.2 billion were expended from the Motor License Fund and \$82.8 million from the State Bond Road Fund and \$58.2 million from the fund, known as the "Trust Account, National Industrial Recovery Highway."¹ A summary of the expenditures from highway funds, by type of fund and by biennia, is presented in the following table:

HIGHWAY FUNDS EXPENDITURES—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Motor License Fund²</i>	<i>State Bond Road Fund</i>	<i>Trust Account N.I.R. Highways Fund</i>	<i>Total³</i>
1923-1925	54,143	10,728	.....	64,871
1925-1927	51,494	57,169	.....	108,663
1927-1929	97,045	14,944	.....	111,989
1929-1931	159,764	.....	.....	159,764
1931-1933	129,459	.....	.....	129,459
1933-1935	125,955	.....	21,552	147,507
1935-1937	115,962	.....	16,461	132,423
1937-1939	161,924	.....	16,524	178,448
1939-1941	139,037	.....	2,838	141,875
1941-1943	153,763	.....	868	154,631
Totals	<u>1,188,546</u>	<u>82,841</u>	<u>58,243</u>	<u>1,329,630</u>

² Excludes \$23.9 million appropriated from the Motor License Fund during 1937-1943 for expenditure through the General Fund.

³ In addition, as noted under the General Fund, general fund expenditures for highways amounted to \$19.6 million in 1923-1925; \$4.9 million in 1925-1927; \$440 thousand in 1927-1929; \$24 thousand in 1929-1931; and, \$3 thousand in 1941-1943.

The Motor License Fund's expenditures increased from \$54.1 million in 1923-1925 to \$129.5 million in 1931-1933, an increase of 139 percent. Expenditures during this period were very irregular, due in a

¹ This fund was set up out of monies, appropriated by the federal government under the National Industrial Recovery Act (1933).

large part to expenditures from other funds for highway purposes, and ranged from a low of \$51.5 million in 1925-1927 to a high of \$159.8 million in 1929-1931.

Expenditures from the Motor License Fund for the next ten years, 1933-1943, were not as irregular as for the first ten years, but still fluctuated greatly. Starting with expenditures of \$126 million in 1933-1935 (which were \$3.5 million less than 1931-1933), these expenditures dropped to \$116 million in 1935-1937, rose to \$161.9 million in 1937-1939, dropped again to \$139 million in 1939-1941, and rose to \$153.8 million in 1941-1943. As the Motor License Fund during the twenty years, covered by this report, was the second largest fund in the Commonwealth, a later section of this report has been devoted to the detailed operations of this fund.

The state bond road fund expenditures represent payments from (1) an unexpended balance on June 1, 1923, of \$4 million from a previous \$50 million bond issue; (2) proceeds of two road bond issues, amounting to \$50 million; (3) reimbursements from local political subdivisions for their share of the cost of joint road projects, amounting to \$12 million; (4) federal aid, amounting to \$13.8 million; and (5) miscellaneous receipts, amounting to \$1.5 million. All the monies in the State Bond Road Fund were expended by the end of the 1927-1929 biennium.

In order to show overall expenditures for operations of the Commonwealth, the expenditures of the State Bond Road Fund have been taken into account, as have all payments from the General Fund and the Motor License Fund into the Sinking Fund for the redemption of road bonds during the period from 1923 to 1933. Consequently, the total operating fund expenditures include, or are inflated by, the amount of repayments on the principal of the road bonds, the proceeds of which had been expended from 1923 to 1929.

In the 1933-1935 biennium the state received grants from the federal government under the National Industrial Recovery Act for road repair and construction. These monies were deposited in an account entitled "Trust Account, National Industrial Recovery Highway." The net amounts expended by the Commonwealth and the amounts returned to the federal government are shown in the following table:

**TRUST ACCOUNT, NATIONAL INDUSTRIAL RECOVERY
HIGHWAY FUND EXPENDITURES—1933-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Total Expenditures</i>	<i>Returned to the Federal Government</i>	<i>Net Amount Expended by the Commonwealth</i>
1933-1935	21,552	8	21,544
1935-1937	16,461	510	15,951
1937-1939	16,524	1,502	15,022
1939-1941	2,838	1,850	988
1941-1943	868	650	218
Totals	<u>58,243</u>	<u>4,520</u>	<u>53,723</u>

In 1941-1943 this fund was eliminated by the payment of the fund's balance to the federal government.

Social Security Funds

Included under this heading are the Unemployment Compensation Administration Fund, the Federal Social Security Fund, and the Bureau of Employment Fund. While the Bureau of Employment Fund is not strictly a social security fund, due to its similarity, it is grouped with the two other funds. A statement of expenditures for the three funds for the five biennia covered is shown below:

**SOCIAL SECURITY FUNDS EXPENDITURES—1933-1943
(in thousands of dollars)**

<i>Biennium</i>	<i>Unemployment Compensation Administration Fund</i>	<i>Federal Social Security Fund</i>	<i>Bureau of Employment Fund</i>	<i>Total</i>
1933-1935 .....	.....	.....	163	163
1935-1937	702	389	285	1,376
1937-1939	13,381	1,622	29	15,032
1939-1941	11,541	2,683	.....	14,224
1941-1943	7,982	2,800	.....	10,782
Totals	<u>33,606</u>	<u>7,494</u>	<u>477</u>	<u>41,577</u>

The Bureau of Employment Fund was established in 1933-1935 and the last expenditure from it made in 1937-1939. It received and disbursed grants for \$477 thousand from the federal government under the Wagner-Peyser Act.

With the initiation of the federal social security program in 1935, the federal government made grants to the Commonwealth for the cost of administering unemployment compensation and the money, so re-

ceived, was deposited in the Unemployment Compensation Administration Fund. Since the 1935-1937 biennium, when the first money was received, the State has disbursed from this fund \$33.6 million.

In the Federal Social Security Fund are deposited federal grants for the purposes of aid to crippled children, child welfare service, maternal and child health, public health service, and venereal disease control. They are expended through the Departments of Health and Welfare. The expenditures of these two departments for these purposes are shown by the following table:

**FEDERAL SOCIAL SECURITY FUND EXPENDITURES
1935-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Department of Health</i>	<i>Department of Welfare</i>	<i>Total</i>
1935-1937	364	25	389
1937-1939	1,507	115	1,622
1939-1941	2,515	168	2,683
1941-1943	2,634	166	2,800
Totals	<u>7,020</u>	<u>474</u>	<u>7,494</u>

The first federal grant for these purposes was received in 1935-1937. Up to and including the 1941-1943 biennium the total amount expended from this fund amounted to \$7.5 million.

Special Educational Funds

During the 1923-1943 period federal grants for rehabilitation and vocational education have been deposited in two special funds. With the exception of amounts paid for some administrative costs of the federal rehabilitation program and interest on deposits paid to the federal government, the majority of these grants has been transferred to the General Fund, which reflects their expenditures.¹ The total amount expended directly from these two funds during this period amounted to \$146 thousand. Of this amount, \$62 thousand were paid to the federal government for interest on the federal deposits and \$84 thousand were paid for administering industrial rehabilitation.

In addition to these two federal funds, the Commonwealth set up

¹ Rehabilitation funds are expended from the General Fund through the Department of Labor and Industry.

in 1913 a fund, known as the State School Fund. Expenditures for the ten biennia, 1923-1943, with major purposes indicated, are shown in the following table:

STATE SCHOOL FUND EXPENDITURES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Aid to School Districts</i>	<i>Premiums and Interest on Securities Purchased</i>	<i>Refund of Chain Store Tax</i>	<i>Total</i>	<i>Investments Purchased</i>	<i>Grand Total</i>
1923-1925	2	3	...	5	113	118
1925-1927	41	4	...	45	335	380
1927-1929	92	8	...	100	248	348
1929-1931	84	6	...	90	150	240
1931-1933	131	11	...	142	176	318
1933-1935	59	9	...	68	365	433
1935-1937	52	3	...	55	1,511	1,566
1937-1939	50	228	...	278	1,733	2,011
1939-1941	145	16	...	161	3,200	3,361
1941-1943	89	85	233	407	2,110	2,517
Totals	<u>745</u>	<u>373</u>	<u>233</u>	<u>1,351</u>	<u>9,941</u>	<u>11,292</u>

This fund was set up for the purpose of the equalization of educational opportunities within the Commonwealth, but, since the revenues dedicated to it were so small and were further restricted by diversion of certain of these receipts to the State Forests and Waters Fund, the amounts paid to the school districts from the State School Fund have been a minor part of the educational expenditures of the Commonwealth.

During the 1933-1935 biennium the Historical Commission Fund was created from the Cornwall Charcoal Furnace Endowment and administered by the Department of Public Instruction. This is a minor fund and the total expenditures from 1935 to 1943 amounted to only \$12 thousand.

Other Departmental Funds

In addition to the above funds, there are four funds, from which the entire expenditures of certain state agencies are financed, and three funds, representing a part of the expenditures of certain other state agencies. Of these funds, the Game Fund, established by the General

Assembly in 1915, was the largest in total expenditures between 1923-1943. In 1923-1925 expenditures out of the Game Fund amounted to \$1.4 million and increased to \$2.4 million in 1931-1933. The expenditures of the Game Fund were irregular in the next ten years, ranging from \$2.2 million in 1933-1935 to \$2.9 million in each of the 1937-1939 and 1939-1941 biennia. Expenditures amounted to \$2.7 million in 1941-1943, an increase of 96 percent over 1923-1925.

Second in size in this group during the twenty year period, 1923-1943, was the Banking Fund, established in 1919, to segregate the expenses and reimbursements of the Department of Banking resulting from its duties of supervision and examination of banks, trust companies, etc. Expenditures amounted to \$669 thousand in 1923-1925 and \$1.5 million in 1931-1933, an increase of 125 percent. In 1933-1935 banking fund expenditures were slightly less than in 1931-1933, amounting to \$1.4 million. While expenditures increased in 1935-1937 and 1937-1939, they decreased to \$1.3 million in 1941-1943, 16.5 percent less than in 1931-1933, but 87.8 percent higher than in 1923-1925.

The Fish Fund, established in 1921, was the third largest fund in this group during the period under consideration. In 1923-1925 expenditures from the Fish Fund amounted to \$466 thousand and increased to \$937 thousand, an increase of 101 percent in 1931-1933. Expenditures of \$853 thousand for the 1933-1935 biennium were slightly less than the 1931-1933 biennium. Fish fund expenditures increased thereafter and in 1941-1943 the sum of \$1.3 million was expended, compared with expenditures of \$466 thousand in 1923-1925, an increase of 185 percent.

In 1933-1935 the Milk Control Fund was created by the General Assembly. In 1935-1937 this fund spent between \$200 thousand and \$300 thousand, but in 1941-1943 the expenditures increased to \$603 thousand, largely because certain expenditures for administration, which prior thereto had been paid directly from the General Fund, were appropriated by the General Assembly to the Milk Control Fund and expended from it.

The receipts of the State Farm Products Show Commission were deposited in a special fund beginning in the 1929-1931 biennium. Prior to that date the farm products show had been operated as a state-

aided project and its receipts were not deposited in the State Treasury. In 1929-1931 expenditures from the State Farm Products Show Fund amounted to \$59 thousand and increased to \$124 thousand in 1933-1935. By 1941-1943 its expenditures of \$292 thousand had increased 135 percent over the 1933-1935 biennium.

In the 1937-1939 biennium a fund was set up to receive the monies, contributed by the federal government to encourage elimination of railway grade crossings. From 1937 to 1943, the expenditures from the Special Grade Crossing Fund amounted to \$471 thousand.

The smallest fund in this group is the Conrad Weiser Memorial Park Fund, which represents an endowment for the maintenance of this park. Between 1935-1937 to the end of 1941-1943 biennium a little over \$6 thousand had been expended from this fund.

Veterans' Compensation Fund

In 1933 a bond issue of \$50 million was sold to provide funds for the payment of a bonus to veterans of World War I. The proceeds of this issue were paid into the Veterans' Compensation Fund and most of the proceeds was paid out to veterans in 1933-1935. In addition to the payments of the veterans' bonus and expenses in connection with the disbursement of these funds, some of the debt service charges on the veterans' compensation bonds were paid from this fund, as indicated by the following table:

VETERANS' COMPENSATION FUND EXPENDITURES

1933-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Salaries and General Expenses</i>	<i>Compensa- tion to Veterans</i>	<i>Debt Service</i>	<i>Total</i>
1933-1935	258	43,505	3,725	47,488
1935-1937	112	742	....	854
1937-1939	54	306	....	360
1939-1941	18	106	1,500	1,624
1941-1943	5	33	....	38
Totals	<u>447</u>	<u>44,692</u>	<u>5,225</u>	<u>50,364</u>

As in the case of the road bond repayments, inclusion of the payments from the proceeds of the veterans' compensation bonds repre-

sents a duplication of expenditures, since both payments from bond proceeds and repayment of the principal of the bonds are necessarily included in the records of expenditures of this and of all operating funds, considered in this analysis. The sum of \$5.2 million, paid from the Veterans' Compensation Fund for redemption of these bonds between 1933-1943, was derived directly from the proceeds of the bond issue.

Shared License Fee and Tax Funds

The state collects certain license fees and taxes, part or all of which are then distributed to the local political subdivisions of the Commonwealth. The monies, so received, are deposited in three special funds in the State Treasury. The expenditures from the three funds for the ten biennia are shown in the following table:

EXPENDITURES OF SHARED LICENSE FEE AND TAX FUNDS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Liquid Fuels Tax Fund¹</i>	<i>Liquor License Fund</i>	<i>Fire Insurance Tax Fund</i>	<i>Total</i>
1923-1925	4,158	.....	1,270	5,428
1925-1927	5,611	.....	1,436	7,047
1927-1929 .....	.....²	.....	1,577	1,577
1929-1931	9,101	.....	2,740	11,841
1931-1933	9,905	.....	1,353	11,258
1933-1935	7,606	2,719	813	11,138
1935-1937	14,898	10,534	2,217	27,649
1937-1939	13,788	7,636	1,960	23,384
1939-1941	7,422	8,907	925	17,254
1941-1943	22,760	16,476	2,366	41,602
Totals	<u>95,249</u>	<u>46,272</u>	<u>16,657</u>	<u>158,178</u>

¹ From 1923 to 1927 these monies expended by the Gasoline Tax Fund.

² In 1927-1929, the counties' share of the liquid fuels tax was deposited in and disbursed from the General Fund.

One-half cent of the 4 cent per gallon liquid fuels tax is required to be deposited in the Liquid Fuels Tax Fund for distribution to the counties for highway, road, and bridge purposes, and servicing the charges on debt incurred therefor, the balance being deposited in the

Motor License Fund and in the General Fund. During 1923-1925 the sum of \$4.2 million was paid out of the fund, then known as the Gasoline Tax Fund and in 1925-1927, the sum of \$5.6 million. In the following biennium, the counties' share of the gasoline tax was paid directly from the General Fund in the amount of \$7.3 million. In the 1931-1933 biennium disbursements from the Liquid Fuels Tax Fund had increased to \$9.9 million, an increase of 138 percent over 1923-1925.

During the next ten years, 1933-1943, the expenditures from the Liquid Fuels Tax Fund were very irregular, due to the fact that the General Fund borrowed from this fund from time to time and payments were not made to local subdivisions, until the General Fund was able to repay these loans. The average expenditures from 1933 to 1943 amounted to \$13.3 million per biennium. Combining the various sums paid from the General Fund, from the Gasoline Tax Fund, and from the Liquid Fuels Tax Fund, the liquid fuels tax monies, returned to political subdivisions, averaged about \$7.2 million per biennium for the five biennia, 1923-1933, and \$13.3 million for the second five biennia, 1933-1943.

The Liquor License Fund was established by the General Assembly in 1933 for the purpose of receiving liquor license fees and disbursing them to the political subdivisions. As in the case of the Liquid Fuels Tax Fund, these payments were irregular, due to the fact that the payments to the political subdivisions were withheld until repayment was made by the General Fund of loans from the Liquor License Fund. During the period, 1933-1943, the liquor license fees, returned to the political subdivisions, averaged \$9.3 million per biennium.

The Fire Insurance Tax Fund, established by the General Assembly in 1895, is the fund into which taxes on the gross premiums of foreign fire insurance companies are received and disbursed to the various political subdivisions. In 1923-1925 the sum of \$1.3 million were returned to the political subdivisions. Between 1933 and 1943 payments to the political subdivisions were very irregular, again due to the fact that the monies in this fund were borrowed by the General Fund and payments to the political subdivisions were withheld until the fund was repaid by the General Fund.

FUNCTIONAL EXPENDITURES OF THE OPERATING FUNDS

The expenditures from the operating funds, as noted in the previous discussion, increased from \$210 million in 1923-1925 to \$657 million in 1941-1943. The various increases in expenditures have been traced, so far as they are related to each individual fund. *In this section of this report the expenditures from the various funds have been classified by various functions, regardless of the fund from which they were expended.* The operating funds' expenditures, classified by functions, for periods of five biennia between 1923-1933 and 1933-1943, are set forth in the following table:

FUNCTIONAL EXPENDITURES OF THE COMMON-WEALTH'S OPERATING FUNDS—1923-1943

(in thousands of dollars)

<i>Function</i>	<i>Total Expenditures</i>		<i>Increase</i>	
	1923-1933	1933-1943	Amount	Percent
<i>All Operating Funds:</i>				
Health, Welfare, and Public Assistance	189,177	1,128,033	938,856	496.3
Public Instruction	387,672	524,989	137,317	35.4
Highways	532,028	657,380	125,352	23.6
Agriculture, Fish, Game, Forests and Waters	51,252	49,764	—	1,488 ² — 2.9 ²
State Police and Military Affairs ...	20,515	94,783	74,268	362.0
Finance and Revenue ¹	79,017	192,650	113,633	143.8
Labor and Industry and Mines	14,233	54,777	40,544	284.9
All Other Executive	98,472	88,450	—	10,022 ² — 10.2 ²
Legislative and Judicial	30,486	34,900	4,414	14.5
Shared Taxes	44,407	121,027	76,620	172.5
Totals	<u>1,447,259</u>	<u>2,946,753</u>	<u>1,499,494</u>	<u>103.6</u>

¹ Comprised of Department of the Auditor General, Treasury Department, and Department of Revenue.

² Decrease.

The above table shows that the \$1.5 billion increase in the 1933-1943 expenditures of all operating funds over 1923-1933 was actually greater than the amount of total expenditures in the earlier decade. Of the ten major functions, eight showed increased expenditures in 1933-1943, ranging from \$938.9 million for health, welfare and public assistance to \$4.4 million for the legislature and judiciary. Two functions showed decreased expenditures in 1933-1943, these being the

lesser executive departments shown in the foregoing table as All Other Executive and the conservation function shown as Agriculture, Fish, Game, and Forests and Waters.

The largest dollar amount of increase occurred in expenditures for health, welfare, and public assistance, which leaped from \$189.2 million in 1923-1933 to \$1.1 billion in 1933-1943, an increase of \$938.9 million or 496 percent.

Expenditures for three other functions also showed increases exceeding \$100 million in 1933-1943 over 1923-1933. These increases were: \$137.3 million or 35.4 percent for public instruction; \$125.4 million or 23.6 percent for highways; and \$113.6 million or 144 percent for finance and revenue.

Functional expenditures, which more than doubled proportionately, showing an increase of more than 100 percent, were, in addition to those already noted, those for state police and military affairs, which increased by 362 percent; labor and industry, and mines, 285 percent; and shared taxes, 173 percent. The dollar increases in 1933-1943 were \$74.3 million, \$40.5 million, and \$76.6 million, respectively, as may be noted in the above table.

Functional Expenditures Distributed Between the General and All Other Funds

A distribution of functional expenditures between the General Fund and other operating funds is presented in the two tables following. In these the expenditures are allocated according to the sources of the monies for expenditure, not by the fund finally making the disbursement. For instance, monies, appropriated from the Motor License Fund to the General Fund for state police purposes, are treated as expenditures of the Motor License Fund, and not, as in the case of the earlier analysis of expenditures by funds, of the General Fund.

In 1923-1933 the General Fund's expenditures on the functional basis amounted to \$811 million, 56.0 percent of the state's total expenditures of \$1.4 billion. In the second decade the General Fund's expenditures increased by 137 percent to \$1.9 billion and constituted 65.1 percent of the state's total expenditures of \$2.9 billion for 1933-1943.

FUNCTIONAL EXPENDITURES OF THE COMMON- WEALTH'S GENERAL FUND—1923-1943

(in thousands of dollars)

<i>Function</i>	1923-1933	1933-1943	<i>Increase</i>	
			<i>Amount</i>	<i>Percent</i>
<i>General Fund:</i>				
Health, Welfare, and Public Assistance	189,153	1,113,830	924,677	488.9
Public Instruction	387,185	523,899	136,714	35.3
Highways	24,923	3	— 24,920 ¹	— 99.9 ¹
Agriculture, Fish, Game, Forests and Waters	35,088	30,081	— 5,007 ¹	— 14.3 ¹
State Police and Military Affairs...	20,354	22,369	2,015	9.9
Finance and Revenue	12,067	95,684	83,617	692.9
Labor and Industry and Mines	13,795	20,692	6,897	50.0
All Other Executive	90,628	78,195	— 12,432 ¹	— 13.7 ¹
Legislative and Judicial	30,486	34,900	4,414	14.5
Shared Taxes	7,256	.....	— 7,256 ¹	—100.0 ¹
Totals	810,935	1,919,653	1,108,718	136.7

¹ Decrease.

The outstanding changes in the functional expenditures of the General Fund were in decreased proportions of the total expenditures for state police and military affairs, and for labor and industry, and mines. Despite slight increases in the amounts expended for both these groups, the general fund's proportion decreased from 99.2 percent of expenditures for state police and military affairs in 1923-1933 to 23.6 percent in 1933-1943. General fund expenditures for labor and industry, and mines also decreased from 96.9 percent of the expenditures for this purpose to 37.8 percent of the decade totals, respectively. Expenditures from the General Fund for finance and revenue, including debt service, showed the greatest proportionate increase, rising from 15.3 percent of the total expenditures for finance and revenue in 1923-1933 to 49.7 percent in 1933-1943. This increase in the general fund proportion and the rise in expenditures from \$12.1 million in 1923-1933 to \$95.7 million in 1933-1943, resulted primarily from debt service expenditures for general expense and veterans compensation bonds² (issued in 1933-1935) and tax anticipation notes, first issued in 1935-1937.

The largest increases in the dollar amount of disbursements by the

² In order to show overall expenditures of the Commonwealth, the repayments on the principal of general expense and veterans' compensation bonds are included, therefore the total expenditures of the General Fund are inflated by these amounts.

General Fund, were for health, welfare, and public assistance (due to the state relief program, initiated in 1931-1933, and state-federal programs, begun in 1935-1937); for finance and revenue, due to the establishment of the Department of Revenue in 1929, and debt service charges in, and after, 1933-1935; and for public instruction.

The increase in functional expenditures from special operating funds amounted to 61.4 percent, increasing in total from \$636.3 million in 1923-1933 to \$1.0 billion in 1933-1943 as shown in the following table:

FUNCTIONAL EXPENDITURES OF THE COMMONWEALTH'S SPECIAL OPERATING FUNDS—1923-1943

(in thousands of dollars)

<i>Function</i>	1923-1933	1933-1943	<i>Increase</i>	
			<i>Amount</i>	<i>Percent</i>
<i>Special Operating Funds:</i>				
Health, Welfare, and Public Assistance	24	14,203	14,179	5,907.9
Public Instruction	487	1,090	603	123.8
Highways	507,105	657,377	150,272	29.6
Agriculture, Fish, Game, Forests and Waters	16,164	19,683	3,519	21.8
State Police and Military Affairs ...	161	72,414	72,253	4,487.8
Finance and Revenue	66,950	96,966	30,016	44.8
Labor and Industry and Mines	438	34,085	33,647	769.9
All Other Executive	7,844	10,255	2,411	30.7
Legislative and Judicial				
Shared Taxes	37,151	121,027	83,876	225.8
Totals	<u>636,324</u>	<u>1,027,100</u>	<u>390,776</u>	<u>61.4</u>

The increased proportion of special operating funds in the total expenditures for state police and military affairs, as noted in the discussion of General Fund expenditures, resulted chiefly from the appropriation of monies from the Motor License Fund for state police. In the case of labor and industry, and mines, special fund expenditures for unemployment compensation administration and employment services brought about the changed proportion.

The largest increases in the amount of expenditures from special operating funds were for highways; shared taxes; state police and military affairs; labor and industry and mines; and finance and revenue. These five items accounted for 94.7 percent of the total amount

of increase in 1933-1943 over the preceding decade. The changes are presented in the preceding table.

Health, Welfare, and Public Assistance

The operating funds' expenditures, classified under health, welfare, and public assistance, represented the largest group of expenditures for any function for the biennia from 1935 to 1943. Included under this classification are expenditures made by the Department of Public Assistance,¹ the Department of Welfare, and the Department of Health. Most of the expenditures for this function were made from the General Fund, as is shown by the following table:

EXPENDITURES FOR HEALTH, WELFARE, AND PUBLIC ASSISTANCE—BY FUNDS—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>General Fund</i>	<i>Liquor Store Profits</i>	<i>Special Funds</i>	<i>Total</i>
1923-1925	22,921	....	....	22,921
1925-1927	26,085	....	24	26,109
1927-1929	33,915	....	....	33,915
1929-1931	39,036	....	....	39,036
1931-1933	67,196	....	....	67,196
1933-1935	92,148	6,316	....	98,464
1935-1937	212,370	393	390	213,153
1937-1939	281,258	....	1,622	282,880
1939-1941	302,300	....	2,683	304,983
1941-1943	225,754	....	2,799	228,553
Totals	<u>1,302,983</u>	<u>6,709</u>	<u>7,518</u>	<u>1,317,210</u>

The expenditures from liquor store profits represent amounts for welfare and public assistance, expended directly from the State Stores Fund during the periods indicated, through appropriations of its funds for blind pensions and emergency relief purposes by the General Assembly. Expenditures from special funds are from federal grants; in 1935-1937 and the following biennia from the Federal Social Security Fund.

The health, welfare, and public assistance expenditures, by the various departments, are shown in the table which follows:

¹ Including those made by State Emergency Relief Board.

EXPENDITURES FOR HEALTH, WELFARE, AND PUBLIC ASSISTANCE—BY AGENCIES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Public Assistance</i>	<i>Welfare</i>	<i>Health</i>	<i>Total</i>
1923-1925 .....	.....	18,574	4,347	22,921
1925-1927 .....	.....	21,035	5,074	26,109
1927-1929 .....	.....	28,464	5,451	33,915
1929-1931 .....	.....	34,950	4,086	39,036
1931-1933	27,247	35,913	4,036	67,196
1933-1935	62,862	31,932	3,670	98,464
1935-1937	172,816	34,780	5,557	213,153
1937-1939	238,925	36,145	7,810	282,880
1939-1941	255,867	40,488	8,628	304,983
1941-1943	167,127	51,360	10,066	228,553
Totals	<u>924,844</u>	<u>333,641</u>	<u>58,725</u>	<u>1,317,210</u>

Public assistance expenditures, now known as "aid to dependent children," were made originally by the Department of Welfare and are so shown in the above table, until the segregation of public assistance expenditures in 1931-1933.

The functions administered by these departments are discussed in more detail in a later section of this report, devoted to the General Fund.

Department of Public Instruction

The expenditures of the Department of Public Instruction were the second largest of the functional expenditures from the operating funds during the 1941-1943 biennium. From 1935 to 1941 the Department of Public Instruction ranked third in size of expenditures, but before 1933-1935, when health, welfare, and public assistance expenditures had reached emergency levels, the Department of Public Instruction was the second largest spending agency in the State. In 1939-1941 and in 1941-1943, the expenditures for the Department of Public Instruction included costs of operating special federal educational programs for national defense training, etc. Expenditures for the Department of Public Instruction were financed, however, mostly from the General Fund, as is shown by the following table:

EXPENDITURES FOR DEPARTMENT OF PUBLIC IN- STRUCTION—BY FUNDS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>General Fund</i>	<i>Special Funds</i>	<i>Total</i>
1923-1925	65,778	67	65,855
1925-1927	66,776	52	66,828
1927-1929	73,293	100	73,393
1929-1931	90,470	106	90,576
1931-1933	90,858	162	91,020
1933-1935	82,400	78	82,478
1935-1937	96,848	80	96,928
1937-1939	96,056	300	96,356
1939-1941	105,615	184	105,799
1941-1943	142,980	448	143,428
Totals	911,084	1,577	912,661

The expenditures of the Department of Public Instruction are discussed at greater length in a later section of this report, devoted to the General Fund and in report No. 7 of the Joint State Government Commission, published June 21, 1944 and entitled, An Analysis of Appropriations For Education in the Commonwealth of Pennsylvania 1920-1943.

Department of Highways

During 1941-1943 the Department of Highways was the third largest spending agency in the Commonwealth. For the period 1923-1935 the Department of Highways was the largest spending agency in the state, but dropped to second place during the years 1935-1941, when eclipsed by expenditures for health, welfare, and public assistance. The expenditures for the Department of Highways during the twenty years under review are discussed in Part IV of this report.

Agriculture, Fish, Game, Forests and Waters

Because of the similarity of the Department of Agriculture, Department of Forests and Waters, Pennsylvania Game Commission, and Board of Fish Commissioners, in that they perform common functions in the conservation of land, forests, waters, fish, and game, they have been grouped together in this analysis.

The total expenditures by these four agencies from all operating funds increased from \$6.2 million in 1923-1925 to \$12.1 million in 1931-1933. Part of this increase was due to purchases of land by the

Department of Forests and Waters and the increase in disbursements for animal indemnities in the Department of Agriculture. However, all functions showed sizeable increases. In 1933-1935, beginning the second decade 1933-1943, the total expenditures for these four agencies amounted to \$9.4 million and rose to \$10.8 million in 1941-1943, an increase of 14.6 percent. The total expenditures for all purposes, made by these four agencies, are presented in the following table:

**SUMMARY OF TOTAL EXPENDITURES FOR AGRICULTURE, FISH, GAME, FORESTS AND WATERS
BY AGENCIES—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Department of Agriculture</i>	<i>Department of Forests and Waters</i>	<i>Fish Commission</i>	<i>Game Commission</i>	<i>Total</i>
1923-1925	2,158	2,236	466	1,375	6,235
1925-1927	4,090	2,465	624	1,378	8,557
1927-1929	5,149	3,946	678	1,869	11,642
1929-1931	4,733	4,840	819	2,350	12,742
1931-1933	4,510	4,315	916	2,335	12,076
1933-1935	3,355	3,093	819	2,176	9,443
1935-1937	2,503	2,088	858	2,380	7,829
1937-1939	3,478	3,702	935	2,899	11,014
1939-1941	3,199	3,274	1,268	2,913	10,654
1941-1943	3,398	3,514	1,285	2,627	10,824
Totals	<u>36,573</u>	<u>33,473</u>	<u>8,668</u>	<u>22,302</u>	<u>101,016</u>

The Departments of Agriculture and of Forests and Waters are discussed in detail in a later section of this report, devoted to the General Fund.

The Board of Fish Commissioners, which is financed by the Fish Fund from revenues derived chiefly from fishing licenses and fines imposed for violations of the laws governing fishing, increased its expenditures from \$466 thousand in 1923-1925 to \$916 thousand in 1931-1933. In 1933-1935 the expenditures for the Fish Commission were \$819 thousand, a decrease of 10.6 percent from those of the previous biennium. However, by 1941-1943 they had increased to \$1.3 million, 176 percent over those of 1923-1925 at the beginning of the twenty year period.

The Pennsylvania Game Commission, which is supported entirely out of the Game Fund's revenues, derived chiefly from hunting licenses,

finances for violation of the game laws and, since 1937-1939, from federal grants, expended \$1.4 million in 1923-1925. Expenditures for this agency increased to \$2.3 million in 1931-1933 or 69.8 percent. During the next period of five biennia, from 1933 to 1943, expenditures fluctuated slightly, with \$2.2 million expended in 1933-1935, \$2.4 million in 1935-1937, \$2.9 million in 1937-1939 and 1939-1941, and \$2.6 million in 1941-1943.

State Police and Military Affairs

The Pennsylvania State Police and the Department of Military Affairs are grouped together under this function because of their common purpose. The Department of Military Affairs, which includes the state guard and armories, administers the Defense Council and the State Veterans' Commission. The expenditures from all funds for military affairs and the State Police are presented in the following table:

SUMMARY OF EXPENDITURES FOR STATE POLICE AND MILITARY AFFAIRS—BY AGENCIES—1923-1943

(in thousands of dollars)

	<i>State Police</i>	<i>Military Affairs</i>	<i>Veterans' Compensation</i>	<i>Total</i>
1923-1925	1,515	1,427	.....	2,942
1925-1927	1,645	1,630	.....	3,275
1927-1929	1,677	2,911	.....	4,588
1929-1931	2,268	2,505	.....	4,773
1931-1933	2,447	2,490	.....	4,937
1933-1935	2,525	3,008	47,488	53,021
1935-1937	2,509	3,097	853	6,459
1937-1939	7,938	3,103	360	11,401
1939-1941	8,848	3,048	125	12,021
1941-1943	9,000	2,843	38	11,881
Totals	<u>40,372</u>	<u>26,062</u>	<u>48,864</u>	<u>115,298</u>

The State Police was a separate organization and financed entirely from the General Fund during the period, 1923-1937. Between 1923 and 1937 another police organization, known as the Highway Patrol, was maintained for the patrol of the highways of the Commonwealth and its disbursements were reported as part of the highway expenditures. In 1937 the two police organizations were merged by action of the General Assembly. The new organization was given the title "Pennsylvania Motor Police" and was financed jointly from the Gen-

eral Fund and the Motor License Fund. In 1943 the name of this organization was changed to "Pennsylvania State Police." The expenditures for the state police are discussed later in this report under the section on the General Fund.

Due to the fact that the Department of Military Affairs and the State Council of Defense are supported entirely by the General Fund, the financial operations of these two units are also discussed later under that fund.

The item "Veterans' Compensation" in the above table represents the amount paid out of the Veterans' Compensation Fund for soldiers' bonuses, the cost of administering soldiers' bonuses, and debt service costs paid from this fund, which is administered by the Department of Military Affairs. These items have been discussed earlier under the Veterans' Compensation Fund.

Other Departmental Expenditures

The other departmental expenditures are included under the earlier discussion of the individual funds or in the later section devoted to the General Fund.

SUMMARY

Over the twenty-year period, 1923-1943, the Commonwealth has maintained a large number of operating funds of relatively minor importance, a circumstance, which has made difficult both the accounting and analysis of expenditures and receipts of the Commonwealth. This condition can be attributed to legislative action, requiring that certain receipts and the expenditures therefrom be segregated in separate funds, and to a similar demand by the federal government in regard to certain federal grants.

During 1941-1943 there were 19 operating funds, used for the support of 29 state agencies. Seven of these funds supported 11 agencies, in whole, and 17 others, in part. Of those agencies, financed by more than one fund, the Department of Public Instruction marked the extreme. This department was financed by five operating funds, while three other state agencies were each financed by four funds. In addition to the above funds there were three funds for license fees and taxes, shared with political subdivisions of the Commonwealth,

which, for the purpose of this report, have been treated as operating funds.

All of the funds, designated as operating funds, receive tax revenues, miscellaneous receipts, and federal grants, available to the State for support of its numerous and varied operations. The larger portion of these transactions passes through the General Fund and the remainder through other operating funds, which are differentiated from the General Fund by the fact, that in each case, their operations are specifically limited by legislative action.

Outside these operating funds are a large number of funds, maintained by the Commonwealth, but divorced from or only indirectly related to the operating funds and the general fiscal operations of the State. Among these funds are the trust funds or *true* custodial funds, to which the Commonwealth's relation is one of trustee. There are also working capital funds, which enter into state operations only when operating funds are temporarily advanced for their establishment or when profits, resulting from the operations of working capital funds, are transferred to the operating funds, as in the case of transfers of profits from the State Liquor Stores Fund to the General Fund. Finally, there are the Unemployment Compensation Contributions and Benefits Funds, in which the Commonwealth has only an intermediary interest in the transactions among the federal government, employers, and employes. All funds of the foregoing types are excluded from the receipts and disbursements, reported for the operating funds of the Commonwealth.

From 1923 to 1943 there was a tremendous expansion in the functions and activities undertaken by the Commonwealth. In the first biennium, 1923-1925, the total expenditures from its operating funds amounted to \$209.7 million; in the last biennium, 1941-1943, they had increased by 213 percent to \$657.3 million. The high point, of expenditures, however, occurred in 1937-1939, when biennial operating expenditures reached a peak of \$667 million.

The Commonwealth's participation in public assistance, which first became of importance in 1931-1933, was the largest single factor contributing to the huge increase. In 1941-1943 expenditures of \$167.1 million for public assistance represented 25.4 percent of the total operating expenditures of the Commonwealth, while in the preceding bien-

nium public assistance expenditures had reached a high of \$255.9 million. State operating expenditures for purposes other than public assistance in 1941-1943 were \$490.2 million, compared with \$364.3 million in 1929-1931 and \$209.7 million in 1923-1925. Between 1923-1925 and 1941-1943, therefore, Commonwealth expenditures for all operating purposes, except public assistance, increased by 134 percent. The upward trend in such *normal* expenditures was actually more pronounced in the first decade under survey than in the second, for in the biennium, 1929-1931, expenditures had already risen 73.7 percent above those in 1923-1925.

Of the total increase of \$280.5 million in *normal* operating expenditures, i. e., those for operating purposes except public assistance, between 1923-1925 and 1941-1943, four items accounted for 73 percent. These items, in order of magnitude of increase were public instruction, for which expenditures increased by \$77.6 million; highways, by \$51.3 million; welfare and health, by \$38.5 million, and shared license fees and taxes, by \$36.2 million. In the aggregate, these items accounted for \$203.6 million of the total increase in expenditures for operating purposes, other than public assistance. Although these four items, together with expenditures for public assistance, accounted for 81.6 percent of total state operating expenditures from 1923-1943, the rate of increase in the expenditures of other lesser departments and commissions and in other expenses of the Commonwealth was also of importance. The expenditures in this category were \$76.9 million larger in 1941-1943 than in 1923-1925, an increase of 248 percent, compared with the increase of 213 percent in total operating expenditures for all departments and all purposes.

Expenditures by Function—All Operating Funds

Total expenditures of the Commonwealth's operating funds, which were \$1,447 million from 1923 to 1933, increased for the next decade, 1933-1943, by \$1,499 million. This increase alone amounted to more than the total expenditures of these funds for the first decade. Eight out of the ten major functions of the government of the Commonwealth showed increased expenditures in the second decade, with only the lesser executive departments and the conservation function (under agriculture, fish, game, and forests and waters) showing de-

creases. Of the increased expenditures in 1933-1943 over 1923-1933 the largest share was disbursed for health, welfare, and public assistance, with an increase of \$938.9 million. Public instruction showed the second largest increase, with \$137.3 million, highways the third largest, with \$125.4 million, and finance and revenue the fourth largest, with \$113.6 million. Other functions, which showed increases of more than 100 percent in the second decade were, in addition to those already noted, state police and military affairs; labor and industry, and mines; and locally shared license fees and taxes.

Departments of Health, Welfare, and Public Assistance

Expenditures for health, welfare, and public assistance in 1923-1943 amounted to only \$1,317 million or 30.0 percent of total state expenditures for all purposes. From 1923-1925 to 1929-1931 health and welfare expenditures increased biennially, rising from \$22.9 million to \$39.0 million. With the introduction of public assistance expenditures in 1931-1933, total disbursements for health, welfare and public assistance increased to \$67.2 million for that biennium and, following the introduction of state-federal programs in 1935-1937, rose to a high of \$305 million in 1939-1941, or 46.3 percent of the State's total operating expenditures. In 1941-1943, due to war-time employment conditions, the biennial expenditure for health, welfare and public assistance fell to \$228.6 million.

Public Instruction

Total expenditure of \$912.7 million for public instruction from 1923 to 1943 represented 20.8 percent of the state's operating expenditures for the period. Biennial expenditures for public instruction increased steadily, with the exception of the biennia, 1933-1935 and 1937-1939, rising from \$65.9 million in 1923-1925 to a high of \$143.4 million in 1941-1943, an increase of 118 percent. During 1923-1933 public instruction expenditures increased from \$65.9 million in the first biennium to \$91.0 million in 1931-1933, or 38.2 percent. In the second decade, biennial expenditures by the Department of Public Instruction increased by 73.9 percent, rising from \$82.5 million in 1933-1935 to \$143.4 million in 1941-1943, when the Department was the second

largest expending agency of the State, with expenditures of 21.8 percent of the Commonwealth's total operating expenditures.

Expenditures by Funds

Over the twenty-year period the General Fund accounted for \$2,766 million or 62.9 percent of the total expenditures of \$4,394 million by all operating funds. Highway funds, consisting of the Motor License Fund, the State Bond Road Fund, and the National Industrial Recovery Highways Fund, expended \$1,330 million, or 30.3 percent of total expenditures, and locally shared tax funds (the Liquid Fuels Tax Fund, the Fire Insurance Tax Fund and the Liquor License Fund), expended \$158 million, or 3.6 percent of the total. All other operating funds of the Commonwealth expended only \$140 million, or 3.2 percent, of the Commonwealth's total operating expenditures.

The changes, which occurred in the proportionate distribution, by funds, of total operating expenditures between the decades, 1923-1933 and 1933-1943, emphasize important trends in the character of the Commonwealth's activities. Expenditures from the highway funds alone showed a decrease between the two periods in the proportion of total expenditures, disbursed from highway funds, the proportion falling from 39.7 percent of total operating expenditures in 1923-1933 to 25.6 percent in 1933-1943. The proportionate expenditures of locally-shared license fee and tax funds increased from 1.3 percent in the first decade to 4.1 percent of total operating expenditures in the second. This increase in proportion denotes a sizeable increase in the share of state-controlled revenues, returned to the Commonwealth's political subdivisions. The proportion of total operating expenditures from special operating funds, other than highway funds, increased from less than 0.1 percent in 1923-1933 to 4.1 percent, denoting that a much larger portion of the state's operations were conducted outside of the General Fund and the highways funds in 1933-1943 than in the first decade. Finally, the general fund's expenditures increased from 56.4 percent of total operating expenditures in 1923-1933 to 66.2 percent in 1933-1943, representing a tremendous increase in the expenditures from this fund, compared with expenditures from all other operating funds of the Commonwealth.

Part II: REVENUES OF THE OPERATING FUNDS

The biennial revenues analyzed in this section are those of the operating funds, as defined in Part I of this report, and as reported in the Commonwealth's biennial budgets. Only borrowed monies, derived from the sale of bonds and tax anticipation notes, and interfund borrowings and transfers have been eliminated. The transfers of revenue sources and functions among the state's funds have not been taken into account, as in the related study of General Fund revenues, but they are not of significance in an analysis of the growth of the aggregate revenue of the Commonwealth from 1923 to 1943. The classification of revenues follows that in the related study, *Tax Structure and Revenues of the General Fund of the Commonwealth of Pennsylvania—1913-1943*.¹

Summary of Factors Affecting Revenue—1923-1943

In 1923 the Commonwealth was just entering the Post World War I Reconstruction period of steadily improving economic conditions, which continued into 1929. The General Assembly had enacted, in 1917 and 1919, taxes on direct inheritances and, in 1921, on anthracite. In 1921, the beginning of a great expansion in the state's highway program was marked by the enactment of a gasoline tax of one cent per gallon, the proceeds of which were divided equally between the State and counties for highway use.

In 1923 the General Assembly enacted a corporate net income tax, as an emergency profits tax of two years' duration. Although the rate of one percent was low, no deduction was allowed for federal taxes—a feature which was to reappear in the 1943 amendment to the 1935 corporate net income tax act. In 1923 the gasoline tax rate was increased to 2 cents per gallon, of which the counties continued to receive 0.5 cent.

¹ See Report No. 8, June 23, 1944, of the Committee on Continuation of the Tax Study to the Joint State Government Commission (of the General Assembly).

The Motor License Fund replaced the Motor Fund in 1925 and became the depository of the state's share of the gasoline tax. From 1925 to 1929, new taxes on estates completed the state's system of inheritance and estate taxation. In 1927 the liquid fuels (gasoline) tax was advanced to 3 cents, with 2.5 cents going to the Motor License Fund and 0.5 to the counties. In 1929 the Motor Liquid Fuels Tax Fund became the depository for the counties' share of the liquid fuels tax monies. For one year in 1929-1930 the liquid fuels tax was 4 cents, but from July 1, 1930 to the present time the rate for highway purposes has been unchanged at 3 cents, with 2.5 cents going to the Motor License Fund and 0.5 cent to the counties. However, in 1935 an additional emergency tax of one cent was added for general purposes, making the total tax 4 cents.

The Commonwealth's revenues reached a high in 1929-1931, but the effects of the Post War I Depression period were apparent before the end of the biennium. The expiration of the anthracite tax in 1931 was followed in 1932 by the enactment of an emergency general sales tax of six months' duration. Repeal of the federal prohibition amendment in 1933 was followed by the establishment of the State Liquor Control Board and taxes on alcoholic and malt beverages, licensing and regulation of all phases of the liquor traffic and the establishment of state liquor stores. All licenses and fees, collected by the Liquor Control Board, were to be returned to the municipalities through the Liquor License Fund established for that purpose. After 1933 additional highway construction monies became available from the federal National Industrial Recovery Highways program.

In 1935 and 1936 many changes took place in the General Fund which have been detailed in the earlier study entitled "Tax Structure and Revenues of the General Fund." Major emergency taxes were placed on corporate net income, cigarettes, liquid fuels, liquor sales, and personal property. Emergency rates were added to the normal taxes on the share of banks and trust companies, corporate loans, and public utilities, and amendments to the capital stock tax increased its yield greatly. After 1933 appropriations were made from the liquor store profits which became an important source of state revenue.

Many important federal-state programs were initiated in the 1935-1937 biennium, leading to greatly increased federal grants for purposes

such as public assistance, health, and employment security purposes.¹ In 1937 the Commonwealth's Motor Vehicle Code was amended and the fees for operators' licenses were reduced. After 1939 federal grants for national defense training became an appreciable revenue and after 1940 the extraordinary rise in national income, due to World War II, raised the revenue of the State in 1941-1943 high above the average biennial revenues of 1935-1941.

MAJOR SOURCES OF THE OPERATING FUNDS' REVENUES—1923-1943²

Although the total revenue of the operating funds increased from \$1,422 million in 1923-1933 to \$2,932 million in 1933-1943, the addition of liquor store profits, as a new major source of revenue in 1933, and the growth of federal grants after that year resulted in a decrease in the relative importance of tax revenues, miscellaneous revenues, and earmarked receipts from state sources. The decade totals, presented in the following table, show the reasons for this shift in the distribution of total revenue in 1933-1943.

REVENUES OF THE COMMONWEALTH'S OPERATING FUNDS—BY SOURCES—1923-1933 AND 1933-1943 (in millions of dollars)

<i>Revenue Sources</i>	<i>Revenue Totals</i>		<i>Percentage Distribution</i>	
	1923-1933	1933-1943	1923-1933	1933-1943
Taxes	947.1	1,867.7	66.6	63.7
Liquor Store Profits .....	....	137.7	....	4.7
Miscellaneous	369.4	567.5	26.0	19.4
Earmarked Receipts:				
State	52.6	36.1	3.7	1.2
Federal	52.8	322.7	3.7	11.0
Totals	1,421.9	2,931.7	100.0	100.0

The outstanding proportionate decreases were in tax revenues, which dropped from 66.6 percent of total revenue in 1923-1933 to 63.7 percent in 1933-1943, and in miscellaneous revenues, which decreased from 26.0 percent to 19.4 percent in the same periods. These changes

¹ Other federal monies were granted directly to such quasi-agencies of the State as the Pennsylvania State College, the General State Authority, the Pennsylvania Turnpike Commission, and the Delaware River Joint Commission, as well as huge federal grants to political subdivisions of the State through W.P.A., P.W.A. grants and loans, and by subsidies to individuals, such as the A.A.A. payments to farmers.

² See Appendix for additional statistical data.

were caused chiefly by the addition after 1933 of liquor store profits which amounted to 4.7 percent of the total 1933-1943 revenue and from the increase in federal grants from 3.7 percent of the 1923-1933 revenue total to 11.0 percent in 1933-1943.

Tax Revenues

Tax revenues of the operating funds increased 97.2 percent, rising from \$947.1 million in 1923-33 to \$1,868 million in 1933-1943, but their proportion of the aggregate revenue of the operating funds decreased from 66.6 percent to 63.7 percent. The importance of the emergency tax revenues of the General Fund in maintaining about the same proportion of tax revenue to total revenue in the decade from 1933-1943 as in the preceding decade is emphasized by the fact that in 1933-1935 tax revenues had declined to 57.6 percent of the total revenue of the operating funds, but, after the introduction of the emergency tax measures, tax revenues increased to 64.5 percent of total revenue for the period 1935-1943. The course of the General Fund taxes, which constituted 78.8 percent of all tax revenues of the Commonwealth in 1923-1933 and 78.1 percent in 1933-1943, has already been analyzed in detail in the study, *Tax Structure and Revenues of the General Fund of the Commonwealth—1913-1943*.

The only important tax, in addition to those reviewed in the General Fund study, is the liquid fuels tax, first enacted in 1921. From 1921 to 1930, as noted in a later section on shared funds, this tax was at rates varying from one cent to four cents per gallon. The proportion distributed to the counties for highway purposes, however, remained, as originally provided for, at one-half of one cent per gallon. In 1923-1933, this tax (exclusive of the one cent emergency tax) contributed 20.2 percent of the Commonwealth's total tax revenues and in 1933-1943 it amounted to 21.5 percent of total tax revenues. The liquid fuels tax has been the largest revenue producer of all the state's taxes in recent biennia, with the exception of 1941-1943, when it ranked second to the corporate net income tax. In the period, 1935-1943, the liquid fuels tax at the four cent rate (including the General Fund one cent emergency tax) yielded \$111.4 million biennially or 78.0 percent more than the biennial average of \$62.6 million from the capital stock tax, the second ranking revenue tax in this period.

In 1923-1933 liquid fuels tax receipts of the Motor License Fund averaged \$32.2 million biennially and accounted for 32.7 percent of this fund's revenues, while in the last decade, 1933-1943, these receipts averaged \$66.8 million biennially and represented 44.2 percent of the total revenues of the Motor License Fund.

The Motor License Fund also receives the highway use tax from interstate motor carriers. This tax, at a rate of 8 mills of gross receipts applicable to Pennsylvania, was imposed in this form, rather than as a direct tax on gross receipts, in order to avoid unconstitutional taxation of interstate commerce.¹ Revenue from this tax is comparatively unimportant and biennial receipts in 1933-1943 averaged only \$13.5 thousand.

The other tax, not devoted to the General Fund, is that on the gross premiums of foreign fire insurance companies, which is without major revenue significance.² In 1933-1943 it amounted to less than 0.1 percent of the total revenue of the operating funds. The average biennial receipts from this tax, which are placed in the Fire Insurance Tax Fund, amounted to only \$1.8 million in 1933-1943, although there has been a consistent increase in the proceeds from this tax in the decade from \$1.4 million in 1933-1935 to \$2.1 million in 1941-1943.

Liquor Store Profits

Monies, accruing from the sale of liquor in the state stores system under the direction of the Liquor Control Board, were made available for appropriation by the General Assembly by the Act of November 29, 1933 (P. L. 16). In 1933-1935, the sums of \$5.5 million and \$0.8 million were appropriated from the State Stores Fund for emergency relief and pensions for the blind, respectively. In the following biennium, the total made available for these purposes was decreased to \$0.4 million, but the sum of \$24.0 million was appropriated for the General Fund. The amounts, so appropriated for the General Fund have increased in each of the succeeding biennia to a high of \$41.0 million in 1941-1943. In total, the liquor store profits made available for the General Fund in 1935-1943 amounted to \$131.0 million. The

¹ Act of June 22, 1931 (P. L. 694). See Report No. 8, June 23, 1944, of the Committee on Continuation of the Tax Study to the Joint State Government Commission of the General Assembly.

total appropriations of liquor store profits amounting to \$137.7 million constituted 4.7 percent of the total revenue of the operating funds in 1933-1943.

Miscellaneous Revenues

Miscellaneous revenues comprise the receipts from the services provided by various state agencies and other monies incidental to the operations of the government. In 1923-1933 the total of such receipts amounted to \$369.4 million or 26.0 percent of total revenues of the operating funds. Although miscellaneous revenues increased by 53.6 percent in 1933-1943, the proportion to total revenue dropped to 19.4 percent, as liquor store profits and federal grants also became major sources of revenue.

The following table shows that licenses and fees produced more than four-fifths of miscellaneous revenues in both decades. The only important items not already analyzed as part of the General Fund's miscellaneous revenues were licenses and fees of the Motor License Fund and the Liquor License Fund.

MISCELLANEOUS REVENUES OF THE OPERATING FUNDS—BY DECADES—1923-1933 AND 1933-1943

(in millions of dollars)

Source	Totals		Percentage Distribution		Percent of Increase
	1923-1933	1933-1943	1923-1933	1933-1943	
Licenses and fees	307.4	469.0	83.2	82.6	52.6
Fines and penalties	5.9	5.4	1.6	1.0	— 7.9 ¹
Institutional reimbursements ..	33.5	58.3	9.1	10.3	73.8
Sundry	22.6	34.8	6.1	6.1	53.9
<i>Miscellaneous Revenue Totals.</i>	<u>369.4</u>	<u>567.5</u>	<u>100.0</u>	<u>100.0</u>	<u>53.6</u>
Percent of Operating Funds					
Total Revenues	26.0	19.4	....	....	...

¹ Decrease.

The licenses and fees of the Motor License Fund alone accounted for 75.7 percent of the total revenue from this category in 1933-1943. Together with the liquor license fees, these two sources accounted for approximately 86 percent of the total receipts from the licenses and fees of all operating funds in 1933-1943.

The detail of the Motor License Fund's licenses and fees amounting to \$355.1 million in 1933-1943 is presented in the following table, which shows the major source of revenue to be passenger motor vehicle licenses:

<i>Motor License Fund Licenses and Fees</i>	1933-1935	1935-1937	1937-1939	1939-1941	1941-1943
	(in millions of dollars)				
Passenger Motor Vehicle Li- censes	30.9	35.2	38.1	42.1	38.5
Commercial Vehicle Licenses..	14.7	16.8	17.4	18.8	18.8
Operators' Licenses	9.4	10.7	6.4	6.8	6.7
Certificate of Title Fees	2.8	3.9	3.7	4.6	2.9
All Other Licenses and Fees..	3.9	5.1	5.0	6.2	5.7
Totals	<u>61.7</u>	<u>71.7</u>	<u>70.6</u>	<u>78.5</u>	<u>72.6</u>

The decrease of about one-third in the revenue from operators' licenses in 1937-1939 and the following biennia resulted from an amendment of the Vehicle Code in 1937, which reduced the fee for operators' licenses from \$3 to \$2 and renewal of such licenses from \$2 to \$1.

During 1933-1943 the liquor license fees, placed in the Liquor License Fund for return to the municipalities, amounted to \$48.0 million. Biennially, they have increased from a low of \$6.0 million in 1933-1935 to a high of \$11.4 million in 1939-1941. In 1941-1943 these receipts amounted to \$10.9 million.

Receipts Earmarked for Specific Purposes—State Sources

In 1923-1943 the General Fund and the Motor License Fund received practically all of the receipts from state sources, earmarked for specific purposes. In the decade from 1923 to 1933 General Fund and Motor License Fund receipts, earmarked for specific purposes, accounted for all but \$0.3 million of the total of \$52.6 million. In 1933-1943 these two funds again contributed all but \$0.3 million of \$36.1 million of such receipts.

The most significant feature in a comparison of the two decades was the marked decrease of receipts, earmarked for specific purposes, in the Motor License Fund. These receipts decreased 82.3 percent from \$38.3 million in 1923-1933 to \$6.8 million in 1933-1943. This decrease

reflected a shift in joint highway programs from a state-local basis to a state-federal relation.

In 1923-1933 the General Fund's receipts from state sources, earmarked for specific purposes, included in 1927-1929 certain sums from gasoline tax revenues payable to the counties, and, during 1923-1929, sums for highway purposes. Further, in 1923-1933 State Teachers Colleges' receipts, appearing in 1933-1943, were not considered as state funds. For these reasons the earmarked receipts in 1923-1933 and 1933-1943 are not comparable as the following table shows only the receipts, as reported in the biennial budgets of the Commonwealth, without adjustment. In 1933-1943 the major source of the General Fund's receipts, from state sources earmarked for specific purposes, was monies received from State Teachers' Colleges.

	1923-1933	1933-1943
General Fund	(in millions of dollars)	
State Teachers' Colleges .....	...¹	21.7
Restitutions and Overpayments—		
Public Assistance .....	...	6.5
Gasoline Tax	7.7	...
Highways	5.5	...
Miscellaneous	0.8	0.8
Totals	<u>14.0</u>	<u>29.0</u>
Motor License Fund	26.2	6.8
All Other Funds	12.4 ²	0.3
Totals	<u>52.6</u>	<u>36.1</u>

¹ Receipts, now earmarked for maintenance accounts of State Teachers Colleges, were outside of the Commonwealth's Treasury in 1923-1933. They amounted to \$26.9 million in that decade.

² Includes \$12.1 million of receipts of State Bond Road Fund from 1923 to 1929.

In 1923-1933 the category of All Other Funds, in the above table, was comprised entirely of receipts of the Soldiers and Sailors Memorial Bridge Fund, and in 1933-1943 of receipts of the Special Grade Crossing, Flood Control, and Historical Commission funds.

Federal Grants

Federal grants (excluding emergency relief and unemployment compensation benefits returned to the State) were the second largest contributor to the great increase in the revenue of all operating funds

in 1933-1943 compared with 1923-1933. In the 1923-1933 decade these grants amounted to only \$52.8 million or an average of \$10.6 million biennially. That decade's biennial low of \$6.0 million was in 1923-1925 and the high of \$16.6 million in 1931-1933. During that period, 86.6 percent of total federal grants was earmarked for highway purposes. Federal subsidies for education constituted 11.8 percent of all federal grants. The distribution of federal grants by biennia and by purpose in 1923-1933 was as follows:

<i>Biennial Grants—1923-1933</i>		<i>Distribution of Grants—1923-1933</i>		
(in thousands of dollars)		(in thousands of dollars)		<i>Percent</i>
1923-1925	6,013	Highways	45,661	86.6
1925-1927	10,298	Education	6,229	11.8
1927-1929	8,264	Welfare	451	.8
1929-1931	11,530	Health	10	....
1931-1933	16,647	Other	401	.8
Total	52,752	Total	52,752	100.0

In 1933-1943 federal grants to the State increased by 512 percent from \$52.8 million in 1923-1933 to \$322.7 million. The federal grants to the State were only part of the federal monies received in the Commonwealth. Huge sums of federal monies were paid directly to quasi-agencies of the Commonwealth, political subdivisions of the Commonwealth, and to individuals in the form of subsidies. The great increase in the federal grants to the State in 1933-1943 began in 1933-1935, when biennial receipts increased over the \$10.6 million average of 1923-1933 to \$29.0 million in 1933-1935. This increase was attributable to the introduction of the federal National Industrial Recovery Highway program, which resulted in receipts of \$21.9 million for that purpose in 1933-1935. In that biennium highway grants amounted to 93.7 percent and education grants to 5.1 percent of total federal grants. In the succeeding biennia, federal grants rose to \$36.5 million in 1935-1937 with the introduction of the public assistance programs and to \$80.9 million in 1937-1939, before receding to \$79.6 million in 1939-1941, when there was a sharp decrease in the amount of highway grants. In 1941-1943, due largely to grants for National Defense Training programs, the total rose to a new high of \$96.8 million, an increase of 234 percent within five biennia. The following table presents the biennial federal grants, by purpose, from 1933 to 1943.

DISTRIBUTION OF FEDERAL GRANTS—BY BIENNIA 1923-1943

(in thousands of dollars)

	1933-1935	1935-1937	1937-1939	1939-1941	1941-1943
Highways	27,154	21,240	30,428	17,453	14,345
Health .....	.....	675	1,681	2,308	2,881
Public Assistance .....	.....	11,396	31,236	40,065	49,413
Education	1,483	1,645	3,411	3,361	3,495
National Defense Training ..	.....	.....	.....	3,634	18,238
Unemployment Service	188	289	517	529	129
Unemployment Compensation Administration .....	.....	1,114	13,215	11,546	7,938
All Other	148	124	411	692	358
Totals	<u>28,973</u>	<u>36,483</u>	<u>80,899</u>	<u>79,588</u>	<u>96,797</u>
Percent Increase over 1933-1935 .....	.....	25.9	179.3	174.8	234.2
Percent of Total Revenue of All Operating Funds	8.5	6.7	12.5	12.0	13.2

Percentage Distribution

Highways	93.7	58.2	37.7	21.9	14.8
Health .....	.....	1.9	2.1	2.9	3.0
Public Assistance .....	.....	31.2	38.6	50.3	51.1
Education	5.1	4.5	4.2	4.2	3.6
National Defense Training ..	.....	.....	.....	4.6	18.8
Unemployment Service .....	.7	.8	.6	.7	.1
Unemployment Compensation Administration .....	.....	3.1	16.3	14.5	8.2
All Other .....	.5	.3	.5	.9	.4
Totals	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The 1935-1937 biennium marked the introduction of many important federal-state programs in public assistance (old age assistance and aid to dependent children), public health, and employment security, which included grants for employment services and grants for the administration of unemployment compensation. Unemployment compensation administration grants were at a high of \$13.2 million in 1937-1939, but dropped to \$7.9 million in 1941-1943. Highway grants decreased after a high of \$30.4 million in 1937-1939, as the National Industrial Recovery Highway program lapsed and highway construction was limited by the war. In 1941-1943 highway grants, amounted to \$14.3 million, or 14.8 percent of total federal grants.

In 1941-1943 public welfare grants constituted more than one-half of the total federal grants while grants for national defense training had increased from 4.6 percent of total federal grants in 1939-1941 to 18.8 percent in 1941-1943. The grants for unemployment compensa-

tion administration accounted for 8.2 percent of the 1941-1943 total federal grants and regular grants for education accounted for 3.6 percent. Although grants for public health amounted to only \$2.9 million or 3.0 percent of the total of 1941-1943, they have shown a steady growth since 1935-1937, when they amounted to only \$0.7 million.

The development of the programs for employment security, public assistance, and public health appears certain to be augmented in the post-war period. After the war, it is likely that federal grants for highways will be increased as part of the reconstruction plans. These factors indicate increasing receipts for the Commonwealth in the form of federal monies, but such receipts are likely to create demands for additional funds from state sources to maintain the Commonwealth's share of new and costlier federal-state programs.

REVENUES OF THE COMMONWEALTH, BY OPERATING FUNDS—1923-1943

By decades, the aggregate receipts of the operating funds amounted to \$1,422 million in 1923-1933 and more than doubled to \$2,932 million in 1933-1943. This increase of 106 percent between the two decades is less informative than the increase in the average biennial receipts of the six biennia before 1935 and the four biennia after the enactment of the emergency tax measures. The average biennial receipts from 1923 to 1935 amounted to \$293.6 million and from 1935 to 1943 to \$648.0 million, an increase of \$354.4 million or 121 percent, compared to the increase of 106 percent between the two decades.

Of the total increase of \$1,510 million in operating funds' revenues in 1933-1943 compared with 1923-1933, the major funds or categories of funds, contributed the following amounts and proportions of the total amount of increase:

	1923-1933 (in millions of dollars)	1933-1943 (in millions of dollars)	Percent Increase	Amount of Increase (in millions of dollars)	Percentage Analysis of Total Increase
General Fund	830.6	1,899.6	128.7	1,069.0	70.8
Motor License Fund ¹	519.7	755.7	45.4	236.0	15.6
Shared Funds	39.5	123.7	213.2	84.2	5.6
All Other Funds	32.1	152.7	376.0	120.6	8.0
Totals	<u>1,421.9</u>	<u>2,931.7</u>	<u>106.2</u>	<u>1,509.8</u>	<u>100.0</u>

¹ Includes State Bond Road Fund.

The great expansion in revenues of the General Fund predominated the revenue increase in 1933-1943. The course of General Fund

revenues has been analyzed in a related study,¹ while the other funds will be discussed in the following paragraphs. Of particular interest is the great increase in the revenues of the funds classified as all other funds. The receipts of these minor operating funds increased about fivefold and, despite their relatively small portion of total receipts in 1923-1933, their increase in 1933-1943 represented 8.0 percent of the total increase in all operating funds.

In the two decades from 1923 to 1943, the aggregate revenue of the Commonwealth's operating funds amounted to \$4,354 million, with average biennial receipts of \$435.5 million. In this period biennial receipts rose from \$202.8 million in 1923-1925 to \$734.2 million in 1941-1943, an astounding increase of \$531,4 million or 262 percent.

The general trend throughout the ten decades was upward and aggregate receipts fell below those of the preceding biennium only in 1931-1933. The effects of the depression in that biennium reduced the operating funds' receipts from \$361.4 million in 1929-1931 to \$327.7 million. The emergency measures of 1935 and 1936 raised revenues to a new level and, beginning with \$548.1 million in 1935-1937, the biennial totals climbed upward to an all time high of \$734.2 million in 1941-1943.

REVENUE OF THE OPERATING FUNDS, BY BIENNIA 1933-1943

(in millions of dollars)

	1933-1935	1935-1937	1937-1939	1939-1941	1941-1943
General Fund	162.8	357.5	420.0	435.0	524.2
Motor License Fund	123.1	141.8	155.7	174.2	160.8
Shared Funds	18.2	22.7	27.0	28.7	27.2
All Other Funds	35.4	26.1	43.2	26.1	22.0
Totals	339.5	548.1	645.9	664.0	734.2
Percentage Increase over 1933-1935 .....	.....	61.4	90.3	95.6	116.3

Percentage Distribution

General Fund	48.0	65.2	65.0	65.5	71.4
Motor License Fund	36.2	25.9	24.1	26.2	21.9
Shared Funds	5.4	4.2	4.2	4.3	3.7
All Other Funds	10.4	4.7	6.7	4.0	3.0
Totals	100.0	100.0	100.0	100.0	100.0

¹ See Report No. 8, June 23, 1944, of the Committee on Continuation of the Tax Study to the Joint State Government Commission of the General Assembly.

The foregoing table shows the influence of the several funds on the growth of aggregate revenue from \$339.5 million in 1933-1935 to \$734.2 million in 1941-1943. The doubling of tax revenues of the General Fund is reflected in an increase in its proportion of the total revenue of the operating funds from less than one-half in 1933-1935 to about two-thirds of the total in the period, 1935-1941. In 1941-1943, under the stimulus of wartime conditions, revenues of the Motor License Fund and other funds decreased sharply, while those of the General Fund increased substantially to 71.4 percent of the total revenue of the Commonwealth's operating funds. In the decade, 1923-1933, General Fund revenues had averaged only 58.4 percent of total revenue compared with 64.8 percent in 1933-1943.

The increase during 1933-1941 in the revenues of the Motor License Fund reflected the greater use of automobiles. Failure of these revenues to continue the upward trend in 1941-1943 was due to wartime restrictions on the use of gasoline. These restrictions were reflected also in the decrease in the revenues of shared funds from \$28.7 million in 1939-1941 to \$27.2 million in 1941-1943.

The revenues of all other funds showed an increase over 1933-1935 in one biennium, 1937-1939, and a decrease in all others, falling from 10.4 percent of total revenue in 1933-1935 to 3.0 percent in 1941-1943. This decrease resulted largely from the expiration of the federal National Industrial Recovery Highways program and decreased federal grants to the Unemployment Compensation Administration Fund after 1937-1939.

The General Fund

For a detailed analysis of the General Fund, see *Tax Structure and Revenues of the General Fund of the Commonwealth of Pennsylvania—1913-1943*.

The Motor License Fund

The Motor License Fund ranks second only to the General Fund among the Commonwealth's operating funds. An analysis of the revenues of this fund can be found in Part IV of this study, *Fiscal Analysis of the Motor License Fund and Highway Expenditures*.

Shared License Fee and Tax Funds

The shared funds, or depository funds for monies shared with or returned to local governments, were two in number; namely, the Liquid

Fuels Tax Fund and the Fire Insurance Tax Fund, until 1933, when the Liquor License Fund was added. The General Assembly, by the Act of May 12, 1943 (P. L. 259), requires the return to each municipality of one-half of the 2 percent gross premiums tax paid by foreign casualty insurance companies on business done in said municipality. This Act resulted in the establishment of a fourth shared fund, the Casualty Insurance Tax Fund. The returned funds must be paid by the municipalities into local police benefit funds. The Fire Insurance Tax Fund, which distributes the premiums tax on foreign fire insurance companies, to municipalities for firemen's relief associations, is the prototype of this new fund.

All of the shared funds have the same characteristics. They were established by legislative action and set apart for distribution to designated local governments certain monies received by the Commonwealth. These funds have no other source of revenue, except negligible items, such as interest on deposits.

The Fire Insurance Tax Fund is the oldest shared fund. Distribution of one-half of the 2 percent gross premiums tax on foreign fire insurance companies was required by the Act of 1895, which was amended in 1905 to provide for the distribution of the entire net amount to cities, boroughs, and first class townships for support of firemen's relief associations. Due to decreased tax yields in 1933-1937 the average biennial receipts of this fund amounted to \$1.8 million in 1933-1943, compared with \$1.9 million in the preceding decade.

The Liquid Fuels Tax Fund established in 1929 was preceded by the Gasoline Tax Fund (1921-1927) for the same purpose.¹ Under the provision of the gasoline and liquid fuels tax laws, the counties have always received one-half of one cent of the tax. The monies returned to the counties, by the provisions of the Liquid Fuels Tax Act of May 21, 1931 (P. L. 149), as amended, must be used for the construction, maintenance, and repair of roads, highways, and bridges, the payment of property damage claims, and the payment of interest and sinking fund charges on bonds issued or used for highway and bridge purposes.

The Liquor License Fund receives the license fees, except those

¹ In 1927-1929, gasoline tax monies for distribution to the counties were deposited in the General Fund.

from public service liquor licenses, collected by the State Liquor Control Board, for return to the municipalities and townships, wherein the licensees are located.¹ This is the only shared fund which is without a definite statutory provision designating the use to be made of returned or shared monies.

The average biennial revenues of these three funds in 1923-1933 and 1933-1943, and the biennial revenues for the latter decade follow:

SHARED LICENSE FEE AND TAX FUNDS—1923-1943
(in thousands of dollars)

<i>Period</i>	<i>Liquid Fuels Tax Fund</i>	<i>Fire Insurance Tax Fund</i>	<i>Liquor License Fund</i>	<i>Total Revenues Shared Funds</i>
Biennial Averages				
1923-1933	6,052 ²	1,853	:...	7,904
1933-1943	13,373	1,766	9,603	24,742
Biennial Receipts				
1933-1935	10,764	1,435	6,048	18,247
1935-1937	12,620	1,524	8,569	22,713
1937-1939	14,092	1,858	11,036	26,986
1939-1941	15,318	1,882	11,425	28,625
1941-1943	14,072	2,131	10,939	27,142
Totals	<u>66,866</u>	<u>8,830</u>	<u>48,017</u>	<u>123,713</u>

² Excludes gasoline tax receipts deposited in the General Fund for distribution to the counties in this decade. Inclusion of such receipts would raise the biennial average to \$7.6 million in this decade.

All Other Funds

Those operating funds of the Commonwealth classified as all other funds fall into two groups; first, those funds set up to handle federal grants, other than those deposited directly in the General Fund (chiefly, public assistance grants) and the Motor License Fund (highway construction grants); and, secondly, operating funds, established by the Commonwealth to carry out governmental activities of a particular rather than general character.

The major funds relating to federal activities are: Vocational Education, Industrial Rehabilitation, National Industrial Recovery Highways, Unemployment Compensation Administration, and Social Security. The chief funds in the second (State) group are: Game, Fish, Banking, State Farm Products Show and State School.

¹ Act of November 29, 1933 (P. L. 15) as amended.

From 1923 to 1933 the aggregate receipts of all other funds amounted to \$32.1 million, representing 2.3 percent of total revenues of the State's operating funds. During this period the only funds of revenue importance in the federal group were those for vocational education and industrial rehabilitation. The aggregate receipts of these funds amounted to \$5.5 million, 17.1 percent of the total revenue of all other funds.

In the following decade, the receipts of all other funds increased in total almost fivefold to \$152.7 million and their proportion to the total revenue of the State's operating funds increased from 2.3 percent in the preceding decade to 5.2 percent in 1933-1943. The increase of \$120.6 million from 1923-1933 to 1933-1943 was due largely to new funds, the National Industrial Recovery Highways and Unemployment Compensation Administration Funds. In the latter decade, federal grants were 73.4 percent of the total receipts of all other funds, compared with 17.1 percent in 1923-1933. In 1933-1943 the increase in federal grants to all other funds amounted to \$106.5 million, or 88.3 percent of the total amount of increase in the receipts of all other funds between 1923-1933 and 1933-1943.

The following table presents the comparative receipts of all other funds for 1923-1933 and 1933-1943 and identifies the more important component funds:

<i>Funds</i>	1923-1933	1933-1943	<i>Amount of Increase</i> (in thousands of dollars)	<i>Percent of Increase</i>
<i>Funds for Federal Grants</i>				
Vocational Education ¹	5,152	10,361	5,209	4.3
Industrial Rehabilitation ¹	370	1,437	1,067	0.9
N.I.R. Highways .....	.....	58,014	58,014	48.1
Unemployment Compensation Administration .....	.....	33,853	33,853	28.0
Social Security .....	.....	8,032	8,032	6.7
Miscellaneous	105	478	373	0.3
Totals—Federal Grants	5,627	112,175	106,548	88.3
<i>Other Special Operating (State) Funds</i>				
Game and Fish ²	13,766	20,077	6,311	5.2
Banking	5,665	7,062	1,397	1.2
State School	1,041	1,960	919	.8
State Farm Products	199	915	716	.6
Miscellaneous	5,835	10,560	4,725	3.9
Totals	32,133	152,749	120,616	100.0

¹ Federal grants for vocational education were initiated in 1917 and those for industrial rehabilitation began in 1920. The aggregate receipts of these two funds from December 1, 1917 to May 31, 1923 were only \$1.1 million.

² Combined totals.

In the period from 1933 to 1943 the receipts of the National Industrial Recovery Highways Fund, the Unemployment Compensation Administration Fund and the aggregate receipts of the Game and Fish Funds represented almost three-fourths of the total receipts of all other funds.

In 1925-1927 numerous operating funds (the largest were the Dog, Insurance Department and State Athletic Commission Funds) of little revenue importance were merged with the General Fund. The funds, so abolished, represented practically all of the \$5.8 million receipts for 1923-1933, shown in the above table, as "Miscellaneous" under "Other Special Operating Funds." The abolition of these funds was reflected in the decline of the total number of all other funds from 23 in 1925-1927 to an average of 9 funds for the three biennia, 1927-1933.

For the decade from 1933 to 1943, \$6.7 million of the total receipts of \$10.6 million, shown as "Other Special Operating Funds—Miscellaneous" came from liquor store profits, appropriated for pensions for the blind and emergency relief. In 1933-1943 the downward trend in the number of operating funds, outside the General Fund, Motor License Fund and shared funds, was reversed. The number of such funds in 1933-1935 was 13, as compared with 7 in 1931-1933, and rose to 17 for the four biennia, 1935-1943. The most important operating funds, added from 1933 to 1943, were Milk Control, Veterans' Compensation, and State Forests and Waters. (This last fund was abolished in the 1943-1945 biennium upon the recommendation of Governor Martin.) The receipts of these three funds aggregated only \$3.2 million, or 2.1 percent of the total receipts of all other funds in the 1933-1943 decade.

SUMMARY

In the decade, 1923-1933, the revenues¹ of all operating funds of the Commonwealth amounted to \$1.4 billion, an average of \$280 million per biennium. During the period these revenues increased in successive biennia from \$202.8 million in 1923-1925 to \$361.4 million in 1929-1931, before they were reduced by the depression to \$327.7 million in 1931-1933.

¹ This term excludes all bond proceeds, short-term and inter-fund loans, and inter-fund transfers.

General fund revenues from 1923 to 1933' accounted for 58.4 percent of the total operating revenues; revenues of the Motor License Fund, including the State Bond Road Fund, for 36.5 percent; and all other operating fund revenues, 5.1 percent.

The main factors, affecting revenues in this period, were an emergency profits tax in 1923-1925 (a corporate net income tax at the rate of 1 percent), successive increases in the liquid fuels tax rate, the expansion of the base of many tax laws, the reorganization of the State's financial administration, and new estate taxes. In addition, prevailing economic conditions were highly favorable until 1930. In the last biennium of the 1923-1933 decade, however, the effects of the depression resulted in a decrease of 9.3 percent in total revenues of the Commonwealth's operating funds from the 1929-1931 high, despite the enactment in 1932 of an emergency general sales tax of six months' duration. The operating revenues of 1931-1933, however, were still 61.6 percent greater than those in 1923-1925, the first biennium of the decade.

In 1933 new normal taxes were imposed on alcoholic and malt beverages, together with the establishment of a State Liquor Store System, as a state monopoly, and a state license system for distributors and dealers in alcoholic beverages. The continuation of the depression and the resulting increased revenue needs of the State, especially for unemployment relief and other public assistance, led to new emergency taxes in 1935 and 1936. The major emergency taxes were levied on corporate net income, cigarettes, personal property, and liquor sales. An additional tax at the rate of 1 cent per gallon was placed on liquid fuels for general purposes and emergency rates were superimposed on the normal taxes on shares of banks and trust companies, corporate loans, and the gross receipts of public utilities. The capital stock tax was amended to increase its yield by imposing a franchise tax on foreign corporations, instead of a capital stock tax and by removal of the exemption from the capital stock tax, previously granted to manufacturing establishments within the Commonwealth. Special federal aid, beginning with highway grants under the National Industrial Recovery Highways program and other work relief projects in 1933, was extended during the period through grants for public assistance, health, employment security, and national defense training. Further-

more, economic conditions improved slowly and somewhat irregularly from 1933 until 1940, when the succeeding war years brought one new high after another in national and state income.

As a result of three predominating factors in the 1933-1943 decade; namely, new taxes and emergency taxes and emergency tax-rates, greatly increased federal grants, and liquor store profits, total revenues of all operating funds for the decade more than doubled those of the 1923-1933 decade, the 1933-1943 total of \$2.9 billion representing an increase of 106 percent over the earlier decade. In the second decade biennial receipts increased steadily from \$339.5 million in 1933-1935 to \$548.1 million in 1935-1937, to \$664.0 million in 1939-1941, and, finally, to \$734.2 million in 1941-1943. Compared with 1923-1925, total operating revenues of the Commonwealth in 1941-1943 had increased by \$531.4 million or 262 percent.

In the second decade the revenues of the General Fund increased from 58.4 percent to 64.8 percent of the total operating revenues, those of the Motor License Fund decreased from 36.5 percent to 25.8 percent, and all other operating fund revenues increased from 5.1 percent to 9.4 percent of the total. The increase in "all other operating fund revenues" was caused chiefly by the addition of the Liquor License Fund and special funds for federal grants.

General fund revenues in the 1933-1943 decade increased by \$1.1 billion, 129 percent over 1923-1933, the Motor License Fund increased by \$236 million, or 45.4 percent, and all other operating fund revenues by \$204.8 million, an increase of 286 percent. Included in the last group are the special funds for the return of license fees and taxes shared with political subdivisions of the State. In the 1923-1933 decade the receipts of these special funds, the Liquid Fuels Tax Fund and the Fire Insurance Fund, amounted to \$39.5 million; in 1933-1943 these funds, augmented by the Liquor License Fund, established in 1933, received \$123.7 million, an increase of 213 percent.

Of the total increase in operating fund revenues between the 1923-1933 and the 1933-1943 decades, the General Fund contributed 70.8 percent, the Motor License Fund 15.6 percent, the funds for return of license fees and taxes to the political subdivisions, 5.6, and all other operating funds, 8.0 percent.

An analysis of the revenue increase in operating fund revenues between the 1923-1933 and the 1933-1943 decades shows that taxes were the major source of the increase. Tax revenues, due primarily to the emergency taxes and emergency tax rates, affecting the General Fund, rose from \$947.1 million in the first decade to \$1.9 billion in the second, an increase of 97.2 percent. Miscellaneous receipts, including earmarked receipts from other sources, increased from \$422.0 million to \$603.5 million, or 43.0 percent. Federal grants showed the greatest percentage increase, 512 percent, with receipts from this source increasing from \$52.8 million in 1923-1933 to \$322.7 million in 1933-1943. In addition, liquor store profits, accruing to the General Fund, amounted to \$131 million in the second decade.

The distribution of the total increase among the major sources was: taxes, 61 percent, federal grants, 17.9 percent, liquor store profits, 9.1 percent, and all other sources, 12.0 percent of the total increase in operating fund revenues in the 1933-1943 decade over the previous one.

The tremendous increase in federal grants between the two decades resulted largely from new grants for public assistance, unemployment compensation administration, and special national defense training programs. From 1923 to 1933 highway grants accounted for 86.6 percent and education grants for 11.8 percent of total federal grants. By 1941-1943 the distribution of total federal grants had changed to the following proportions: public assistance, 51.1 percent; national defense training, 18.8 percent; highways, 14.8 percent; and unemployment compensation administration, 8.2 percent. Federal grants to the Commonwealth for all other purposes represented only 7.1 percent of the 1941-1943 total of federal grants.

Part III: FISCAL ANALYSIS OF THE GENERAL FUND

The analysis of the financial operations of the General Fund of the Commonwealth for any given biennium or period can be made only on a retrospective basis. During the twenty year period, 1923-1943, the Commonwealth found it necessary from time to time, because of temporary shortages of cash in the State Treasury, to delay payments on various legislative appropriations from the General Fund until the following or later biennia. For instance, appropriations for reimbursements to school districts frequently were not made until the biennium after these reimbursements became due and payable to the school districts.

During the early biennia, particularly, the state accounting system did not make provision for determining outstanding encumbrances or accrued liabilities at the end of each biennium. Consequently, in certain biennia, the unencumbered balances of biennial appropriations were not canceled or lapsed as promptly as they normally would have been, had the outstanding liabilities been known accurately. This condition resulted in a carry-over into succeeding biennia of unexpended balances from appropriations and consequently in larger expenditures from those appropriations than were necessary in succeeding biennia. However, since all encumbrances against these general fund appropriations were eventually paid, it is now possible to analyze the general fund expenditures, as of the particular biennium for which the funds were appropriated, rather than by the amounts paid out within a biennium from all appropriations, regardless of the biennium for which the appropriations were made. This treatment allows the expenditures from the appropriations of each biennium to be applied directly against the revenues received in that biennium and permits for the first time an accurate statement of operating surplus or deficit for each biennium and for the entire period.

General Fund Cash Operations—1923-1943

During the ten biennia from June 1, 1923 to May 31, 1943 the Commonwealth deposited in the General Fund \$3.469 billion and disbursed \$3.431 billion. Beginning this period with a cash balance of only \$31 thousand, the General Fund showed a cash balance of \$37.861 million at its close, as shown in the following statement:

STATEMENT OF GENERAL FUND CASH TRANSACTIONS JUNE 1, 1923—MAY 31, 1943

(in thousands of dollars)

<i>Receipts</i>	
State Revenues	2,590,522
Federal Grants	176,683
Highway Construction Refunds	5,520
Tax Anticipation Notes	505,000
General Expense Bond Proceeds	25,000
Inter-Fund Loans	166,409
	<hr/>
Total Receipts	3,469,134
<i>Disbursements</i>	
From State Revenues	
Applicable to Appropriations Prior to June 1, 1923	32,265
Applicable to 1923-1943 Appropriations from	
General Expense Bonds Proceeds	22,500
All Other	2,525,932
	<hr/>
Total Applicable to 1923-1943 Appropriations	2,548,432
	<hr/>
Total Disbursements from State Revenue	2,580,697
Repayment of Tax Anticipation Notes	505,000
Repayment of Inter-Fund Loans	165,909
From Highway Construction Refunds	5,520
From Federal Grants	174,178
	<hr/>
	850,607
	<hr/>
Total Disbursements	3,431,304
	<hr/>
Difference Between Receipts and Disbursements	37,830
	<hr/>
Difference Between Receipts and Disbursements, 1923-1943	37,830
Cash Balance at Beginning, June 1, 1923	31
	<hr/>
Cash Balance at End of Period, May 31, 1943	37,861
	<hr/>

The above disbursements include \$32.265 million of expenditures, applicable to biennia prior to June 1, 1923, but do not include \$9.318 million of expenditures, made between June 1, 1943 and April 30, 1944, which are applicable to biennia in the period, 1923-1943. The receipts and disbursements items appearing in the preceding table are discussed in the following paragraphs.

Federal Grants

Federal grants, received by the General Fund during the entire period, amounted to \$176.683 million and disbursements totalled \$174.178 million. These grants are received for specific purposes and receipts in excess of disbursements represent a liability of the General Fund, since the monies must be expended according to the conditions of the grant, as to purpose and time, or must be returned to the federal government. The receipts of any given year or biennium are not applicable to the disbursements of the same period because, in some cases, expenditures are made by the state in one year and reimbursements of the federal government's share are received in the following year.

Highway Construction Refunds

These receipts and disbursements in the amount of \$5.520 million resulted from repayment of state highway construction costs by local governments, which jointly sponsored highway projects. These refunds were credited to appropriations made in 1919 and 1921 from which the total costs had been paid originally by the State. These items were applicable only in the period, 1923-1929.

Interfund Loans

Until 1933 the General Fund was able to meet temporary shortages of operating cash by withholding payments on bills and other obligations, until funds were available. The problem of providing large cash funds for unemployment relief and the greatly increased costs of government in the 1930's, however, could be met only partially by such means and new methods had to be adopted. In 1933-1935, the second successive biennium with a large operating deficit, the General Fund was forced to borrow monies from other funds of the state. From 1933 to 1943 the General Fund secured a total of \$166.409 million in the form of interfund loans. Such short-term indebtedness, outstanding at the end of the biennium, increased from \$16.443 million at the end of 1933-1935 to \$70.6 million at the end of 1939-1941. Repayment of \$70.1 million in the 1941-1943 biennium reduced outstanding indebtedness of this type to \$0.5 million at the end of the twenty year period in 1943.

General Expense Bonds¹

As part of the early program during the depression of the 1930's to finance the greatly expanded expenditures of the General Fund, particularly for unemployment relief, the Commonwealth issued in 1933-1935 general expense bonds in the amount of \$25 million. Principal in the amount of \$2.5 million was retired in the same biennium, leaving an outstanding bonded indebtedness of \$22.5 million at the beginning of the 1935-1937 biennium. The terms of these bonds required the retirement of the principal at the rate of \$5 million biennially. Consequently, by the end of 1941-1943 biennium this liability had been reduced to \$2.5 million, which will be liquidated in the 1943-1945 biennium.²

Tax Anticipation Notes

Unlike many other states, Pennsylvania did not make further use of the State's credit, after the \$25 million general expense bond issue, to provide cash for current operations by long-term borrowing. As a result, the immediate need for operating cash in 1935-1937, coupled with the anticipation of a tremendous increase in revenues from the emergency tax program, led to legislative approval of short-term loans by means of tax anticipation notes. Such loans, because they have always been repaid within the biennium in which they were contracted, have not effected the operating surplus or deficit of the General Fund, as reported at the end of each biennium. Funds, secured by tax anticipation notes and repaid within the biennium, increased from \$95 million in 1935-1937 to \$155 million in 1939-1941 and, even in 1941-1943, when the operations of the General Fund were highly favorable, it was still necessary to obtain \$135 million by this device. It is probable that, in addition to the greatly increased scope of the General Fund's financial operations, the change in the tax calendar, introduced in 1937, substantially increased the need for such loans, because the due dates of certain important taxes, such as the capital stock tax, now fall near the end of the State's fiscal year rather than at its beginning.

¹ See footnote on page 33 of Part I.

² These bonds were retired from the General Fund by biennial appropriations for the payment of principal and interest. In this study the general expense bonds have been treated in the same manner as other temporary borrowings of the General Fund which were secured to finance the operating deficits of this period.

State Revenues and Disbursements—1923-1943

In the statement of cash transactions of the General Fund from June 1, 1923 to May 31, 1943 the total disbursements from state revenues¹ are shown to be \$2.581 billion. This total includes \$32.265 million, expended during the period from appropriations made in biennia prior to June 1, 1923, and \$22.5 million for repayment of the expense bonds. Therefore, net cash operating disbursements during the period, applicable to 1923-1943 appropriations, amounted to \$2.526 billion.

Of greater interest than the record of the cash transactions of the General Fund is the operating record based on the revenues and expenditures from appropriations applicable to each biennium. By eliminating from the cash transactions all receipts and disbursements for such items as federal grants and temporary borrowings (including general expense bonds), these biennial operating records have been developed for the present analysis. These data show the General Fund's revenue receipts, the total appropriation expenditures, applicable to each biennium, and the resulting biennial and accumulated operating surpluses or deficits.

Biennial Operating Records—1923-1943

In order to prepare an operating record of the General Fund, it was necessary to adjust the general fund's expenditures so that the amounts expended from various appropriations were applied to the biennium for which the General Assembly made the appropriations. In doing so, \$9.3 million, expended from June 1, 1943 to April 30, 1944, but applicable to 1923-1943 appropriations, must be added to the total of \$2.526 billion, expended from 1923 to 1943 and applicable to 1923-1943 appropriations. The final total of \$2.535 billion represents the amount expended from June 1, 1923 to April 30, 1944 on account of appropriations made for the period June 1, 1923 to May 31, 1943. During 1923-1943 revenues in the amount of \$2.590 billion were received, resulting in an excess of revenues over expenditures, or an operating surplus of \$55.3 million for the ten biennia.

It should be noted that, although expenditures are considered upon an appropriation basis, revenues are on a cash basis (as reported by the Commonwealth). In other words, the revenues are the total amounts actually received during the biennium, regardless of the bien-

¹ Exclude federal grants.

nium in which the revenue became due and collectible. This fact emphasizes the need for a revision in the budgetary practices of the Commonwealth, whereby specific appropriations are made for a current biennium from revenues estimated on a basis of probable cash collections, without proper differentiation between anticipated collections, applicable to the biennium of appropriation, and collections such as delinquent taxes and advance payments, which may be applicable to earlier or later biennia.

During the period 1923-1943, disbursements of \$32.265 million were made for appropriations applicable to biennia prior to June 1, 1923. This amount, so determined, has been taken as the actual appropriation liability of the General Fund as of June 1, 1923. As of that date there were only \$31 thousand in the State Treasury, credited to the General Fund, and \$177 thousand due from the federal government for reimbursement of monies already advanced by the State for vocational education. These items represented an accumulated net deficit of \$32.057 million. Relating this deficit to the 1923-1943 appropriation expenditures from the General Fund and to the revenues from state sources, received in each biennium, the accumulated surplus or deficit at the end of each biennium has been determined as follows:

**BIENNIAL AND ACCUMULATED OPERATING SURPLUSES
AND DEFICITS OF THE GENERAL FUND—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Revenue Receipts</i> ¹	<i>Appropriation Expenditures</i> ²	<i>Biennial Surplus or Deficit</i>	<i>Accumulated Surplus or Deficit</i>
6-1-1923				—32,057
1923-1925	136,539	112,288	24,251	— 7,806
1925-1927	141,067	122,019	19,048	11,242
1927-1929	168,084	150,384	17,700	28,942
1929-1931	200,072	190,226	9,846	38,788
1931-1933	178,686	207,796	— 29,110	9,678
1933-1935	162,566	230,691	— 68,125	—58,447
1935-1937	345,741	330,236	15,505	—42,942
1937-1939	394,776	413,010	— 18,234	—61,176
1939-1941	398,576	427,418	— 28,842	—90,018
1941-1943	464,414	351,182	113,232	23,214
Totals	<u>2,590,521</u>	<u>2,535,250</u>	<u>55,271</u>	<u>23,214</u>

¹ Includes only revenue receipts from taxes, licenses and fees, fines and penalties, institutional reimbursements and miscellaneous revenue; all other items, such as federal grants and proceeds from loans and bonds, excluded.

² Includes only expenditures from 1923-1943 appropriations; expenditures for prior biennia and retirement of general expense bonds excluded.

During the entire twenty-year period there were six biennial surpluses and four deficits, with a surplus for the entire period of \$55.3 million.

On June 1, 1923 the general fund deficit was \$32.057 million. However, between the beginning of the 1923-1925 biennium and the end of the 1929-1931 biennium the financial condition of the General Fund materially improved and in each of the biennia in that period the revenue receipts exceeded expenditures, resulting in biennial surpluses, as shown in the preceding table.

During the 1923-1931 period the appropriation liabilities, applicable to the biennia prior to June 1, 1923, were paid off in the amount of \$32.238 million, leaving a cash balance of \$49.071 on May 31, 1931, more than ample to pay the outstanding appropriation liabilities of \$10.283 million. This was a marked improvement in the financial condition, as compared to June 1, 1923 when the General Fund had an accumulated deficit of \$32.057 million. Both revenues and expenditures increased in each biennium in the 1923-1931 period but a comparison of 1923-1925 with 1929-1931 shows the increase in expenditures in the latter biennium was greater than the increase in revenues, with a consequent reduction in the amount of surplus.

	1923-1925 (in millions of dollars)	1929-1931 (in millions of dollars)	Increase	
			Amount (in millions of dollars)	Percent
Revenues	136.539	200.072	63.533	46.5
Expenditures	112.288	190.226	77.938	69.4
Surplus	<u>24.251</u>	<u>9.846</u>	<u>-14.405¹</u>	<u>-59.4¹</u>

¹ Decrease.

The first financial set-back during the twenty-year period, 1923-1943, occurred in the 1931-1933 biennium, when, due to extreme depression conditions, revenues of the General Fund declined \$21.386 million or 10.7 percent from those of the previous biennium, while expenditures rose \$17.570 million or 9.2 percent. Total expenditures applicable to the biennium, amounted to \$207.796 million, while the biennium produced only \$178.686 million in revenues, leaving a deficit of \$29.110 million, which was financed by the reduction in the cash balance by \$28.239 million and an increase of \$871 thousand in appropriation liabilities, carried over to the following biennium.

From the viewpoint of financial operations, the 1933-1935 biennium was the most difficult of the entire twenty-year period. During that biennium, the low point of the post-war depression, revenues of the General Fund declined sharply, while expenditures of \$230.691 million, applicable to 1933-1935, exceeded receipts of \$162.566 million, causing an operating deficit of \$68.125 million. To finance this huge deficiency, the cash balance was further reduced by \$12.479 million and appropriation liabilities, carried over to 1935-1937, increased by \$16.708 million. The remainder of the deficit was met by issuance of general expense bonds in the sum of \$25.0 million, of which \$22.5 million remained outstanding at the end of the biennium, and by borrowing \$16.443 million from special funds of the Commonwealth.

Despite the continuance of the economic depression, the financial conditions of the Commonwealth in 1935-1937 improved and permitted a closer balance between the revenues and expenditures, applicable to that biennium. This improvement, however, was accomplished only by increases in rates on normal taxes which, together with the revenues from new emergency taxes¹ and arbitrary changes in the tax calendar (which resulted in the collection of almost three years' taxes in one biennia) produced total general fund receipts of \$345.741 million, an increase of \$183.175 million or 113 percent over the previous biennium. Expenditures applicable to the 1935-1937 biennium also increased sharply from \$230.691 million (in 1933-1935) to \$330.236 million, an increase of \$99.545 million or 43.2 percent, but the larger revenues produced a biennial operating surplus of \$15.505 million. This surplus, together with \$3.773 million, borrowed from special funds, was used to reduce outstanding appropriation liabilities by \$11.648 million, to retire \$5.0 million of general expense bonds,² and to increase the cash balance by \$2.630 million.

Although revenues during the 1937-1939 biennium continued to increase, expenditures increased at a greater rate. Revenue receipts rose to \$394.776 million, an increase of 14.2 percent over 1935-1937. Expenditures, however, increased to \$413.010 million, an increase of \$83.174 million or 20.1 percent over 1935-1937. As a result, opera-

¹ See Report No. 8 of the Joint State Government Commission entitled Tax Structure and Revenues of the General Fund of the Commonwealth of Pennsylvania, 1913-1943.

² See footnote on page 33 of Part I.

tions showed a deficit of \$18.233 million, which was financed by a reduction of \$7.825 million in the cash balance (the cash balance was reduced to \$3.157 million, the lowest amount at the end of any biennium in the entire 20 year period), by an increase of \$8.374 million in appropriation liabilities, carried forward, and by loans of \$7.034 million from special funds. The outstanding bonded indebtedness for general expense bonds was, however, reduced by \$5.0 million.

The 1939-1941 biennium continued the same trend of increased revenues, with still greater increases in expenditures. Total expenditures of \$427.418 million, applicable to that biennium, exceeded revenues of \$398.576 million and resulted in an operating deficit of \$28.842 million, despite substantial increases in taxes after 1935. With the low cash balance in the General Fund, it was again necessary to resort to loans from special funds to finance the deficit. Consequently, the General Fund increased its borrowings from special funds by \$43.350 million. This increase in loans enabled the Commonwealth to increase the cash balance \$13.043 million to \$16.200 million and to reduce the outstanding general expense bonds by \$5.0 million. Appropriation liabilities carried forward were increased by \$3.535 million.

The 1941-1943 biennium showed material improvements over the unfavorable financial operations of the decade immediately preceding, due largely to the impact of the war on industrial operations and employment. Despite the fact that tax rates remained virtually unchanged, revenues increased to \$464.414 million, an increase of \$65.838 million or 16.5 percent over those of the previous biennium. Expenditures, on the other hand, were materially reduced from \$427.418 million in 1939-1941 to \$351.182 million, applicable to 1941-1943, a decrease of 17.8 percent, the first reduction in general fund biennial expenditures in two decades. Consequently, revenues exceeded expenditures by \$113.232 million. This operating surplus enabled the Commonwealth to adjust many of the unfavorable conditions, which had resulted from heavy deficits, incurred in previous biennia. All of the special fund loans (with the exception of \$500 thousand), totaling \$70,100 million, were repaid, appropriation liabilities were decreased by \$16.470 million to \$11.647 million, as of April 30, 1944, and the cash balance was increased by \$21.661 million to \$37.861 million. Furthermore, the outstanding general expense bonds were reduced by \$5.0 million to \$2.5 million.

Accumulated Results of Operations by Biennia

The condition of the General Fund at the end of each biennium between 1923 and 1943 is shown in the table which follows. This table presents the General Fund's assets, as represented by the accumulated cash balance, and the accumulated liabilities, as represented by appropriation liabilities and outstanding indebtedness, consisting of interfund borrowings and general expense bonds. An increase of the accumulated surplus or decrease of an accumulated deficit reflect an improvement in the financial condition of the General Fund. Conversely, a decrease in the amount of surplus or an increase in the amount of an accumulated deficit represent an unfavorable condition, resulting from the financial operations of the biennium.

ANALYSIS OF ACCUMULATED RESULTS OF OPERATIONS—1923-1943

(in thousands of dollars)

<i>End of Biennium</i>	<i>Cash Balance</i>	<i>Appropriation Liabilities</i>	<i>Interfund Loans Outstanding</i>	<i>General Expense Bonds Outstanding</i>	<i>Accumulated Surplus or Deficit</i>
5-31-1923	.... + 31	—32,088	.....	.....	—32,057
5-31-1925	.... + 4,691	—12,497	.....	.....	— 7,806
5-31-1927	.... +20,973	— 9,731	.....	.....	+11,242
5-31-1929	.... +39,802	—10,860	.....	.....	+28,942
5-31-1931	.... +49,071	—10,283	.....	.....	+38,788
5-31-1933	.... +20,832	—11,154	.....	.....	+ 9,678
5-31-1935	.... + 8,353	—27,856	—16,443	—22,500	—58,446
5-31-1937	.... +10,982	—16,208	—20,216	—17,500	—42,942
5-31-1939	.... + 3,157	—24,582	—27,250	—12,500	—61,175
5-31-1941	.... +16,200	—28,117	—70,600	— 7,500	—90,017
5-31-1943	.... +37,861	—11,647	— 500	— 2,500	+23,214

At the beginning of the twenty year period on June 1, 1923 the position of the General Fund, in view of the relatively low level of financial operations, was as unfavorable as at any time in the twenty year period. The 1923-1925 biennium began with a cash balance of only \$31 thousand and appropriation liabilities of \$32.088 million. The accumulated deficit, therefore, amounted to \$32.057 million. Four biennia later at the close of the 1929-1931 biennium the accumulated surplus of the General Fund amounted to \$38.788 million as a result of successive biennial operating surpluses in each of the four biennia in the Post World War I Reconstruction Period.

Beginning the 1931-1933 biennium, the Commonwealth had an accumulated cash balance of \$49.071 million, as against appropriation liabilities of \$10.283 million. The accumulated surplus was quickly exhausted during the depression period and after two biennia an accumulated deficit of \$58.446 million existed as of May 31, 1935. At this point the General Fund's accumulated cash balance amounted to only \$8.353 million and appropriation liabilities had again increased to \$27.856 million. In addition, the General Fund for the first time since May 31, 1923, had outstanding debts of \$16.443 million in the form of short-term interfund loans and \$22.5 million of general expense bonds.

Despite a biennial operating surplus in 1935-1937, which decreased the accumulated deficit from \$58.446 million at the end of the 1933-1935 biennium to \$42.942 million at the end of the 1935-1937 biennium, large biennial operating deficits in the next two biennia increased the General Fund's accumulated deficit to an all-time high of \$90.017 million at the end of the 1939-1941 biennium. As of May 31, 1941, the general fund cash balance amounted to \$16.2 million, but the appropriation liabilities had increased to \$28.117 million and unpaid interfund loans to \$70.6 million. Outstanding long-term indebtedness, however, had been reduced to \$7.5 million by the biennial retirement of \$5.0 million of general expense bonds.

This serious financial condition was remedied in 1941-1943, when exceptional revenue yields, coupled with a substantial decrease in expenditures for public assistance, turned the accumulated deficit of \$90.017 million of May 31, 1941 to an accumulated surplus within a single biennium. As of May 31, 1943, the accumulated surplus of the General Fund amounted to \$23.214 million, which was comprised of cash of \$37.861 million, offset by appropriation liabilities of \$11.647 million and outstanding indebtedness of \$0.5 million of interfund borrowings and \$2.5 million of general expense bonds.

Estimated Lapses of 1941-1943 Appropriations

The appropriation liabilities included in the foregoing calculation represent the expenditures for the period from June 1, 1943 to April 30, 1944 from appropriations applicable prior to May 31, 1943. A review of these unexpended appropriations disclosed that there were

encumbrances against them amounting to \$2.332 million. These encumbrances represent liabilities against the following biennial appropriations:

<i>Biennial Appropriation</i>	<i>Estimated Encumbrances</i> (in thousands of dollars)
1937-1939	1,745
1939-1941	113
1941-1943	474
Total	<u>2,332</u>

The 1937-1939 encumbrances of \$1.745 million represent uncompleted contracts for flood control which have been held up on account of the shortage of materials. The 1939-1941 and the 1941-1943 encumbrances represent: (1) contracts which have been uncompleted on account of the shortage of materials or time; (2) amounts reserved for possible claims arising from the acquirement of the county mental hospitals by the state; (3) possible claims for refunds of monies erroneously paid into the Treasury, and (4) miscellaneous claims.

When these encumbrances are liquidated the aggregate of the actual amounts expended will decrease the surplus as of May 31, 1943, and the expenditures in this report will have to be adjusted accordingly,

GENERAL FUND EXPENDITURES

As shown by the previous discussion, the financial operations of the Commonwealth for the twenty-year period, 1923-1943, were materially affected by a continued growth in biennial expenditures. Between the biennia, 1923-1925 and 1939-1941, the trend of expenditures was steadily upward, biennial disbursements increasing from \$114.4 million applicable to 1923-1925 to \$478.2 million for 1939-1941, an increase of 318 percent. The upward trend in expenditures was reversed in 1941-1943, when total expenditures decreased to \$427.3 million, or 10.6 percent below those applicable to 1939-1941, but 273.5 percent over the expenditures for the 1923-1925 biennium.

In the meantime the population of Pennsylvania rose from 9.0 million in 1920 to 10.0 million in 1940, as reported by the U.S. Census Bureau, an increase of only 11.1 percent. Furthermore, the Commonwealth's income as reported by the National Industrial Conference Board increased from \$6.2 billion in 1923 to \$9.1 billion¹ in 1942, an

¹ This figure estimated from the National Industrial Conference Board, Inc., series on Realized National Income, by states, 1919-1938.

increase of only 46.8 percent. The wealth of the State, meanwhile, rose from \$28.3 billion in 1923 to \$32.0 billion in 1943, only 13.1 percent. These minor increases are in sharp contrast to the extraordinary rise in general fund expenditures.

In the first four biennia of the twenty year period, certain items were included in expenditures of the General Fund which in subsequent biennia were expended from special funds. These items consisted of highway expenditures, shared gasoline tax receipts distributed directly to the counties from the General Fund in 1927-1929 only, and monies refunded to the Unemployment Compensation Administration Fund for return to the federal government.

<i>Biennium</i>	<i>General Fund Highway Expenditures</i>	<i>Liquid Fuels Tax Receipts Returned to Local Subdivisions</i>	<i>Transfer to Unemployment Compensation Administration Fund</i>	<i>Total</i>
		(in thousands of dollars)		
1923-1925	7,518 ¹	....	...	7,518
1925-1927	88	....	...	88
1927-1929	40	7,256	...	7,296
1929-1931	24	1,138	...	1,162
1941-1943	3	....	557	560

¹ Includes \$7.1 million of debt service on road bonds.

For purposes of a more realistic comparison of the operations of the General Fund in these earlier biennia with those in the later biennia, when these particular items were disbursed from other funds, the above expenditures must be excluded from the biennial expenditures of the General Fund for these five biennia. On the basis of the adjusted figures, biennial expenditures increased from \$106.8 million in 1923-1925 to \$478.2 million in 1939-1941, an increase of 348 percent, while the 1941-1943 expenditures were 300 percent greater than the 1923-1925 expenditures.

In the table which follows, the total expenditures, adjusted on the above basis and applicable to the ten biennia 1923-1943, are divided into two groups consisting of Group I, containing the expenditures for public assistance,² public instruction, welfare and health, which constituted 81.3 percent of total expenditures, and Group II, comprising the more important of the lesser items of expenditures, including, under

² Expenditures, reported for public assistance prior to the formation of the Department of Public Assistance in 1937, are those for activities now administered by the Department.

all other, the expenditures for the judiciary and the legislature. The table also shows the amounts expended from state monies and from federal grants for general fund operations. Of the total expenditures of \$2.7 billion, \$173.3 million, or 6.4 percent, were from federal funds. The largest expenditure from such funds was for public assistance, which absorbed 76 percent of the expenditures from federal grants to the General Fund.

GENERAL FUND EXPENDITURES FROM STATE MONIES AND FEDERAL GRANTS—1923-1943

(in thousands of dollars)

	<i>From State Monies</i>	<i>From Federal Grants</i>	<i>Total Expenditures</i>	<i>Percent of Grand Total</i>
<i>Group I</i>				
Public Assistance	801,908	131,625	933,533	34.4
Public Instruction	867,845	34,338	902,183	32.2
Welfare and Health	370,030	458	370,488	13.7
Total—Group I	2,039,783	166,421	2,206,204	81.3
<i>Group II</i>				
Debt Service	65,866	.....	65,866	2.4
Property and Supplies	98,254	592	98,846	3.6
Agriculture, Forests and Waters ..	63,825	1,428	65,253	2.4
Labor and Industry, Mines	31,684	2,908	34,592	1.3
Military Affairs, State Police	66,296	.....	66,296	2.4
Financial Administration	41,992	.....	41,992	1.6
All Other	134,399	1,904	136,303	5.0
Totals—Group II	502,316	6,832	509,148	18.7
Grand Totals	2,542,099	173,253	2,715,352	100.

As already noted, the distribution of total expenditures over the ten biennia was not regular, but showed a constant growth in biennial expenditures from 1923-1925 to 1939-1941, before declining in 1941-1943. The causes of this growth are apparent in the following table, which presents the biennial expenditures from state monies and federal grants for Group I, in detail, and for Group II, divided between Property and Supplies and all other. Expenditures for Property and Supplies have been set out separately because of great fluctuations in the expenditures for these purposes, whereas the aggregate totals of the other expenditures show a constant trend of increase for the greater part of the period.

GENERAL FUND EXPENDITURES—BY BIENNIA 1923-1943

(in thousands of dollars)

Biennium	Public Assist- ance	Group I		Group II		General Fund Totals	Ratio to 1923-1925
		Public Instruc- tion	Health and Welfare	Property and Supplies	All Other		
1923-1925	1,694	57,302	19,808	3,914	24,121	106,839	100.0
1925-1927	1,732	66,186	26,292	3,983	25,342	123,535	115.6
1927-1929	2,687	75,132	31,844	5,571	29,383	144,617	135.3
1929-1931	2,732	88,841	34,686	31,526	32,319	190,104	177.9
1931-1933	32,934	91,115	36,052	15,226	34,039	209,366	196.0
1933-1935	65,257	92,019	35,229	6,231	35,930	234,666	219.6
1935-1937	163,975	93,254	38,547	6,116	46,621	348,513	326.2
1937-1939	240,165	99,208	43,644	5,308	64,408	452,733	423.8
1939-1941	256,565	106,063	47,105	9,807	58,669	478,209	447.6
1941-1943	165,792	133,063	57,281	11,164	59,462	426,770	400.0
Ratio 1941-1943 to 1923-1925	9,787.0	232.2	289.2	285.2	246.6	400.0	....

Between 1923-1925 and 1929-1931, when the financial affairs of the General Fund were increasingly favorable, general fund expenditures increased 77.9 percent from \$106.8 million to \$190.1 million. The largest part of this increase occurred in the expenditures for public instruction, which rose from \$57.3 million in 1923-1925 to \$88.8 million in 1929-1931, an increase of \$31.5 million, or 55.0 percent. Expenditures for health and welfare contributed \$14.9 million of the total increase, while public assistance expenditures increased only \$1.0 million from \$1.7 million in 1923-1925 to \$2.7 million in 1929-1931. Group I accounted for 57.0 percent of the total increase between the two biennia. A substantial part of the increase in total expenditures occurred in the expenditures of the Department of Property and Supplies. In 1923-1925 that department expended only \$3.9 million, but in 1929-1931 an extensive state construction program increased the expenditures by \$27.6 million to \$31.5 million in 1929-1931. This amount represented 33.2 percent of the total increase in general fund expenditures between 1923-1925 and 1929-1931.

By 1933-1935, total expenditures from the General Fund, in the first part of the depression period, had increased only \$44.6 million over those of 1929-1931. Expenditures for public instruction increased \$3.2 million between the two biennia, expenditures for health and welfare \$0.5 million, while expenditures of the Department of Property and Supplies declined \$25.3 million concurrently with a reduction in

the construction activities of the Commonwealth. Other expenditures in Group II continued to increase slightly from \$32.3 million in 1929-1931 to \$35.9 million in 1933-1935.

The major increase occurred in expenditures for public assistance, which increased by \$62.6 million. Expenditures in 1929-1931 for these activities amounted to \$2.7 million but in 1933-1935 this item had increased to \$65.3 million and was rapidly becoming the largest expenditure item in the General Fund.

From 1933-1935 to 1939-1941 total expenditures of the General Fund continued to increase at a tremendous rate, as public assistance expenditures increased from \$65.3 million to \$256.6 million. The 1933-1935 general fund expenditures of \$234.7 million were followed in successive biennia by total expenditures of \$348.5 million, \$452.7 million, and finally a high of \$478.2 million in 1939-1941. The total increase of \$243.5 million in 1939-1941 total expenditures of the General Fund over those of 1933-1935 was comprised as follows:

<i>Function</i>	<i>Increase in Expenditures 1939-1941 over 1933-1935</i> (in millions of dollars)	<i>Percent of Total Increase</i>
Public Assistance	191.3	78.6
Public Instruction	14.0	5.8
Health and Welfare	11.9	4.9
Property and Supplies	3.6	1.4
All Other	22.7	9.3
Totals	243.5	100.0

Compared with total expenditures of \$106.8 million in 1923-1925, the 1939-1941 total of \$478.2 million was 337.6 percent greater. In 1941-1943 expenditures decreased to \$426.8 million, \$51.5 million less than those in the preceding biennium. This decrease was made possible only by the reduction of \$90.8 million in expenditures for public assistance. Expenditures for public instruction, on the other hand, increased \$27.0 million, while those for health and welfare rose \$10.2 million. Expenditures for property and supplies increased \$1.3 million and the net increase of all other operations amounted to \$0.8 million. Inasmuch as the decrease in state expenditures in 1941-1943 resulted entirely from decreased demands from public assistance, due largely to the influence of war-time employment, the reduction in total was not as en-

couraging as first appears. The consistent trend of increase evident in general fund expenditures for public instruction, health and welfare, property and supplies, and all other state departments, boards and commissions, (included under the heading "all other") is possibly of more significance than the reduction in total expenditures, due to causes beyond the control of the Commonwealth.

The summary of the trends of the more important functions included under "all other" in the preceding table is presented in the table which follows: Expenditures for the biennia of 1923-1925, 1931-1933, and 1941-1943 are presented, together with an analysis of the amount and percentage of increase of 1941-1943 expenditures over those of 1923-1925.

GENERAL FUND EXPENDITURES—1923-1943 GROUP II

(in thousands of dollars)

	1923-1925	1931-1933	1941-1943	<i>Increase 1941-1943 over 1923-1925</i>	
				<i>Amount</i>	<i>Percent</i>
Property and Supplies	3,914	15,226	11,164	7,250	185.2
Financial Administration ¹ ..	1,596	4,253	6,067	4,471	280.1
Agriculture, Forests & Waters	2,958	8,772	5,268	2,310	78.1
Military Affairs, State Police	2,796	4,966	11,457	8,661	309.8
Labor and Industry, Mines ..	2,149	3,007	5,060	2,911	135.5
Debt Service ² .....	.....	.....	15,857	15,857	.....
All Other	14,622	13,041	15,761	1,139	7.8
Totals—Group II	28,035	49,265	70,364	42,599	152.0
Percent of Group II of Gen- eral Fund Totals	24.5	23.5	16.5	13.3	.....

¹ Includes Auditor General's Department, Treasury Department (Board of Finance and Revenue), and Department of Revenue.

² See footnote on page 33 of Part I.

The largest single factor increasing the 1941-1943 total of Group II expenditures over those of the other selected biennia was the payment of \$15.9 million for debt service in 1941-1943. This payment was comprised of payments of principal and interest on general expense bonds, payment to the sinking fund for the retirement of veterans compensation bonds, and debt service for tax anticipation notes, issued by the Commonwealth.

The aggregate totals of the remaining items nearly doubled between 1923-1925 and 1941-1943. The larger increases were in expend-

itures for military affairs and state police, financial administration, and property and supplies. All of the items in Group II are analyzed in later sections of this report, where a breakdown of the miscellaneous item, "all other," will also be found.

Public Assistance

In considering the trend of expenditures, particularly during the past four biennia, expenditures for public assistance appear as the major cause of the unprecedented increase in the general fund expenditures of the Commonwealth. Up to 1931 public assistance was considered a municipal, rather than a state, function in Pennsylvania and was administered largely through local Poor Boards. The only state expenditure, now classified under Public Assistance, up to 1931 was its share of the cost of furnishing aid to mothers of dependent children, then known as "Mothers Assistance" and administered by the Department of Welfare.

During the special session of 1931-1932 the first appropriation for emergency relief by the Commonwealth was made under the Talbot Act of December 28, 1931 (P. L. 1503), which went into effect in April, 1932. Under this Act \$10.0 million was appropriated to the Department of Welfare to be allocated to the poor districts for distribution to indigents in their areas. This sum was soon exhausted and in 1932 a special session of the legislature created the State Emergency Relief Board by Act of August 19, 1932 (P. L. 88) and appropriated an additional \$12.1 million for direct relief and work relief, Act of August 19, 1932 (P. L. 90).

Before the 1931-1933 biennium expired, the second appropriation of \$12.1 million was exhausted and, when the legislature met in its regular session in 1933, two additional appropriations, totalling \$7.0 million, were made to the State Emergency Relief Board for the 1931-1933 biennium. Consequently, for the 1931-1933 biennium, in addition to \$3.9 million spent for Mothers' Assistance, more than \$29.1 million was expended in the Commonwealth's first entry into the field of direct relief.

As a result, an operating deficit of \$29.1 million developed in this biennium. In other words, except for these emergency relief expend-

itures, the state's normal expenditures were reduced sufficiently to parallel the then currently reduced revenues.

For the next biennium (1933-1935) expenditures for relief items, now classified as Public Assistance, nearly doubled, rising to \$65.3 million, or 98.1 percent over the previous biennium. This increase was due largely to increases in general assistance from \$29.1 million for 1931-1933 to \$56.7 million for 1933-1935. In addition to the expenditures from the General Fund, \$6.3 million were expended for public assistance directly from the State Liquor Store Fund.

During the 1933-1935 biennium there were introduced two new types of public assistance of a categorical rather than general type, financed from state funds; namely, old age assistance and pensions for the blind. Expenditures of \$4.5 million for these purposes were administered by the Department of Welfare. Again, it was the increase in expenditures for public assistance, which was chiefly responsible for the deficit of the 1933-1935 biennium.

The next three biennia saw further and much more drastic increases in expenditures for categorical assistance, when federal grants were added to the state monies, available for this purpose. In fact, the 1937-1939 and 1939-1941 biennial expenditures for public assistance were greater than all other expenditures of the General Fund, as is shown in the following table:

<i>Biennium</i>	<i>Total General Fund Expenditures</i> (in thousands of dollars)	<i>Total Public Assistance Expenditures¹</i>		<i>Other General Fund Expenditures</i>	
		<i>Amount</i> (in thousands of dollars)	<i>Percentage of Total</i>	<i>Amount</i> (in thousands of dollars)	<i>Percentage of Total</i>
1931-1933	209,366	32,934	15.7	176,432	84.3
1933-1935	234,666	65,257	27.8	169,409	72.2
1935-1937	348,513	163,975	47.0	184,538	53.0
1937-1939	452,733	240,165	53.0	212,568	47.0
1939-1941	478,209	256,565	53.7	221,644	46.3
1941-1943	426,770	165,792	38.8	260,978	61.2

¹ Includes expenditures by the Department of Welfare and the State Emergency Relief Board for Public Assistance, administered entirely in 1937-1939 and following biennia by the Department of Public Assistance.

The distribution of expenditures for public assistance from state monies and federal grants from 1923 to 1943 was as follows:

GENERAL FUND EXPENDITURES FOR PUBLIC ASSISTANCE—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
		<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	1,694	1,694	100.	.....	.....
1925-1927	1,732	1,732	100.	.....	.....
1927-1929	2,687	2,687	100.	.....	.....
1929-1931	2,732	2,732	100.	.....	.....
1931-1933	32,934	32,934	100.	.....	.....
1933-1935	65,257	65,257	100.	.....	.....
1935-1937	163,975	152,609	93.1	11,366	6.9
1937-1939	240,165	209,072	87.0	31,093	13.0
1939-1941	256,565	216,654	84.4	39,911	15.6
1941-1943	165,792	116,537	70.3	49,255	29.7
Totals	<u>933,533</u>	<u>801,908</u>	<u>85.9</u>	<u>131,625</u>	<u>14.1</u>

General fund expenditures from federal grants for public assistance increased tremendously in the three biennia following 1935-1937. In 1935-1937 such expenditures amounted to \$11.4 million or 6.9 percent of the total general fund expenditures from state and federal funds for Public Assistance. In 1941-1943 following substantial increases in each of the interim biennia, expenditures from federal grants for public assistance amounted to \$49.3 million or 29.7 percent of the total expenditures from the General Fund for public assistance.

General assistance, which was comprised of poor relief and unemployment relief, constituted 86.9 percent of all expenditures for public assistance in 1931-1933, when the first appropriation was made for that purpose; while special assistance, which included aid to dependent children, old age assistance, and pensions for the blind, amounted to only 12.4 percent of the total. However, expenditures for special assistance increased subsequently, at a much greater rate than expenditures for general assistance. By 1941-1943 general assistance expenditures had declined to 23.7 percent of the total for public assistance, while special assistance consumed the major portion of all expenditures in this field. This development was due partly to the fact that many cases, formerly classified under general assistance, were reclassified and placed under special assistance by a change in federal social security regulations. There was, also, as will be noted from the foregoing table, a sharp decline in total expenditures for this purpose in 1941-1943 from 1937-1939.

The following tabulation shows expenditures for public assistance from 1933-1935 to 1941-1943 by the three major classifications:

<i>Biennium</i>	<i>Total Public Assistance</i> (in thousands of dollars)	<i>Total General Assistance</i> (in thousands of dollars)	<i>Percent of Total</i>	<i>Categories Total</i> (in thousands of dollars)	<i>Percent of Total</i>	<i>Administration Total</i> (in thousands of dollars)	<i>Percent of Total</i>
1933-1935	65,257	56,677	86.9	8,149	12.4	431	.7
1935-1937	163,975	117,993	72.0	36,135	22.0	9,847	6.0
1937-1939	240,165	148,183	61.7	70,565	29.4	21,417	8.9
1939-1941	256,565	140,750	54.9	90,088	35.1	25,727	10.0
1941-1943	165,792	39,191	23.7	108,322	65.3	18,279	11.0

The rapid increase in expenditures for special assistance, classified as "categories" during this period, is particularly noticeable, having risen from \$8.1 million for 1933-1935 to \$108.3 million for 1941-1943, while general assistance expenditures for 1941-1943 were less than in 1933-1935. It is also interesting to observe that administration expenditures did not decline in proportion to the decrease in total expenditures for public assistance. In 1941-1943 the expenditures for administration of public assistance alone were more than half of the total public assistance expenditures of \$32.9 million in 1931-1933.

Direct Federal Relief Expenditures

The preceding figures for public assistance expenditures do not give a complete picture of all public assistance costs in the Commonwealth since 1931. In the first three biennia (1931-1933, 1933-1935, and 1935-1937) considerable amounts were spent by the federal government under the federal Civil Works Administration and Emergency Relief Administration programs. Disbursements under these programs were in addition to state expenditures for relief purposes.

The amounts spent directly by the federal government in Pennsylvania under these programs are shown below:

<i>Biennium</i>	<i>F.E.R.A. and C.W.A. Expenditures</i> (in thousands of dollars)
1931-1933	22,661
1933-1935	237,877
1935-1937	81,058

In December, 1935, the Federal Emergency Relief Administration program was discontinued. Thereafter, instead of direct federal government disbursements for public assistance to the needy of the Com-

monwealth, federal grants were made to the state on a matching basis. These grants were limited to special assistance and provided aid to dependent children, old age assistance benefits, pensions to blind,¹ and costs of administering these functions. Thereafter, total expenditures for public assistance from the General Fund included both federal and state monies. These grants from the federal government for special assistance, however, were not as great as expenditures had been under the Federal Emergency Relief Administration program *prior* to 1935.

Work Projects Administration Program

In September, 1935, the W.P.A. program was established, gradually replacing the F.E.R.A. program, which had replaced the earlier C.W.A. program. By December, 1935, the F.E.R.A. program was completely discontinued and all federal grants for general assistance thereafter were restricted to the W.P.A. program.

The federal expenditures in the Commonwealth through W.P.A. for the biennia between 1935-1937 and 1941-1943, inclusive, as reported by the Department of Public Assistance, are shown hereafter. These expenditures include only the federal government's share of the costs of W.P.A. "projects" to provide work-relief and do not include the so-called "sponsor's" share of the program.² Insofar as those projects, for which the Commonwealth was the sponsor, are concerned, expenditures on the State's account are included in total disbursements of the General Fund for public assistance, while the expenditures by other (local) sponsors are not included.

The following table gives the federal disbursements in the Commonwealth for W.P.A. projects, by biennia, none of which was disbursed through the General Fund:

<i>Biennium</i>	<i>Federal W.P.A. Expenditures</i>
1935-1937	245,157
1937-1939	301,736
1939-1941	190,893
1941-1943	67,516

The various federal relief programs had a material effect on the expenditures for public assistance from the General Fund. Another

¹ Federal grants to the Commonwealth for pensions to the blind were discontinued in the 1937-1939 biennium, because state regulations did not conform to federal requirements.

² Generally, federal expenditures were entirely for labor, although part of the cost of materials and supplies and administration were sometimes paid from federal funds.

factor, which materially affected the public assistance expenditures, was the Commonwealth's so-called Goodrich Act, which became effective on January 1, 1938. Under this Act, the State assumed full financial responsibility for all public assistance programs, exclusive of institutional care of mentally and physically handicapped persons, and care for dependent and neglected children. This was a complete reversal of the policy in effect prior to 1931.

General Fund Expenditures

(Excluding Public Assistance and Non-recurring Items¹)

When all public assistance expenditures are eliminated, expenditures from state monies and federal grants in the General Fund for all other purposes still increased materially between 1923-1925 and 1941-1943, as shown in the following table:

GENERAL FUND EXPENDITURES—1923-1943 EXCLUDING PUBLIC ASSISTANCE AND NON- RECURRING ITEMS (in thousands of dollars)

<i>Biennium</i>	<i>Total—Excluding Public Assistance, Non-recurring Items</i>	<i>Ratio to 1923-1925</i>	<i>From State Monies</i>	<i>Percent of Total</i>	<i>From Federal Grants</i>	<i>Percent of Total</i>
1923-1925	105,145	100.0	104,000	98.9	1,145	1.1
1925-1927	121,779	115.8	120,225	98.7	1,554	1.3
1927-1929	141,907	135.0	140,424	99.0	1,483	1.0
1929-1931	187,372	178.2	186,330	99.4	1,042	0.6
1931-1933	176,432	167.8	174,861	99.1	1,571	0.9
1933-1935	169,409	161.1	167,934	99.1	1,475	0.9
1935-1937	184,538	175.5	182,627	99.0	1,911	1.0
1937-1939	212,568	202.2	208,938	98.3	3,630	1.7
1939-1941	221,644	210.8	215,764	97.3	5,880	2.7
1941-1943	260,978	248.2	239,088	91.6	21,890	8.4
Totals	1,781,772	....	1,740,191	97.7	41,581	2.3

The increase in the total expenditures of the General Fund, exclusive of public assistance, was only slightly effected by expenditures from federal grants until 1937-1939. Prior to that biennium, the proportion of federal grants to the total expenditures from the General Fund had ranged from a high of 1.3 percent in 1925-1927 to a low of 0.6 percent in 1929-1931. In 1937-1939 expenditures from federal grants amounted to \$3.6 million or 1.7 percent of the total expenditures. In 1939-1941

¹ See page 77 for items excluded as non-recurring.

expenditures from federal grants amounted to \$5.9 million increasing their proportion of the General Fund expenditures to 2.7 percent, while in 1941-1943 expenditures from federal grants increased to \$21.9 million and constituted 8.4 percent of the total expenditures from General Fund, exclusive of those for public assistance. The large increases, noted in the last two biennia, were due chiefly to federal grants, made to the Commonwealth for purposes of carrying on specialized functions, normally administered by the Department of Public Instruction of the Commonwealth. These grants will be discussed in the following section on the expenditures for Public Instruction.

Public Instruction

Expenditures of the Department of Public Instruction from state monies and federal grants increased steadily during the entire twenty-year period, rising from \$57.3 million in 1923-1925 to \$133.1 million in 1941-1943, an increase of 132 percent. A detailed analysis of the expenditures from the General Fund for public education has been made in a special report.¹ Expenditures from the General Fund by the Department of Public Instruction, which include all administrative costs of the Department and all state grants to the school system of the Commonwealth and for other educational purposes, from 1923-1925 to 1941-1943, are as follows:

GENERAL FUND EXPENDITURES FOR PUBLIC INSTRUCTION—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	57,302	100.0	56,500	98.6	802	1.4
1925-1927	66,186	115.5	65,068	98.3	1,118	1.7
1927-1929	75,132	131.1	74,102	98.6	1,030	1.4
1929-1931	88,841	155.0	88,150	99.2	691	0.8
1931-1933	91,115	159.0	89,914	98.7	1,201	1.3
1933-1935	92,019	160.6	90,996	98.9	1,023	1.1
1935-1937	93,254	162.7	91,897	98.5	1,357	1.5
1937-1939	99,208	173.1	96,888	97.7	2,320	2.3
1939-1941	106,063	185.1	102,137	96.3	3,926	4.4
1941-1943	133,063	232.2	112,193	84.3	20,870	5.7
Totals	902,183		867,845	96.2	34,338	3.8

¹ Report No. 7 of the Joint State Government Commission entitled An Analysis of Public Expenditures for Education in the Commonwealth of Pennsylvania 1921-1943, published June 21, 1944.

From 1923-1925 to 1937-1939 expenditures from federal grants for public instruction were entirely for vocational education. In 1939-1941 and again in 1941-1943 additional grants were received for special training programs. The details of expenditures from federal grants for public instruction in these two biennia are as follows:

	1939-1941	1941-1943
	(in thousands of dollars)	
Vocational Education (Regular)	2,242	2,702
Vocational Education for Defense	1,459	16,101
Training Out of School Youth	162	910
Training N.Y.A. Youth	63	1,157
Totals	3,926	20,870

Welfare and Health

The combined expenditures from the General Fund for welfare and health in 1941-1943 were second only to public instruction. Expenditures by the Department of Welfare were substantially greater than those for the Department of Health, as shown in the following tabulation of the total expenditures for these two departments in the ten biennia, 1923-1943:

GENERAL FUND EXPENDITURES FOR WELFARE AND HEALTH—1923-1943

(in thousands of dollars)

<i>Expended by</i>	<i>Total</i> 1923-1943	<i>From State Monies</i>		<i>From Federal Grants</i>	
		<i>Amount</i>	<i>Percent</i> <i>of Total</i>	<i>Amount</i>	<i>Percent</i> <i>of Total</i>
Department of Welfare	318,822	318,822	100.0	...	...
Department of Health	51,666	51,208	99.1	458	0.9
Totals	370,488	370,030	99.9	458	0.1

In considering the expenditures of the Departments of Welfare and Health, it must be borne in mind that several changes in the state's fiscal and administrative organization have had material effects on the recorded expenditures of those departments. Prior to 1929, appropriations to state-owned institutions represented only the net cost to the State, for the institutions were permitted to retain for their own use all revenues, directly collected by them. In 1929 these special funds were eliminated and the institutional revenues were deposited in the Com-

monwealth's General Fund. Consequently, appropriations to these institutions after 1929 represent their total costs of operation. As a result, appropriations for 1929-1931 increased materially over the preceding biennia, but the General Fund benefited from the institutional revenues.

In 1941 the State assumed full financial responsibility for the care of indigent insane which, heretofore, it had shared jointly with the local Institution Districts, formerly known as Poor Boards. This action accounted for the tremendous increase in the costs of maintenance of state-owned hospitals for the insane in 1941-1943.

Prior to 1935-1937, appropriations for materials, supplies, and equipment for the Departments of Welfare and Health were made to the Department of Property and Supplies and such expenditures were recorded under that Department. In 1935 this practice was changed and appropriations for these items were made directly to the Departments of Welfare and Health. Consequently, expenditures of the Departments after 1935-1937 are not entirely comparable with those of previous biennia.

All these factors must be borne in mind in considering the causes of the large increase in expenditures by both the Departments of Welfare and Health.

**GENERAL FUND EXPENDITURES FOR DEPARTMENT
OF WELFARE—1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>Mental Institutions</i>	<i>Medical & Surgical</i>	<i>Penal</i>	<i>Depart- mental</i>	<i>Homes</i>
1923-1925	15,499	100.0	7,349	4,668	2,382	345	755
1925-1927	21,147	136.4	9,704	6,517	3,731	390	805
1927-1929	26,424	170.5	12,688	7,597	4,746	533	860
1929-1931	30,789	198.7	14,144	8,451	7,013	569	612
1931-1933	32,032	206.7	14,485	9,762	6,594	582	609
1933-1935	31,548	203.6	14,123	10,032	6,361	421	611
1935-1937	33,011	213.0	14,868	10,070	6,589	996 ¹	488
1937-1939	37,485	241.9	18,374	11,117	6,955	543	496
1939-1941	41,006	264.6	21,309	11,357	7,436	443	461
1941-1943	49,881	321.8	28,231	11,869	8,817	534	430

¹ Includes \$587 thousand of expenditures for major institutional repairs.

No federal grants were received by the General Fund for welfare purposes.

Penal and Correctional Institutions

The increased expenditures of the Department of Welfare, which were made entirely from state monies, are partly accounted for by the large increase in expenditures of penal and correctional institutions. Between 1923-1925 and 1927-1929 expenditures of these institutions more than doubled, increasing from \$2.4 million to \$4.7 million.

In 1929-1931 (because of the change in accounting methods of the Commonwealth) there was an apparent increase in expenditures of about 50 percent over those for 1927-1929, which was offset, in part, by institutional revenues received by the General Fund, and which theretofore had been retained and expended directly by the institutions.

For the next three biennia expenditures declined and it was not until the 1937-1939 biennium that the amount spent for state penal and correctional institutions exceeded the 1929-1931 expenditures. The 1939-1941 expenditures of \$7.4 million represented a further increase over \$7.0 million spent in 1937-1939. In 1941-1943 the expenditures for this item rose to \$8.8 million, an increase of 19 percent over the preceding biennium. This increase was due largely to the opening of several new correctional institutions, which had been built by the General State Authority. These new institutions, due generally to higher operating costs and the relatively small number of inmates, occasioned greater costs than would have resulted, had existing institutional standards been retained.

Institutions for Mental Patients

Expenditures from the General Fund for maintenance of indigent insane, state-owned and state-aided mental hospitals, and other institutions for mental patients, fluctuated appreciably, because of several changes in the Commonwealth's fiscal and administrative organization. Consequently, for purposes of comparison, expenditures for these five items have been combined. In 1923-1925 state expenditures for all institutions for mental patients amounted to \$7.3 million and by 1927-1929 rose to \$12.7 million, an increase of 73 percent. By 1929-1931, due chiefly to changes in accounting methods, gross expenditures for these functions increased to \$14.1 million, at which level they continued until 1937-1939.

In 1937-1939 state costs for this purpose, particularly for the state-owned mental hospitals, showed a material increase. Total expenditures in that biennium amounted to \$18.4 million, an increase of 30 percent over the 1929-1931 biennium. A further increase was shown for the 1939-1941 biennium, when the total expenditures for this purpose were \$21.3 million. In 1941-1943, because of the state's assumption of full responsibility for all indigent mental patients, costs rose to \$28.2 million, an increase of 32 percent over the preceding biennium. The following table shows general fund expenditures for institutions for mental patients between 1923 and 1943:

GENERAL FUND EXPENDITURES FOR INSTITUTIONS FOR MENTAL PATIENTS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Mental¹ Hospitals</i>	<i>Maintenance of Indigent</i>	<i>Institutions for¹ Mental Defectives</i>	<i>Total</i>
1923-1925	707	4,656	1,986	7,349
1925-1927	1,402	5,377	2,925	9,704
1927-1929	2,962	5,554	4,172	12,688
1929-1931	8,648	2,260	3,235	14,143
1931-1933	8,508	2,648	3,329	14,485
1933-1935	8,325	2,718	3,080	14,123
1935-1937	8,827	2,981	3,059	14,867
1937-1939	11,530	3,231	3,613	18,374
1939-1941	15,169	2,334	3,806	21,309
1941-1943	23,887	.....²	4,344	28,231

¹ After 1929 the income of state-owned institutions for services rendered was deposited in the General Fund; the institutions collected and expended such revenues directly in the biennia from 1923-1925 to 1927-1929.

² In 1941-1943 expenditures for the Maintenance of the Indigent are included under Mental Hospitals.

Medical and Surgical Hospitals

Expenditures from the General Fund for medical and surgical hospitals fall into two categories. The first consists of grants made by the Commonwealth to private hospitals; the second, of expenditures made to support the operations of ten state-owned hospitals, located in the mining areas. Of these two items, expenditures for state-aided medical and surgical hospitals were the larger, as shown in the following table:

GENERAL FUND EXPENDITURES FOR MEDICAL AND SURGICAL HOSPITALS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>State-Owned</i>	<i>State-Aided</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>
1923-1925	1,002	3,666	4,668	100.0
1925-1927	1,905	4,612	6,517	139.6
1927-1929	2,309	5,288	7,597	162.7
1929-1931	2,690	5,761	8,451	181.0
1931-1933	2,615	7,147	9,762	209.1
1933-1935	2,479	7,553	10,032	214.9
1935-1937	2,379	7,691	10,070	215.7
1937-1939	2,743	8,374	11,117	238.2
1939-1941	2,872	8,485	11,357	243.3
1941-1943	3,257	8,612	11,869	254.3

Throughout the entire twenty year period appropriations to state-aided medical and surgical hospitals showed a continuous rise. In 1941-1943 expenditures had increased to \$8.6 million or 135 percent greater than the \$3.7 million in 1923-1925.

Expenditures for state-owned medical and surgical hospitals also showed material increases. Between 1923-1925 and 1927-1929 expenditures for this purpose increased from \$1.0 million in 1923-1925 to \$2.3 million in 1927-1929, an increase of 131 percent. In 1929-1931 the change in the accounting system caused gross expenditures to increase to \$2.7 million, with constant reductions thereafter until 1937-1939. In that biennium expenditures of \$2.7 million exceeded those of 1935-1937 by 15 percent. A further increase was shown for both the 1939-1941 and the 1941-1943 biennia. In 1941-1943 expenditures for state-owned medical and surgical hospitals amounted to \$3.3 million, 21 percent higher than expenditures for the 1929-1931 biennium.

Department of Health

General fund expenditures from state monies and federal grants for the Department of Health fluctuated materially during the entire ten biennia. Federal grants were received only in the first three biennia for programs of social hygiene and child welfare.

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF HEALTH—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Totals</i>	<i>Ratio to 1923-1925</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	4,309	100.0	4,196	97.4	113	2.6
1925-1927	5,145	119.4	4,957	96.4	188	3.6
1927-1929	5,420	125.8	5,263	97.1	157	2.9
1929-1931	3,897	90.4	3,897	100.	.....	.....
1931-1933	4,020	93.3	4,020	100.	.....	.....
1933-1935	3,681	85.4	3,681	100.	.....	.....
1935-1937	5,536	128.5	5,536	100.	.....	.....
1937-1939	6,159	142.9	6,159	100.	.....	.....
1939-1941	6,099	141.5	6,099	100.	.....	.....
1941-1943	7,400	171.7	7,400	100.	.....	.....
Totals	<u>51,666</u>		<u>51,208</u>	<u>99.1</u>	<u>458</u>	<u>0.9</u>

From 1923-1925 to 1927-1929 total expenditures from state and federal funds increased from \$4.3 million to \$5.4 million, but declined in 1929-1931 to \$3.9 million. This decrease followed a change in procedure after 1927-1929, when expenditures for food and supplies for state institutions, formerly disbursed by the Department of Health, were appropriated to and recorded as expended by the Department of Property and Supplies.

In 1931-1933 the expenditures of the department rose to \$4.0 million. In 1933-1935, in the depression period, in line with the general reduction in all normal appropriations for that biennium, expenditures declined to \$3.7 million, a decrease of 9 percent from those of the previous biennium. This reduction, however, was more than overcome in the following biennium, when expenditures increased to \$5.5 million, an increase of 45.4 percent over the previous biennium. The increase in 1935-1937 was due to the inclusion of costs for materials, supplies, and equipment, which prior to 1935 were charged to the appropriations to the Department of Property and Supplies.

In 1937-1939, expenditures amounted to \$6.2 million, an increase of 11 percent over the \$5.5 million spent for 1935-1937. By 1941-1943 the expenditures for this department rose to \$7.4 million, an increase of 33.7 percent over the 1935-1937 expenditures, the earliest biennium for which expenditures were recorded on a comparable basis.

Debt Service Charges

There were no expenditures for debt service by the General Fund until 1933-1935,¹ when two bond issues were authorized by the voters, one of \$25 million to finance the operating deficits of that biennium and one of \$50 million to pay a bonus to veterans of World War I. The general expense bonds were issued December 1, 1933 and the veterans' compensation bonds² on March 1, 1934. Consequently, debt service expenditures for 1933-1935 included charges only on the general expense bonds³ for a portion of one biennium. In 1935-1937, however, the debt service charges included full biennial payments on both bond issues. As the general expense bonds matured over a period of ten years, the last payment on those bonds has been made in the current 1943-1945 biennium. The veterans' compensation bonds will be retired in full by March 1, 1955.

Although the expenditures for debt service from 1935-1937 to 1941-1943 remained fairly constant, actually the 1939-1941 expenditures from the General Fund were \$1.5 million less than debt service requirements. The difference was paid from the unused portion of the proceeds from the veterans' compensation bonds and was, therefore, not included in debt service payments of the General Fund.

Another item of debt service, first occurring in the 1935-1937 biennium, was interest on tax anticipation notes. This expenditure resulted from the issuance of tax anticipation notes, authorized by the General Assembly under the Act of June 22, 1935 (P. L. 442). Enactments of similar laws were made at each subsequent session of the General Assembly.

Debt service charges on tax anticipation notes consisted only of interest. In 1935-1937 interest on these notes amounted to \$1.6 million; in 1937-1939 it was \$1.8 million. The largest interest payment on tax anticipation notes was in 1939-1941 in the sum of \$3.4 million. However, in that biennium, part of the debt service on veterans' compensation bonds again was paid out of the unexpended proceeds from that bond issue. Consequently, the increase in interest charges on tax anticipation notes did not result in an increase in debt service expenditures by the General Fund for that biennium.

¹ In 1923-1925 debt service charges in the Road Bonds were expended out of the General Fund to the amount of \$7.1 million.

² See footnote on page 33 of Part I.

³ Debt service charges for the veterans' compensation bonds in the amount of \$3.7 million were paid out of the proceeds of the bonds themselves in 1933-1935 biennium.

In 1941-1943 the interest on these tax anticipation notes was \$3.0 million. Although interest on the notes was less than for the previous biennium, total debt service charges increased to \$15.9 million for 1941-1943, compared with \$15.1 million in 1939-1941. This increase was due to the resumption of normal payments into the Veterans' Compensation Sinking Fund from the General Fund, as directed by the General Assembly.

In addition, the General Fund beginning in 1937-1939 paid to the General State Authority annual sums as rental for use of buildings by the various state departments. These rentals are used to retire debt, incurred by the Authority to finance the construction of such buildings for the Commonwealth. Consequently, all such payments, together with payments by the General Fund for administrative costs of the General State Authority are, in effect, indirect payments for debt service. For 1941-1943, total payments to the General State Authority amounted to \$8.2 million, compared with \$1.5 million in 1937-1939 (the first biennium of such payments).

Department of Property and Supplies

The expenditures from state monies and federal grants in the General Fund on account of the Department of Property and Supplies showed very wide fluctuations during the period. Those fluctuations were accounted for by several factors, including expenditures from federal grants for construction activities between 1933-1937 and 1939-1941, as shown in the table which follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF PROPERTY AND SUPPLIES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	3,914	100.	3,914	100.	....	....
1925-1927	3,983	101.8	3,983	100.	....	....
1927-1929	5,571	142.3	5,571	100.	....	....
1929-1931	31,526	805.5	31,526	100.	....	....
1931-1933	15,226	389.0	15,226	100.	....	....
1933-1935	6,231	159.2	6,205	99.6	26	0.4
1935-1937	6,116	156.3	6,091	99.6	25	0.4
1937-1939	5,308	135.6	5,308	100.	....	....
1939-1941	9,807	250.6	9,266	94.5	541	5.5
1941-1943	11,164	285.2	11,164	100.	....	....
Totals	<u>98,846</u>		<u>98,254</u>	<u>99.4</u>	<u>592</u>	<u>0.6</u>

As already stated under the discussion of the Departments of Welfare and Health, prior to 1935 all general fund appropriations for materials, supplies, and equipment for the departments were made to the Department of Property and Supplies and recorded as expenditures of that department. Between 1927 and 1935 all appropriations for materials, supplies and equipment, used by institutions under the Department of Health, were also made to and expended by the Department of Property and Supplies. After 1935, all monies for material, supplies, and equipment were included by the General Assembly in the individual appropriations to the departments and were expended therefrom.

Beginning in 1929, all appropriations from the General Fund for major capital improvements for all departments and institutions were made to and expended by the Department of Property and Supplies. This also applied to rentals, paid by this department to the General State Authority for 1937-1939 and subsequent biennia, for all buildings and institutions, constructed by the Authority and rented to various state departments, institutions, and the Pennsylvania State College.

The following table shows the expenditures of the Department of Property and Supplies for the ten biennia:

**GENERAL FUND EXPENDITURES FOR DEPARTMENT
OF PROPERTY AND SUPPLIES—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Departmental</i>	<i>Supplies and Services</i>	<i>Capital Outlays</i>	<i>General State Authority</i>		<i>Totals</i>	<i>Ratio to 1923-1925</i>
				<i>Rentals</i>	<i>Misc.</i>		
1923-1925	664	1,855	1,380	....	15	3,914	100.0
1925-1927	784	1,912	1,281	....	5	3,982	101.8
1927-1929	1,014	1,976	2,576	....	5	5,571	142.3
1929-1931	1,770	6,332	23,418	....	6	31,526	805.5
1931-1933	1,897	5,170	8,084	....	75	15,226	389.0
1933-1935	1,562	4,585	....	....	84	6,231	159.2
1935-1937	1,471	3,461	1,082	....	102	6,116	156.3
1937-1939	1,768	1,762	1,383	370	25	5,308	135.6
1939-1941	1,734	1,365	587	5,981	140	9,807	250.6
1941-1943	1,962	1,269	106	7,827	...	11,164	288.2

The first major increase in expenditures of the department occurred in 1927-1929, when total expenditures for that biennium, were \$5.6 million, compared with \$4.0 million during the previous biennium, an increase of 40 percent. This increase was due primarily to the erection in that biennium of a building for use of the Commonwealth known

as the North Office Building in Harrisburg and the Soldiers' and Sailors' Memorial Bridge also in Harrisburg. In 1929-1931 the tremendous increase in expenditures was due to several factors: (1) all appropriations for materials, supplies, and equipment for health institutions, were transferred to the Department of Property and Supplies; (2) all appropriations for capital outlays of all departments and institutions were made to and expended by this department. Furthermore, in the 1929-1931 biennium, major capital outlays were made by the Department of Property and Supplies for all departments and institutions. Of the \$31.5 million, spent by the department during that biennium, \$23.4 million represented capital outlays, which included part of the costs of the Soldiers' and Sailors' Memorial Bridge, the construction of Education Building, Farm Show Building, and North Office Building, major improvements in the State Teachers' Colleges, and improvements for practically all other state-owned institutions.

Eliminating capital outlays, the expenditures for operations and maintenance in 1929-1931 amounted to \$8.1 million, compared with \$3.0 million in the preceding biennium, an increase of 171 percent. This increase was partly due to expenditures for supplies and equipment for institutions under the Department of Health, large outlays for automotive equipment for all departments, and, due to the assumption of these additional functions, a consequent increase in expenditures for salaries and general expenses of the Department of Property and Supplies.

The expenditures including capital outlays for 1931-1933 amounted to \$15.2 million, 48 percent less than in the previous biennium, but 173 percent greater than the 1927-1929 expenditures. The major reason for the reduction from 1929-1931 was a decline in capital outlays from \$23.4 million to \$8.1 million. These capital outlays represented, primarily, expenditures for the completion of projects, started in the preceding biennium. The expenditures of the next three biennia also declined materially due, primarily, to the discontinuance of capital outlays during the depression years and to the change in the method of making appropriations for materials, supplies, and equipment.

While capital outlays by the Department of Property and Supplies were small after 1933, it should not be assumed that major improvements were not made by the Commonwealth between 1933 and 1943.

The General Assembly created the General State Authority by the Act of June 28, 1935 (P. L. 452). Under that Act the Authority was authorized to construct buildings under an agreement with the Commonwealth, whereby the State guaranteed annual rentals for such buildings and institutions, sufficient to pay all interest and principal payments on bonded indebtedness, incurred to finance the construction of these buildings.¹ In 1937-1939 the appropriation to General State Authority for rentals was only \$370 thousand. By 1939-1941 a large number of these buildings and institutions had been completed and rentals paid to the General State Authority rose to \$6.0 million and increased further to \$7.8 million in the 1941-1943 biennium. These rental payments to the General State Authority were primarily responsible for the increase in total expenditures of the Department of Property and Supplies in the last two biennia.

Departments of Forests and Waters and Agriculture

The combined general fund expenditures for the ten biennia, 1923-1943, of the Department of Forests and Waters, from state monies and federal grants, and the Department of Agriculture, from state monies only, were as follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENTS OF FORESTS AND WATERS AND AGRICULTURE 1923-1943 (in thousands of dollars)

<i>Expended by</i>	<i>Total 1923-1943</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
		<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>
Department of Forests and Waters	32,742	31,314	95.6	1,428	4.4
Department of Agriculture ..	32,511	32,511	100.0	.....	.....
Totals	<u>65,253</u>	<u>63,825</u>	<u>97.8</u>	<u>1,428</u>	<u>2.2</u>

Department of Forests and Waters

General fund expenditures from state monies and federal grants for the Department of Forests and Waters showed comparatively wide fluctuations in the ten biennia as follows:

¹ This device was used to avoid the debt restrictions, imposed upon the Commonwealth by the Constitution of 1874. See Report No. 1 of the Joint State Government Commission, "The Debt of the Commonwealth of Pennsylvania and Its Local Subdivisions," published December 16, 1943.

**GENERAL FUND EXPENDITURES FOR DEPARTMENT
OF FORESTS AND WATERS—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio</i>	<i>From State Monies</i>		<i>From Federal Grants</i>	
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	2,215	100.0	2,151	97.1	64	2.9
1925-1927	2,365	106.8	2,300	97.3	65	2.7
1927-1929	4,289	193.6	4,150	96.8	139	3.2
1929-1931	4,883	220.5	4,719	96.6	164	3.4
1931-1933	4,352	196.5	4,181	96.1	171	4.0
1933-1935	2,635	119.0	2,448	92.9	187	7.1
1935-1937	2,196	99.1	2,055	93.6	141	6.4
1937-1939	5,382	243.0	5,243	97.4	139	2.6
1939-1941	2,212	99.8	2,026	91.6	186	8.4
1941-1943	2,213	99.9	2,041	92.2	172	7.8
Totals	32,742		31,314	95.6	1,428	4.4

During the first two biennia expenditures for the Department of Forests and Waters were fairly constant. In 1927-1929, however, there was an increase of 81 percent in biennial expenditures, which rose from \$2.4 million in 1925-1927 to \$4.3 million in 1927-1929. This level of expenditures continued through the next two biennia. The increases in expenditures between 1927 and 1933 and in 1937-1939 were due primarily to the acquisition of forest lands and major improvements made by the Commonwealth, as shown, together with all other expenditures by the department, in the following table:

**DEPARTMENT OF FORESTS AND WATERS EXPENDI-
TURES FOR LAND, MAJOR IMPROVEMENTS
AND ALL OTHER PURPOSES—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Land and Major Improvements</i>		<i>All Other Purposes</i>		<i>Total Dept. of Forests and Waters</i>
	<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>	
1923-1925	26	1.1	2,189	98.9	2,215
1925-1927	100	4.2	2,265	95.8	2,365
1927-1929	1,880	43.8	2,409	56.2	4,289
1929-1931	1,327	27.2	3,556	72.8	4,883
1931-1933	1,798	41.3	2,554	58.7	4,352
1933-1935	506	19.2	2,129	80.8	2,635
1935-1937	292	13.3	1,904	86.7	2,196
1937-1939	3,206	59.6	2,176	40.4	5,382
1939-1941	136	6.1	2,076	93.9	2,212
1941-1943	184	8.3	2,029	91.7	2,213
Totals	9,455	28.9	23,287	71.1	32,742

During 1929-1931 the expenditures for control of forest fires was unusually large, amounting to \$599 thousand. After 1933 biennial expenditures (except for 1937-1939) of the Department of Forests and Waters were at approximately the level preceding 1927-1929. This decline was due to reductions in expenditures for land purchases and major improvements, and to the establishment of the special Forest and Waters Fund¹ in 1935. Expenditures from this special fund for forests and waters increased from \$221 thousand in 1935-1937 to \$477 thousand in 1941-1943.

The large increase in expenditures by this Department to \$5.4 million in 1937-1939 was occasioned by payments of \$3.2 million for construction and major improvements under the flood control program. Total expenditures declined to \$2.2 million in both the 1939-1941 and 1941-1943 biennia.

Department of Agriculture

It will be noted from the following table that expenditures for the Department of Agriculture, which are entirely from state funds, more than tripled between 1923-1925 and 1925-1927, due primarily to expenditures of \$1.8 million for animal indemnities. Furthermore, in that biennium, special funds, formerly used by the Department of Agriculture, were merged with the General Fund, which increased the expenditures reported for the General Fund in 1925-1927.

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF AGRICULTURE—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>Expenditures Other than Animal Indemnities</i>	<i>Animal Indemnities</i>
1923-1925	743	100.	743	....
1925-1927	2,754	370.7	955	1,799
1927-1929	4,848	652.5	2,692	2,156
1929-1931	4,650	625.8	2,490	2,160
1931-1933	4,420	574.9	2,420	2,000
1933-1935	3,280	441.5	1,987	1,293
1935-1937	2,293	308.6	1,894	399
1937-1939	3,343	449.9	2,166	1,177
1939-1941	3,125	420.6	1,745	1,380
1941-1943	3,055	411.1	1,828	1,227

¹ The State Forests and Waters Fund was abolished as of June 1, 1943.

During the following biennium (1927-1929) expenditures for animal indemnities increased to \$2.2 million. In addition, \$1.1 million for animal industry and \$485 thousand for enforcement of laws for registration of dogs, formerly paid from special funds, were expended for the first time from the General Fund. The growth in expenditures by the Department of Agriculture for these three items was responsible for an increase of 76 percent in total general fund expenditures from \$2.8 million in 1925-1927 to \$4.8 million in 1927-1929.

Decreases in expenditures in the succeeding biennia were due largely to reductions in expenditures for animal indemnities, which declined from \$2.2 million in 1929-1931 to \$1.2 million in 1941-1943. In 1935-1937 the expenditures for this department were the lowest since 1925-1927, due chiefly to a reduction in animal indemnities to \$399 thousand. By 1941-1943 expenditures of the department amounted to \$3.1 million, which were 35.4 percent below the peak amount of \$4.8 million, expended in the 1927-1929 biennium.

Federal A.A.A. Subsidies¹ Made Directly to Agriculture

Since 1937, the first year for which the details of federal expenditures made directly within the states are available, the United States Department of Agriculture, through its Agricultural Adjustment Agency, established in 1933, has expended \$41 million in A.A.A. payments to farmers within the Commonwealth. A persistent upward trend marked by an increase of 194 percent, from \$3.4 million in 1937 to \$10.0 million in 1943, is apparent in these yearly payments, none of which passes through the State Treasury.

The yearly A.A.A. payments from 1937 to 1943 made directly by the federal government to individuals within the Commonwealth were as follows:

<i>Year</i>	<i>Federal A.A.A. Payments within the Commonwealth (in thousands of dollars)</i>
1937	3,443
1938	3,406
1939	4,394
1940	6,761
1941	5,851
1942	7,108
1943	10,037

¹ Amounts as reported by the Secretary of the U. S. Treasury for federal fiscal year beginning July 1.

Departments of Labor and Industry and Mines

Expenditures from the General Fund for these two departments from 1923 to 1943 were as follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENTS OF LABOR AND INDUSTRY AND MINES—1923-1943

(in thousands of dollars)

<i>Expended by</i>	<i>Total</i> 1923-1943	<i>From State Monies</i>		<i>From Federal Grants</i>	
		<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>
Department of Labor and Industry	28,272	25,364	89.7	2,908	10.3
Department of Mines	6,320	6,320	...	....	...
Totals	<u>34,592</u>	<u>31,684</u>	<u>91.6</u>	<u>2,908</u>	<u>8.4</u>

Important increases in expenditures by the Department of Labor and Industry after 1935-1937, are shown in the table which follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF LABOR AND INDUSTRY—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to</i> 1923-1925	<i>From State Monies</i>		<i>From Federal Grants</i>	
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
1923-1925	1,558	100.0	1,492	95.8	66	4.2
1925-1927	1,803	115.7	1,720	95.4	83	4.6
1927-1929	2,324	149.2	2,267	97.6	57	2.4
1929-1931	2,484	159.4	2,397	96.5	87	3.5
1931-1933	2,366	151.9	2,267	95.8	99	4.2
1933-1935	2,006	128.8	1,867	93.1	139	6.9
1935-1937	2,132	136.8	1,923	90.2	209	9.8
1937-1939	5,119	328.6	4,284	83.7	835	16.3
1939-1941	4,115	264.1	3,264	79.3	851	20.7
1941-1943	4,365	280.2	3,883	89.0	482	11.0
Totals	<u>28,272</u>		<u>25,364</u>	<u>89.7</u>	<u>2,908</u>	<u>10.3</u>

Department of Labor and Industry

General fund expenditures for the account of the Department of Labor and Industry between 1923-1925 and 1935-1937 showed comparatively slight variations, ranging from \$1.6 million in 1923-1925 to \$2.1 million in 1935-1937. In 1937-1939, however, they increased materially, being 228.6 percent greater than for 1923-1925 and 140 percent greater than for 1935-1937. This growth was due

largely to the increase in the activities of two divisions of the Department, the State Employment Service and the Bureau of Rehabilitation, which resulted in increased departmental costs of \$1.7 million. Salary payments and general office expenses of the department, necessitated largely by this expansion of functions, increased substantially.

The reduction of about \$1 million in the department's expenditures for 1939-1941 below those for 1937-1939 was due largely to a reduction in personnel. In 1941-1943, despite first payments under the Occupational Disease Compensation Act in the amount of \$932 thousand, total expenditures of the Department increased over those of 1939-1941 by only \$247 thousand. This result was due largely to the discontinuance of the State Employment Service, the functions of which were taken over by the federal government.

Department of Mines

The general fund expenditures for the Department of Mines, entirely from state monies, did not show any significant change in the ten biennia, as will be seen in the table which follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF MINES—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>
1923-1925	591	100.0
1925-1927	601	101.7
1927-1929	714	120.8
1929-1931	693	117.3
1931-1933	641	108.5
1933-1935	555	93.9
1935-1937	535	90.5
1937-1939	680	115.1
1939-1941	615	104.1
1941-1943	695	117.6
Totals	<u>6,320</u>	

Department of Military Affairs and Pennsylvania State Police

The general fund expenditures for these two departments are entirely from state monies. The expenditures in the aggregate and by departments for the ten biennia, 1923-1943, were as follows:

**GENERAL FUND EXPENDITURES FOR MILITARY
AFFAIRS AND STATE POLICE—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>State Police</i>		<i>Military Affairs</i>	
			<i>Amount</i>	<i>Ratio to 1923-1925</i>	<i>Amount</i>	<i>Ratio to 1923-1925</i>
1923-1925	2,796	100.0	1,500	100.0	1,296	100.0
1925-1927	3,284	117.5	1,662	110.8	1,622	125.5
1927-1929	4,680	167.4	1,662	110.8	3,018	232.9
1929-1931	4,649	166.3	2,309	153.9	2,340	180.6
1931-1933	4,966	177.6	2,432	162.1	2,534	195.5
1933-1935	5,687	203.4	2,533	168.9	3,154	243.4
1935-1937	5,626	201.2	2,504	166.9	3,122	240.9
1937-1939	11,099	372.0	8,117	541.1	2,982	230.1
1939-1941	12,052	431.0	8,922	594.8	3,130	241.5
1941-1943	11,457	409.8	8,825	588.3	2,632	203.1
Totals	<u>66,296</u>		<u>40,466</u>		<u>25,830</u>	

State Police

Expenditures from the General Fund for State Police increased constantly throughout the twenty year period, except for a slight decrease in 1935-1937. The largest increase, however, developed in the next biennium, 1937-1939, when expenditures rose to \$8.1 million.

The General Assembly in its 1937 session merged the Pennsylvania State Police and the State Highway Patrol and named the new agency the Pennsylvania Motor Police (changed again in 1943 to Pennsylvania State Police). The merger accounted for the large increase in expenditures in the 1937-1939 biennium and since. Prior to that date, expenditures for the Pennsylvania State Police came from appropriations out of the General Fund, while those of the Highway Patrol were paid from the Motor License Fund. Since the merger of the two organizations appropriations of general fund monies for this purpose have not exceeded \$1 million per biennium, while the appropriations from the Motor License Fund for this purpose have been deposited in the General Fund and the combined amounts spent from the General Fund as a single appropriation. Consequently, the expenditures, reported after 1935-1937, represent the combined expenditures from the General Fund and, through it, from the Motor License Fund.

Department of Military Affairs

Expenditures from the General Fund for the Department of Military Affairs increased from \$1.3 million in 1923-1925 to \$3.2 million

in 1933-1935. Biennial expenditures for the three following biennia, 1935-1941, averaged \$3.1 million, before expenditures decreased by \$498 thousand to \$2.6 million in 1941-1943, due to reductions of \$302 thousand in departmental expenditures and of \$199 thousand in the expenditures of the State Veterans' Commission.

EXPENDITURES FOR DEPARTMENT OF MILITARY AFFAIRS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Administration National Guard and Armories</i>	<i>State Veterans' Commission</i>	<i>State Athletic Commission</i>	<i>Capital Outlays, Land and Improvements</i>	<i>Total</i>
1923-1925	1,276	....	...	20	1,296
1925-1927	1,567	....	...	55	1,622
1927-1929	1,819	....	121	1,078	3,018
1929-1931	1,772	334	115	119	2,340
1931-1933	1,832	596	106	¹	2,534
1933-1935	1,896	1,047	86	125	3,154
1935-1937	1,864	1,060	86	112	3,122
1937-1939	1,724	1,150	...	108	2,982
1939-1941	2,003	1,084	...	43	3,130
1941-1943	1,701	885	...	46	2,632

¹ Less than \$1 thousand.

The growth in expenditures from \$1.3 million in 1923-1925 to a biennial level of approximately \$3.1 million from 1933 to 1941 resulted largely from the addition of new commissions under the jurisdiction of the Department of Military Affairs. The State Athletic Commission was placed in the Department of Military Affairs in 1927-1929. Biennial expenditures for that Commission, however, decreased steadily from \$121 thousand in 1927-1929 to \$86 thousand in 1935-1937, after which the Commission was transferred to the Department of Revenue. The State Veterans' Commission first was placed in the Department of Military Affairs in 1929-1931. Expenditures amounted to \$334 thousand in that biennium and \$596 thousand in 1931-1933, but increased to a biennial average of \$1.1 million for the period, 1933-1941.

The largest capital outlay of this department in the ten biennia was \$1 million in 1927-1929 for the construction of new armories.

Expenditures for major improvements have ranged from less than \$1 thousand, in 1931-1933, to \$125 thousand, in 1933-1935. In 1941-1943, expenditures for this purpose amounted to only \$45.9 thousand.

Financial Administration

Expenditures from the General Fund for the function of financial administration, performed by the Department of the Auditor General, the Treasury Department, including the Board of Finance and Revenue, and the Department of Revenue, increased from \$1.6 million in 1923-1925 to \$6.1 million in 1941-1943, an increase of 280 percent, as shown in the following table:

GENERAL FUND EXPENDITURES FOR FINANCIAL ADMINISTRATION—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>	<i>Department of the Auditor General</i>	<i>Treasury Department</i>	<i>Department of Revenue</i>
1923-1925	1,596	100.0	1,196	400	.....
1925-1927	1,711	107.2	1,218	493	.....
1927-1929	1,834	114.9	1,296	528	10
1929-1931	2,767	173.4	1,216	741	810
1931-1933	4,253	266.5	1,567	1,313	1,373
1933-1935	4,037	252.9	1,451	1,198	1,388
1935-1937	5,556	348.1	1,577	1,246	2,733
1937-1939	8,078	506.1	1,487	2,533	4,058
1939-1941	6,093	381.8	1,496	1,558	3,039
1941-1943	6,067	380.1	1,681	1,127	3,259
Totals	<u>41,992</u>		<u>14,185</u>	<u>11,137</u>	<u>16,670</u>

It is apparent in the above table that the major increases in the expenditures of these departments occurred in 1929-1931 and 1931-1933 and, in the case of the Treasury Department and the Department of Revenue, again in 1937-1939.

Treasury Department

The Treasury Department's expenditures from the General Fund increased from \$400 thousand in 1923-1925 to \$1.3 million in 1931-1933. The increase in the latter biennium was due mainly to expendi-

tures of \$466 thousand for tax refunds made by the Board of Finance and Revenue, and expenditures of \$122 thousand for administrative expenses of the Board. Such expenditures were first made by the Treasury Department in 1929-1931. In previous biennia, tax refunds had been made by the Department of the Auditor General. By 1931-1933 general administrative expenses of the Treasury Department had also grown from \$400 thousand in 1923-1925 to \$717 thousand, an increase of 79.3 percent.

In 1937-1939 the Treasury Department's expenditures of \$2.5 million were more than twice as much as in any preceding biennium. This increase was due to unprecedented refunds of \$774 thousand of resident inheritance taxes and expenditures of \$719 thousand for the State Employes' Retirement Board, included in the Treasury Department only in this biennium.

Department of Auditor General

Expenditures for the Department of Auditor General increased from \$1.2 million in 1923-1925 to a high of \$1.7 million in 1941-1943. From 1923-1925 to 1927-1929, tax refunds had been made by this Department, so that the increase in the Department's administrative expenditures is slightly larger than appears in the above comparison of totals. An analysis of the expenditures of the Department of the Auditor General in three selected biennia follows:

GENERAL FUND EXPENDITURES FOR DEPARTMENT OF THE AUDITOR GENERAL

(in thousands of dollars)

<i>Biennium</i>	<i>Total Expenditures</i>	<i>Ratio to 1923-1925</i>	<i>Salary and General Expense</i>	<i>Other Recurring Expenses</i>	<i>All Other</i>	<i>Refunds of Taxes</i>
1923-1925	1,196	100	944	22	120	110
1933-1935	1,451	121	1,426	3	22	...
1941-1943	1,681	141	1,648	3	30	...

Department of Revenue

The Department of Revenue began its operations on July 1, 1929, under the Act of April 13, 1927, (P. L. 207) (amending the Admin-

istrative Code of 1923), and the Fiscal Code of April 9, 1929 (P. L. 343). Prior to the 1929-1931 biennium, preliminary expenses, amounting to \$10 thousand, had been expended from a 1927-1929 appropriation. Expenditures for the department in the first biennium of actual operations amounted to only \$810 thousand. In the two succeeding biennia, 1931-1933 and 1933-1935, expenditures increased, although about the same in each biennium averaging \$1.4 million per biennium.

The emergency tax program, enacted in 1935, placed the administration of these taxes in the Department of Revenue and, consequently, expenditures for salaries and general expense more than doubled, rising from \$1.3 million in 1933-1935 to \$2.7 million in 1935-1937. This expansion was reflected in the total biennial expenditures, which increased from \$1.4 million to \$2.7 million, respectively. In the following biennium, 1937-1939, total expenditures again increased by \$1.3 million, of which salaries and general expense accounted for \$1.1 million. In addition, the State Athletic Commission was transferred from the Department of Military Affairs to the Department of Revenue in this biennium, adding expenditures of \$99.7 thousand to the department's total. Extraordinary administrative expenses, including the cost of administering the chain store and theatre tax, before it was declared unconstitutional, amounted to \$178 thousand.

In 1939-1941 the expenditures decreased by more than \$1 million to \$3.0 million. Expenditures for salaries and expenses were reduced by \$911 thousand and extraordinary administrative expenses by \$134 thousand, due chiefly to the absence of expenditures for administration of the chain store and theatre tax. In 1941-1943 total expenditures for the Department of Revenue amounted to \$3.3 million.

All Other State Departments, Boards, and Commissions

The combined expenditures from the General Fund for all other departments, boards, and commissions of the Commonwealth and for other purposes did not show as much fluctuation, as would normally be expected from the record of other departments and agencies, previously analyzed. This was due to unusual expenditures in the base biennium of 1923-1925, as discussed under a later paragraph, entitled Special Commissions, and Boards, and All Other.

**GENERAL FUND EXPENDITURES FOR ALL OTHER
DEPARTMENTS—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Judi- ciary</i>	<i>Legis- lature</i>	<i>Regular Departments, Commissions</i>	<i>Special Commissions, Boards and Other</i>	<i>Total</i>	<i>Ratio to 1923-1925</i>
1923-1925	3,820	1,203	1,944	7,655	14,622	100.
1925-1927	3,879	2,276	3,899	2,770	12,824	87.5
1927-1929	4,022	1,489	4,638	545	10,694	73.0
1929-1931	4,822	1,511	5,548	312	12,193	83.4
1931-1933	4,887	1,999	5,687	468	13,041	89.2
1933-1935	4,942	1,779	4,916	2,234	13,871	94.9
1935-1937	4,908	1,970	5,330	458	12,666	86.6
1937-1939	5,118	2,082	7,353	756	15,309	104.7
1939-1941	5,131	1,956	7,675	560	15,322	104.8
1941-1943	5,141	1,988	8,059	573	15,761	107.8
Totals	<u>46,670</u>	<u>18,253</u>	<u>55,049</u>	<u>16,331</u>	<u>136,303</u>	

Regular Departments and Commissions

Expenditures from the General Fund for regular departments and commissions, other than those discussed in the preceding pages, increased from \$1.9 million in 1923-1925 to \$8.1 million in 1941-1943. In 1923-1925 there were eight such agencies with total expenditures of \$1.9 million. Expenditures of \$640 thousand for the Public Utilities Commission and \$511 thousand for the Department of State accounted for nearly 60 percent of these total expenditures. The other departments, and their expenditures in 1923-1925 were as follows: Department of Internal Affairs, \$262 thousand; Department of Justice, \$222 thousand; Insurance Department, \$176 thousand; Offices of the Governor and Lieutenant Governor, \$109 thousand; and Department of Banking, \$26 thousand.

The expenditures for these regular departments and agencies increased steadily between 1923-1925 and 1931-1933, when the aggregate expenditures amounted to \$5.7 million. In the following biennium these total expenditures decreased to \$4.9 million, but an upward trend followed, due partly to the addition of expenditures for departments, newly supported by the General Fund, culminating in aggregate expenditures of \$8.1 million in 1941-1943.

The number of these departments and agencies making all or part of their expenditures from the General Fund, increased from eight in 1923-1925 to fourteen in 1941-1943. The agencies added to this group after 1923-1925 were the Milk Control Board in 1933-1935, the

Department of Commerce in 1935-1937, the General State Authority in 1937-1939, and the Parole Board and Civil Service Commission in 1941-1943.

The comparable expenditures of the eight agencies, existing in 1923-1925, increased from \$1.9 million in that biennium to \$6.0 million in 1941-1943. The largest increases in expenditures for these departments were for the Department of State, from \$0.5 million to \$1.9 million, and for the Public Utilities Commission, from \$0.6 million to \$1.7 million.

In 1941-1943 the expenditures from the General Fund for the six departments, introduced after 1923-1925, amounted to \$1.7 million. The largest amounts were for the Department of Commerce, \$675 thousand; General State Authority, \$385 thousand; and the Parole Board, \$297 thousand.

Special Commissions and Boards and All Other¹

The expenditures for special commissions and boards, and other special items ranged from a high of \$7.6 million in 1923-1925 to a low of \$312 thousand in 1929-1931. Many of these expenditures were of a nonrecurring nature. Also, some were in the form of temporary advances, repaid in full in subsequent biennia from the receipts for services of particular agencies. For instance, expenditures for the Philadelphia-Camden Bridge during 1923-1927 and for the Liquor Control Board in 1933-1935 were advances, later repaid to the General Fund of the Commonwealth from these agencies.

The large expenditure of the 1923-1925 biennium was due to advances of \$6.4 million toward construction costs of the Philadelphia-Camden Bridge over the Delaware River. In the 1925-1927 biennium expenditures for the same purpose amounted to \$2.3 million of the \$2.8 million total expenditures for all miscellaneous commissions and purposes.

In 1927-1929 expenditures for miscellaneous commissions and other items declined sharply. Of the \$545 thousand expended, \$200 thousand were advanced to the Pennsylvania and New Jersey Joint Bridge Commission for the acquisition of toll bridges and \$69 thousand to the Board of Commissioners of Navigation of the Delaware River.

¹ Includes federal grants to the Pennsylvania State College during 1923-1943 in the amount of \$1.9 million, and interest of \$47 thousand on federal funds on deposit which was returned to the federal government in 1925-1931.

The expenditures of \$512 thousand for the 1929-1931 biennium included \$70 thousand for the last item, mentioned above. The increase in 1931-1933 over 1929-1931 was due to another expenditure of \$124 thousand for the state's share of operations of the Pennsylvania and New Jersey Joint Bridge Commission. The large increase in the 1933-1935 biennium was due entirely to a loan of \$2.0 million, made to the Liquor Control Board to establish a working fund from which the State Liquor Store System could be temporarily financed. Thereafter, expenditures ranged from \$458 thousand in 1935-1937 to \$756 thousand in 1937-1939. In 1941-1943 they had fallen to \$573 thousand.

GENERAL FUND REVENUES ¹

For the first four biennia (1923-1925 to 1929-1931) revenues of the General Fund of the Commonwealth increased at a rate greater than that of the expenditures, due primarily to greater yields from the three principal types of normal taxes in effect in the eight years. In 1931-1933 and 1933-1935 however, revenues declined, due largely to declining yields from normal taxes. Thereafter, new emergency taxes and emergency rates on normal taxes, enacted by the General Assembly, resulted in sharp increases in the tax revenues of the General Fund.

A comparison of the changes in total revenues from state sources and federal grants for the ten biennia is shown below:

GENERAL FUND REVENUES FROM STATE SOURCES AND FEDERAL GRANTS—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total Revenue</i> ²	<i>Ratio to 1923-1925</i>	<i>State</i>		<i>Federal</i>	
			<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>
1923-1925	141,419	100.0	139,521	98.7	1,898	1.3
1925-1927	144,788	102.4	143,267	98.9	1,521	1.1
1927-1929	169,932	120.2	168,422	99.1	1,510	0.9
1929-1931	201,536	152.5	200,071	99.3	1,465	0.7
1931-1933	180,250	127.5	178,686	99.1	1,564	0.9
1933-1935	164,021	116.0	162,566	99.1	1,455	0.9
1935-1937	359,016	253.9	345,741	96.3	13,275	3.7
1937-1939	429,430	303.7	394,776	91.9	34,654	8.1
1939-1941	446,346	315.6	398,576	89.3	47,770	10.7
1941-1943	535,986	379.0	464,414	86.6	71,572	13.4
Totals	<u>2,772,724</u>		<u>2,596,040</u>	<u>93.6</u>	<u>176,684</u>	<u>6.4</u>

² For detailed analysis of general fund revenues, see Report No. 8, The Tax Structure and Revenues of the General Fund of the Commonwealth, published by the Joint State Government Commission, June 23, 1944.

¹ Includes amounts transferred from other funds to the General Fund.

FROM 1923-1925 TO 1935-1937, federal grants in the General Fund amounted to only about 1 percent of general fund revenues. The public assistance programs, initiated in 1935-1937, were chiefly responsible for increases in federal grants from \$1.5 million in 1933-1935 to \$13.3 million in 1935-1937. In these biennia federal grants increased from 0.9 percent to 3.7 percent, respectively, of the general fund revenues, despite the fact that revenues from state sources had more than doubled in 1935-1937, as a consequence of the imposition of emergency taxes. In 1937-1939 federal grants increased to \$34.7 million or 8.1 percent of the General Fund's total revenues and by 1941-1943 federal grants amounted to \$71.6 million or 13.4 percent of the total revenues of the General Fund. It is of interest to note that in 1941-1943, when general fund revenues had increased 279 percent over those of 1923-1925, the distribution of these revenues between state sources and federal grants had changed from 98.7 percent and 1.3 percent, respectively, in 1923-1925 to 86.6 percent from state sources and 13.4 percent from federal funds in 1941-1943. Inasmuch as federal grants, whatever the purpose, create a corresponding liability in the General Fund, this increase in their proportion of total general fund revenue definitely establishes these subsidies as one of the causes of increased expenditures from the General Fund of the Commonwealth.

From the following table it is evident that increases in tax yields constituted the primary reason for the sharp increase in revenue receipts in 1935-1937 and the succeeding biennia. It is also of interest to note that, despite an increase of 188.6 percent in tax revenues, their proportion to general fund revenues from state sources declined from 94.8 percent of the total in 1923-1925 to 82.2 percent in 1941-1943, the biennium of largest tax yields in the General Fund's history. In 1925-1927 the proportion of tax revenues to general fund revenues from state sources was the highest in the ten biennia. In that biennium 95.4 percent of the total was derived from taxes. In 1927-1929, due to the removal of certain gasoline tax receipts from the General Fund, this proportion dropped to 88.6 percent. In the succeeding biennia it continued to decline, until in 1933-1935 the proportion of tax revenues to total revenues from state sources was 79.6 percent. In 1935-1937, the biennium in which the emergency tax programs first took effect, the proportion increased to 85.8 percent, but again began a decline to 81.0 percent of total general fund revenue from other sources in 1939-1941. In 1941-1943 tax revenues of \$381.6 million constituted only

82.2 percent of the General Fund's revenues from state sources, compared to 87.1 percent in 1929-1931, when tax revenues reached their high of \$174.2 million before the changes in 1935-1937.

**RELATION OF TAX REVENUES TO GENERAL FUND
REVENUES FROM STATE SOURCES—1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Revenue from State Sources</i>	<i>Ratio to 1923-1925</i>	<i>Tax Revenues</i>	<i>Ratio to 1923-1925</i>	<i>Percent Tax Revenues of State Revenue</i>
1923-1925	139,521	100.0	132,222	100.0	94.8
1925-1927	143,267	102.7	136,643	103.3	95.4
1927-1929	168,422	120.7	149,196	112.8	88.6
1929-1931	200,071	143.4	174,201	131.7	87.1
1931-1933	178,686	128.1	153,922	116.4	86.1
1933-1935	162,566	116.5	129,456 ¹	97.9	79.6
1935-1937	345,741	247.8	296,510 ²	224.3	85.8
1937-1939	394,776	283.0	327,604	247.8	83.0
1939-1941	398,576	285.7	322,650	244.0	81.0
1941-1943	464,414	332.9	381,613	288.6	82.2
Totals	<u>2,596,040</u>		<u>2,204,017</u>		<u>84.9</u>

¹ Public service liquor and malt beverage licenses, amounting to \$14 thousand, were credited as taxes in this biennium.

² Escheats and licenses (as in ¹ above), amounting to \$48 thousand, were credited as taxes in this biennium.

During the period 1923-1935, the tax structure of the Commonwealth's General Fund was comparatively simple, with three types of taxes producing the major portion of all tax revenues. These three major types included the capital stock tax, taxes on gross receipts and premiums, and the inheritance tax.

The yields, produced by those three types of taxes for the ten biennia, are as follows:

**GENERAL FUND TAX RECEIPTS FROM MAJOR TAXES
1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Taxes on Capital Stock, Shares, and Loans</i>	<i>Taxes on Gross Receipts and Premiums</i>	<i>Inheri- tance Taxes</i>	<i>Total</i>	<i>Percent of Total Taxes, Bonus, Penalties and Interest</i>
1923-1925	51,760	43,042	24,319	119,121	90.1
1925-1927	56,988	34,155	31,500	122,643	89.8
1927-1929	58,921	40,190	34,687	133,798	89.7
1929-1931	68,665	27,484	65,473	161,622	92.8
1931-1933	61,469	32,763	49,934	144,166	93.7
1933-1935	55,129	34,116	32,194	121,439	93.8
1935-1937	87,507	37,061	34,682	159,250	53.7
1937-1939	78,279	34,639	47,953	160,871	49.1
1939-1941	76,499	34,162	33,968	144,629	44.8
1941-1943	87,887	41,328	26,664	155,879	40.8

After 1934 the general fund revenue structure changed considerably. Of the three major sources of regular taxes, the taxes on capital stock were materially increased by virtue of the elimination of the exemption of manufacturers from such levies. In addition, a series of special emergency taxes and emergency rates on normal taxes were levied, which produced about 43 percent of the total tax yield for the 1935-1937 biennium. During that biennium the State Liquor Store System was in full operation for the first time and profits from the operation of those stores, paid into the General Fund, amounted to \$24.0 million.

Another item of general fund revenue, which materially increased for the 1935-1937 biennium, was receipts for special purposes, mostly from the federal government for public assistance. Receipts, earmarked for special purposes, also showed a material increase in the preceding biennium, due largely to the change in the method of handling the funds of the State Teachers' Colleges. In 1933 the procedure, whereby the fees, received by State Teachers' Colleges and deposited in the General Fund as general receipts, was changed to provide that these funds, although still deposited in the General Fund, were earmarked as being in addition to the legislative appropriations for the State Teachers' Colleges.

General fund receipts from all taxes, bonus, penalties, and interest in 1935-1937 increased to \$296.5 million, an increase of 129 percent over the sum of \$129.5 million, received in the preceding biennium, while total revenues increased from \$164.0 million in 1933-1935 to \$359.0 million in 1935-1937, an increase of 119 percent.

The emergency taxes and emergency rates on normal taxes, enacted in the 1935 session of the General Assembly, were expanded by amendments, enacted during the 1936 special session. Consequently, despite the fact that the 1937 session of the General Assembly eliminated several of the minor emergency taxes, the total general fund tax revenues, produced by higher rates for certain emergency and regular taxes, resulting from legislation effective in 1937, was \$327.6 million, an increase of 10 percent over the receipts of \$296.5 million for the 1935-1937 biennium. However, the revenues from emergency sources alone increased in the same period from \$127.7 million to \$156.4 million, or 23 percent.

Receipts from inheritance taxes increased from \$34.7 million in 1935-1937 to \$48.0 million in 1937-1939, while profits from State Liquor Stores increased to \$32.0 million, an increase of 33 percent over the yield of \$24.0 million for 1935-1937. Receipts, earmarked for special purposes, also showed another material increase to \$47.3 million, more than twice the sum of \$17.7 million, received for these purposes in the 1935-1937 biennium. This increase was due entirely to grants from the federal government under the social security program, which was then in full operation.

On the other hand, yields from two of the three major classifications of regular taxes; namely, (1) taxes on capital stock, shares, and loans; and (2) taxes on gross receipts and premiums, showed material reductions in 1937-1939, when compared with yields of the preceding biennium. However, total general fund revenues of \$429.4 million for 1937-1939 biennium were 20 percent greater than the revenues of \$359.0 million for the preceding biennium.

In 1939-1941, of the regular general fund revenues, inheritance tax yields showed a reduction of about \$14.0 million, while yields from all other regular taxes remained about the same as in the preceding biennium. Emergency tax receipts, however, increased further to \$167.8 million, an increase of 7 percent over the yields of \$156.4 million for the preceding biennium, while Liquor Store profits increased another \$2.0 million. Receipts, earmarked for specific purposes, increased again in 1939-1941 to \$63.2 million, an increase of 34 percent over those of the preceding biennium, due largely to further increased grants from the federal government for the administration of the social security program. The total revenues of the biennium increased to \$446.3 million, an increase of \$16.9 million or 4 percent over the previous biennium. The increase in total revenues was due almost entirely to increased federal grants for specific purposes.

The improved economic conditions, due to the war and earlier preparation for war, materially affected the general fund revenues for the 1941-1943 biennium. With the exception of inheritance taxes, every major item of the State's general fund revenues showed material increases. Receipts from emergency taxes and emergency rates increased to \$213.4 million, or 27 percent over the yields of \$167.8 million for the previous biennium.

Receipts for specific purposes in 1941-1943 increased further to \$87.8 million, or 39 percent over the \$63.2 million of the preceding biennium, due to further increases in federal grants for the social security program and for special educational programs, primarily vocational education for defense training. The total revenues of the General Fund for this biennium increased to the unprecedented amount of \$536.0 million, an increase of 20 percent over the previous biennium and 279 percent over the revenues of \$141.4 million for the 1923-1925 biennium.

It is interesting to note that, beginning with 1935, when the emergency taxes and emergency rates on normal taxes were first enacted, the primary consideration was to provide additional revenues to meet an emergency problem—namely, public assistance. However, subsequent reliance on the special emergency taxes, as permanent sources of revenues, has increased, while the need for public assistance has declined sharply since 1941. The tremendous increases in the yields from emergency taxes from 1935 to 1943 were accompanied by increased receipts from regular taxes, due largely to the elimination of the manufacturers' exemption from the capital stock tax, the foreign franchise tax, and improved economic conditions.

SUMMARY

The General Fund of the Commonwealth

The expenditures from the General Fund, covered by Part III of this report, as summarized in the following paragraphs, differ substantially from those in Part I, where the General Fund was treated as one of the Commonwealth's many operating funds. In Part I, all expenditures of the operating funds of the Commonwealth are reported on a cash basis—that is, they represent the total cash disbursements of each biennium without regard to the biennia for which the appropriations were made by the General Assembly. In Part III, for the General Fund only, it has been possible to allocate to each the biennium actual expenditures, made from appropriations applicable to that biennium. This approach presents a more accurate picture of the operating results of the General Fund for each biennium and for the entire period, 1923-1943. It introduces, however, in Part III and in the following summary paragraphs, expenditure totals, which are not directly comparable with those for the General Fund, appearing in Part I of this study.

Operating Results of the General Fund—1923-1943

The General Fund entered the period, 1923-1943, in a very weak fiscal position. Cash on hand, as of May 31, 1923, amounted to only \$31 thousand, while the accumulated net deficit amounted to more than \$32 million. From this point until May 31, 1931, the general fund operations resulted in biennial surpluses, which produced an accumulated surplus of \$11.2 million, as early as the end of the 1925-1927 biennium. The end of the 1929-1931 biennium found the General Fund with a cash balance of \$49.1 million, as against accumulated liabilities of only \$10.3 million, or an accumulated surplus of \$38.8 million. In the five succeeding biennia, general fund operations resulted in four biennial operating deficits and one operating surplus (1935-1937). Consequently, by the end of the period on May 31, 1941, the General Fund's position again had become highly unfavorable. Although there was a cash balance of \$16.2 million, the general fund's liabilities amounted to \$106.2 million, comprised of outstanding inter-fund loans, \$70.6 million; liabilities for unexpended appropriations, \$28.1 million; and outstanding general expense bonds of \$7.5 million. Consequently, the accumulated deficit of the General Fund at the beginning of the 1941-1943 biennium amounted to \$90 million.

In 1941-1943 exceptional revenue yields, coupled with a substantial decrease in expenditures for public assistance, and operating economies, effected during the biennium, produced a biennial operating surplus of \$113.2 million. The operations of this biennium permitted the reduction of outstanding inter-fund loans by \$70.1 million, of appropriation liabilities by \$16.5 million, and of outstanding general expense bonds by \$5 million. At the end of the 1941-1943 biennium the cash balance of the General Fund had increased to \$37.9 million, while the accumulated deficit of \$90 million, prevailing at the beginning of the biennium, had been converted to an accumulated surplus of \$23.2 million.

During the entire period, 1923-1943, the general fund's revenues amounted to \$2.591 billion, while its expenditures were \$2.535 billion, resulting in a surplus for the period of \$55.3 million. The position of the fund changed from an accumulated deficit of \$32.1 million at the beginning of the period to an accumulated surplus of \$23.2 million at its close.

Biennial Expenditures

General fund's disbursements amounted to \$2.732 billion in the entire period, 1923-1943. This total, however, includes certain non-recurring items, aggregating \$16.6 million, consisting of highway expenditures, liquid fuels tax receipts returned to political subdivisions, and certain transfers to other state funds, which must be disregarded in order to permit proper comparison of the general fund expenditures of various biennia in the period. The elimination of these minor items provides a total of comparable, general fund expenditures of \$2.715 billion.

Between 1923-1925 and 1929-1931, when the results of financial operations of the General Fund were increasingly favorable, general fund expenditures increased 77.9 percent, rising from \$106.8 million to \$190.1 million. By 1933-1935 these expenditures had increased only \$44.6 million over those of 1929-1931, despite the addition of emergency unemployment relief and other public assistance expenditures. From 1935-1937 to 1939-1941, however, general fund expenditures increased at a tremendous rate. The 1933-1935 expenditures of \$234.7 million, which were 120 percent greater than those of 1923-1925, were followed by \$348.5 million in 1935-1937 and climaxed by expenditures of \$478.2 million in 1939-1941, an increase of 348 percent over 1923-1925. In 1941-1943 decreased expenditures for public assistance and operating economies resulted in a decline in total expenditures of the General Fund to \$426.8 million, an amount, which was, nevertheless, four times as great as the general fund expenditures at the beginning of the twenty-year period.

Expenditures from Federal Grants

The general fund's expenditures from federal grants for the entire period, 1923-1943, although they amounted to \$173.2 million, represented only 6.4 percent of the general fund's total expenditures for the period. Public assistance expenditures from federal grants, amounting to \$131.6 million or 76.0 percent of the total, expended from federal grants, predominated, while expenditures from federal grants for public instruction in the amount of \$34.3 million, or 19.8 percent of the total federal grants expended, were second. The Department of Labor and Industry expended for industrial rehabilitation

purposes \$2.9 million from federal grants, or 1.7 percent of total federal monies expended from grants to the General Fund. The percentages of total federal grants expended for other purposes were: for forests and waters, 0.8 percent; by Department of Property and Supplies for construction purposes, 0.3 percent; for welfare and health purposes, 0.3 percent; and, for all other purposes, 1.1 percent.

The relative importance of federal grants in the period, 1923-1943, is illustrated by the share of total general fund expenditures for various functions which was financed from federal grants. By far the most important was the expenditure from federal grants for public assistance, which amounted to 14.2 percent of the total expended from the General Fund for this purpose. The next largest expenditure, by function, from federal grants was that for labor and industry, which represented 9.2 percent of total expenditures for that department. Public instruction expenditures from federal grants represented 3.8 percent of total public instruction expenditures from the General Fund while expenditures from federal grants for forests and waters constituted 2.2 percent; for property and supplies, 0.6 percent; for welfare and health, 0.1 percent; and for all other purposes, 1.4 percent, of the expenditure totals for these respective purposes.

Public Assistance

The only public assistance expenditures of the Commonwealth up to 1931 were its share of the cost of furnishing aid to mothers of dependent children, for, until then, public assistance was considered a municipal, rather than a State function. During the biennium, 1931-1933, however, state expenditures for public assistance, including mothers aid, amounted to \$33 million or 15.7 percent of total general fund expenditures. During the next biennium, 1933-1935, old age assistance and pensions for the blind were undertaken and total expenditures for public assistance rose to \$65 million or 27.8 percent of general fund expenditures. The next two biennia saw public assistance expenditures absorb 47.0 and 53.0 percent, respectively, of the total expenditures of the General Fund, but the 1941-1943 biennial expenditures for this purpose dropped back to the level of 1935-1937 and constituted only 38.8 percent of all general fund expenditures. The expenditures for general assistance steadily declined from 86.9 percent of the total

general fund expenditures for public assistance in 1933-1935 to 23.7 percent in 1941-1943, while the "categories," i. e., aid to the blind, to the aged, and to dependent children, grew steadily from 12.4 percent to 65.3 percent of total expenditures for public assistance in the same periods. In the entire period, 1923-1943, public assistance expenditures of \$933.5 million represented 34.4 percent of the general fund's expenditures.

In addition to these expenditures of the General Fund for public assistance, of which 85.9 percent was financed from state monies and 14.1 percent from federal grants, direct federal expenditures by F.E.R.A. and C.W.A., which did not flow through the State Treasury, amounted to \$342 million in the three biennia 1931-1937, while similar expenditures within the Commonwealth by the Federal W.P.A. in 1935-1943 amounted to \$805 million, exclusive of state and local sponsors' shares.

Department of Public Instruction

Expenditures of the Department of Public Instruction from the General Fund increased steadily, rising from \$57.3 million in 1923-1925 to \$133.1 million in 1941-1943, an increase of 132 percent. Of the total expenditures of \$902.2 million, by this department over the entire twenty-year period 96.2 percent was derived from state monies and the balance from federal grants. Expenditures of this department accounted for 32.2 percent of general fund total expenditures in the twenty-year period.

Departments of Welfare and Health

General fund expenditures for welfare and health during the twenty-year period amounted to \$370 million. Expenditures for the Department of Welfare increased each biennium, with the exception of 1933-1935, from \$15.5 million to \$49.9 million and for the Department of Health from \$4.3 million in 1923-1925 to \$7.4 million in 1941-1943. In the aggregate, the sum of \$370.5 million, expended in 1923-1943 for these two functions, represented 13.7 percent of general fund expenditures.

Debt Service

Debt service expenditures from the General Fund in the twenty-year period began with the issue of \$25 million of general expense

bonds in 1933 to finance the accumulated operating deficit. In addition, there were two bond issues, totalling \$50 million, for veterans' bonuses, distributed in the 1933-1935 biennium. These issues necessitated payment of interest and sinking fund requirements. Interest charges were likewise paid on short-term tax anticipation notes, which were first issued in 1935-1937. Total debt service charges increased from \$3.9 million in 1933-1935 to \$15.9 million in 1941-1943, though debt service charges for the long-term bonded debt have been substantially reduced by the retirement of the last of the general expense bonds on December 1, 1943. Debt service on the veterans' compensation bonds will continue until 1955. Total general fund expenditures for debt service from 1933 to 1943 amounted to \$65.9 million, but represented only 2.4 percent of the total expenditures of the General Fund in the 1923-1943 period.

Property and Supplies

General fund expenditures for the Department of Property and Supplies fluctuated widely during the period, as the duties of the department were changed by delegation to it of the function of constructing major capital improvements for other departments and agencies and as federal grants were received for construction purposes. In total, the department's expenditures amounted to \$98.8 million, or 3.6 percent of the 1923-1943 expenditures from the General Fund.

All Other

General fund expenditures of the Department of Labor and Industry amounted to \$28.3 million for 1923-1943 and those of the Department of Mines amounted to \$6.3 million. Expenditures from the General Fund for Military Affairs and State Police amounted to \$66.3 million, while expenditures for financial administration amounted to \$42 million, as follows: Treasury, \$11.1 million; Auditor General, \$14.2 million; and, Department of Revenue, \$16.7 million.

Combined expenditures for all other state departments from the General Fund during the entire twenty-year period amounted to \$136.3 million made up as follows: Judiciary, \$46.7 million; Legislature \$18.3 million; minor departments and commissions, \$55.0 million; special commissions, and other general expenses, \$16.3 million.

Revenue Receipts

From 1923 to 1931 revenues of the General Fund increased faster than expenditures, while from 1931 to 1935 they decreased faster than expenditures, due to the fluctuating yield of the normal taxes under boom and depression conditions and the addition of public assistance expenditures. Following 1935, emergency taxes and emergency rates on normal taxes again greatly increased revenues. From 1923 to 1935 federal grants amounted to only 1 percent of general fund revenues, but they had increased by 1941-1943 to 13.4 percent. The three normal taxes, the yields of which amounted to 90.1 of total general fund tax revenue in 1923-1925, decreased proportionately in 1941-1943 to 40.8 percent. Total biennial revenues of the General Fund increased from \$141.4 million in 1923-1925 to a high, before the depression, of \$201.5 million in 1929-1931. After receding to a low of \$164.0 million in 1933-1935, a new high level of revenue was established by the emergency tax measures of 1935 and 1936, which resulted in a revenue high of \$536.0 million in 1941-1943. The chief factors in the increase of general fund revenues after 1935 were the emergency taxes and tax rates, increased federal grants, and liquor store profits.¹

¹ For a detailed analysis of the tax revenues and other receipts of the Commonwealth, by sources, see Report of the Joint State Government Commission, entitled "The Tax Structure and Revenues of the General Fund of the Commonwealth of Pennsylvania," published June 23, 1944.

Part IV: FISCAL ANALYSIS OF THE MOTOR LICENSE FUND AND HIGHWAY EXPENDITURES 1923-1943

The Commonwealth first undertook regulation of motor vehicles and their operation in 1903, when by Act of April 23 (P. L. 268) all automobiles were required to be registered with the local prothonotaries. The registration fees, according to the provisions of the statute, were retained by the local official or turned over to the county or city, wherein the registrations were filed.

The State Highway Department was established by the Act of May 1, 1905 (P. L. 318). Another act of April 19, 1905 (P. L. 27), required that all operators of automobiles be licensed by the department. Receipts from these licenses were allocated by the act to the use of the State Highway Department.

The Act of April 27, 1909 (P. L. 174), provided for state registration of all motor vehicles as well as licensing of all operators. All revenues derived under the provisions of that act were to be used exclusively for the improvement of roads in the Commonwealth.

Four years later the General Assembly finally passed the Motor Vehicles Act of July 7, 1913 (P. L. 672), which provided that all monies derived from motor vehicle registrations and license fees be segregated by the State Treasurer in a separate fund for the use of the State Highway Department upon requisition of the State Highway Commissioner. These monies were specifically appropriated by this act to the State Highway Department for the purpose of *assisting* in the construction, maintenance, improvement, and repair of state highway and state-aid highways. Other expenditures for the State Highway Department continued to be made from the General Fund until 1929-1931.

Another section of the Act of 1913 provided that all fines and penalties, collected for violations of the act, be paid into the State Treasury, except those for violations of provisions with respect to the

speed and weight of motor vehicles, which were made payable to the treasurer of the city, borough, town, or township, where the violation occurred, and were dedicated for highway purposes therein.

A separate fund and *specific* dedication of the state's entire share of motor vehicle fines and penalties to highway purposes was not established until the Act of June 30, 1919 (P. L. 678). That Act required that the State Treasurer place all such monies in a deposit fund for the use of the State Highway Department. However, from 1913 to 1925, when the Motor License Fund was established by the Act of April 27, 1925, (P. L. 282), all monies, appropriated to or reserved for, the use of the State Highway Department, were accounted for under a fund, known as the Motor Fund.

In 1919 an official highway fund, the State Road Bond Fund, was established by statute. The General Assembly by Act of April 18, 1919 (P. L. 62), authorized the sale of bonds, in amounts not exceeding \$50 million, for the construction and maintenance of state highways. The proceeds of these bonds were segregated in a separate fund, designated as the State Road Bond Fund, and were specifically appropriated to the State Highway Department for the purpose of improving and rebuilding the highways of the Commonwealth. This fund was used as a depository for all bond proceeds and other monies to finance the Commonwealth's highway construction program until the road bond proceeds were exhausted in 1927-1929.

In 1921 the General Assembly levied the first tax on the sale of gasoline at a rate of one cent per gallon. The receipts from this tax were shared equally between the state and counties, as provided in the Act of May 20, 1921 (P. L. 1021), which required that 50 percent of the receipts were to be credited to the county, where they were collected, and used for construction, reconstruction, maintenance, and repair of roads and highways, and for payment of interest on county bonds, issued for highway purposes. From 1921 to 1927, although no specific instruction was provided by statute, the counties' share of the gasoline tax receipts was segregated in a fund, known as the Gasoline Tax Fund.

The State's share of the gasoline tax receipts was placed in the General Fund of the Commonwealth by the Acts of 1921 and 1923, the latter of which re-enacted the gasoline sales tax as a tax on liquid fuels, and added an emergency tax of one cent per gallon for state purposes.

The Act of June 14, 1923 (P. L. 718), amending the Motor Vehicle Act, of June 30, 1919 (P. L. 678), failed to re-enact the earlier provision that registration and operators fees be placed in a separate fund, but again specifically appropriated such receipts to the State Highway Department for the purpose of assisting in the maintenance and construction of state highways and for payment of specified salaries and expenses, necessary to effectuate the work of the State Highway Department and the Highway Police. The Administrative Code, enacted June 7, 1923 (P. L. 498), reorganized the State Highway Department and changed its designation to Department of Highways. Despite the failure of the General Assembly to designate an official, separate fund for these receipts, they were still carried under the "Motor Fund" until 1925.

In 1925 the General Assembly officially created the Motor License Fund by the Act of April 27, 1925 (P. L. 282), which provided that "moneys . . . from registration and license fees and from fines and penalties collected under the provisions of this act for violations of the same and forfeited bail and other miscellaneous receipts shall be paid by the Department of Highways into the State Treasury, there to be kept separate and from all other moneys in the State Treasury, and to be known as the 'Motor License Fund.' "

This Act also made a "blanket" appropriation from the new fund to the State Board of Finance and Revenue for debt service on road bonds and another "blanket" appropriation to the Department of Highways for construction, reconstruction, improvement, maintenance, and repair of highways. Motor License Fund monies were thereby generally appropriated for highway replacement, maintenance, and construction and for all general departmental purposes, except the salary of the Secretary of Highways and other minor items. No administrative controls of expenditures from the fund for these purposes were provided by this Act. Another measure, the Act of May 14, 1925 (P. L. 695), provided for the payment of the state's share of the liquid fuels tax into the Motor License Fund and appropriated these monies to general operations of the Department of Highways.

As a result of these Acts of 1925, the Motor License Fund became the prime source of highway expenditures of the Commonwealth, although the General Fund continued to finance a small part of the De-

partment of Highways' salaries and general expenses and the State Road Bond Fund was still operative. In 1927-1929, the (unofficial) Gasoline Tax Fund was abandoned and the counties' share of the gasoline tax was placed in and disbursed from the General Fund. This was also the last biennium in which the State Road Bond Fund was operative.

The Act of April 9, 1929 (P. L. 343), known as the Fiscal Code, directed that the state's share of the liquid fuels tax be placed in the Motor License Fund together with all monies arising from or incidental to state highway operations. The act provided that the portion of the liquid fuels tax, to be returned to the counties, be placed in a newly-created Liquid Fuels Tax Fund. As a consequence in the 1929-1931 biennium all state highway expenditures, with the exception of \$24 thousand from the General Fund, were made from the Motor License Fund.

In 1929, with the codification of the fiscal laws in the Fiscal Code, and the enactment of a new Administrative Code, the Act of May 1, 1929 (P. L. 1046) was passed with respect to appropriations from the Motor License Fund. This act has been amended from time to time. Current legislation provides for "blanket" appropriations from the Motor License Fund to the following state agencies:

- (a) Board of Finance and Revenue for debt service¹ on outstanding road bonds and for refunds of over-payment of fees, et cetera;
- (b) Department of Revenue for costs of collection of Motor License Fund receipts;
- (c) Department of Highways for general highway purposes of construction and maintenance and for departmental expense;
- (d) Pennsylvania State Police for policing state highways.

Administrative controls of these "blanket" appropriations were provided by the 1929 act and subsequent amendments, which require that these four agencies furnish to the Governor, from time to time, estimates of proposed expenditures and make it unlawful for the Auditor General to honor any expenditure requisitions from the Motor License Fund in excess of amounts specifically approved by the Governor.

¹ While the Board of Finance and Revenue is authorized to pay debt service charges without further appropriation, it has been the practice for the General Assembly to make specific appropriations for debt service on road bonds.

In addition to these blanket appropriations, the General Assembly also makes, from time to time, appropriations from the fund in specific amounts and for specific purposes. From 1923 to 1943, expenditures under "blanket" appropriations from the fund amounted to \$984.4 million, while \$228.3 million were expended from the fund under specific legislative appropriations. In other words, over the twenty-year period the state agencies spent more than four times as much money for highway purposes without specific legislative approval as they spent under specific direction.

In the discussion that follows all specific appropriations are referred to as "appropriations," while all expenditure estimates, approved by the Governor from "blanket" appropriations, are referred to as "allocations," in accord with the terminology of the Budget Bureau of the Governor's Office.

Motor License Fund Receipts, Expenditures, and Balances— 1923-1943

The biennial receipts, expenditures, and balances of the Motor License Fund¹ from 1923 to 1943 are shown in the following table:

MOTOR LICENSE FUND RECEIPTS, EXPENDITURES, AND BALANCES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i>	<i>Expend- itures</i>	<i>Excess of Receipts Over Expend- itures</i>	<i>Balance at End of Biennium</i>		
				<i>Cash Balances</i>	<i>Loans Due From General Fund</i>	<i>Total Balance</i>
6-21-1923 .....	.....	.....	.....	12,048	None	12,048
1923-1925	46,878	54,143	— 7,265 ²	4,784	None	4,784
1925-1927	68,609	51,494	17,115	21,899	None	21,899
1927-1929	103,689	97,046	6,643	28,542	None	28,542
1929-1931	146,129	159,764	—13,645 ²	14,907	None	14,907
1931-1933	130,565	129,459	1,106	16,014	None	16,014
1933-1935	123,139	125,955	— 2,816 ²	6,958	6,240	13,198
1935-1937	141,809	115,962	25,847	19,829	19,216	39,045
1937-1939	155,741	169,074	—13,333 ²	8,213	17,500	25,713
1939-1941	174,215	147,437	26,778	4,940	47,550	52,490
1941-1943	160,804	162,292	— 1,488 ²	51,002	None	51,002
Totals	<u>1,251,578</u>	<u>1,212,626</u>	<u>38,952</u>	<u>51,002</u>	<u>None</u>	<u>51,002</u>

¹ The Motor Fund until 1925; the Motor License Fund thereafter.

² Excess of expenditures over receipts.

The receipts of the fund rose from \$46.9 million in 1923-1925 biennium to a high of \$174.2 million in 1939-1941, with receipts of \$160.8 million in 1941-1943 ranking second highest during the entire period, 1923-1943. The history of the receipts of this fund shows a rapid rise in the period 1923-1931. The 1925-1927 receipts increased over those of 1923-1925 by 46 percent to \$68.6 million; the 1927-1929 receipts increased by 51 percent over 1925-1927 receipts to \$103.7 million; and 1929-1931 receipts showed a further sizeable rise to \$146.1 million, an increase of 41 percent over those of 1927-1929. During the 1931-1935 period receipts fell off. However, from 1933 to 1941, the fund again showed sizeable increases in each biennium. Expenditures from the fund from 1923 to 1943 were very irregular. There was, apparently, little relation between biennial receipts and expenditures. The irregular amounts, expended from the fund in each biennium, resulted in biennial receipts exceeding biennial expenditures, or vice-versa, by large amounts, although there was always a sizeable balance in the fund at the end of each biennium, with the exception of 1923-1925.

Receipts and Expenditures of the Commonwealth for Highway Purposes—1923-1943

In order to place the Motor License Fund in its proper perspective in relation to the Commonwealth's total receipts and expenditures for highway purposes, it is necessary to consider other funds, which also financed state highway operations in the twenty-year period, 1923-1943. These funds are the General Fund, State Road Bond Fund, National Industrial Recovery Highway Fund, and the Liquid Fuels Tax Fund. In the next two tables, the Commonwealth's total receipts and expenditures for highway purposes are distributed between the Motor License Fund and all other funds.

Commonwealth Receipts for Highway Purposes—1923-1943

Over the twenty-year period, 1923-1943, Motor License Fund receipts amounted to \$1,252 million or 82.8 percent of total receipts of \$1,512 million for highway purposes. In 1923-1925 only 51.8 percent of total receipts for highway purposes were deposited in the Motor Fund and in 1925-1927, the first biennium of official designation of the Motor License Fund, its receipts were only 54.6 percent of the total receipts for highway purposes, as appears in the following table:

COMMONWEALTH RECEIPTS¹ FOR HIGHWAY PURPOSES
—ALL KINDS—1923-1943
(in thousands of dollars)

<i>Biennium</i>	<i>Total Amount</i>	<i>Motor License Fund²</i>		<i>Other Funds</i>	
		<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>
1923-1925	90,492	46,878	51.8	43,614	48.2
1925-1927	125,648	68,609	54.6	57,039	45.4
1927-1929	118,137	103,689	87.7	14,448	12.2
1929-1931	155,775	146,129	93.8	9,646	6.2
1931-1933	141,131	130,565	92.5	10,566	7.5
1933-1935	155,769	123,139	79.1	32,630	20.9
1935-1937	170,922	141,809	83.0	29,113	17.0
1937-1939	187,330	155,741	83.1	31,589	16.9
1939-1941	191,362	174,215	91.0	17,147	9.0
1941-1943	175,205	160,804	91.8	14,401	8.2
Totals	1,511,771	1,251,578	82.8	260,193	17.2

¹ Includes proceeds from road bonds.

² The Motor Fund until 1925; the Motor License Fund thereafter.

In 1929-1931, when all *state* highway operations were financed from the Motor License Fund, its proportionate share of total receipts for highway purposes rose to 93.8 percent, the highest in the two decades. From 1933 to 1943, the introduction of federal monies through the National Industrial Recovery Highway Funds, reduced the proportion of Motor License Fund receipts as low as 79.1 percent of the total receipts for highway purposes in 1933-1935, but, thereafter, the proportion again increased throughout the period until, in 1941-1943, 91.8 percent of total receipts for highway purposes were deposited in the Motor License Fund.

Commonwealth Expenditures³ for Highway Purposes—1923-1943

The distribution of expenditures for highway purposes between the Motor License Fund and all other funds follows the general pattern of that for receipts. Certain differences appear in 1925-1927, due to heavy expenditures from the State Road Bond Fund in that biennium, and in some biennia of the 1933-1943 period, when lack of ready cash in the Liquid Fuels Tax Fund, caused by loans, made by this fund to the General Fund, resulted in disbursement of irregular amounts to

³ Includes debt service payments. See also page 33 of Part I in regard to duplication of expenditures.

the counties. This accounts for the decline in the proportion of Motor License Fund expenditures from 93.5 percent of total expenditures for highway purposes in 1939-1941 to 87.3 percent in 1941-1943. In the first of these two biennia about one-half of the amount, due the counties from the Liquid Fuels Tax Fund was returned to them, while in 1941-1943, to make necessary adjustments, one and one-half times the usual biennial disbursements were made from this fund.

Over the twenty-year period, 1923-1943, withdrawals from the Motor License Fund accounted for 81.9 percent of the total expenditures for highway purposes. The biennial proportion of Motor License Fund expenditures varied from 43.2 percent of total state highway disbursements in 1925-1927 to 94.6 percent in 1929-1931, shown as follows:

**COMMONWEALTH EXPENDITURES FOR HIGHWAY
PURPOSES—ALL FUNDS—1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Total Amount</i>	<i>Motor License Fund</i> ¹		<i>Other Funds</i>	
		<i>Amount</i>	<i>Percent of Total</i>	<i>Amount</i>	<i>Percent of Total</i>
1923-1925	88,633	54,143	61.1	34,490	38.9
1925-1927	119,129	51,494	43.2	67,635	56.8
1927-1929	119,685	97,045	81.1	22,640	18.9
1929-1931	168,889	159,764	94.6	9,125	5.4
1931-1933	139,364	129,459	92.9	9,905	7.1
1933-1935	155,113	125,955	81.2	29,158	18.8
1935-1937	147,321	115,962	78.7	31,359	21.3
1937-1939	199,386	169,074	84.8	30,312	15.2
1939-1941	157,697	147,437	93.5	10,260	6.5
1941-1943	185,924	162,293	87.3	23,631	7.3
Totals	<u>1,481,141</u>	<u>1,212,626</u>	<u>81.9</u>	<u>268,515</u>	<u>18.1</u>

¹ The Motor Fund until 1925; the Motor License Fund thereafter.

The introduction of the National Industrial Recovery Highways Fund in 1933-1935 reduced the proportion of Motor License Fund expenditures in that biennium to 81.2 percent of the total expenditures for highway purposes and in 1935-1937 and 1937-1939 to 78.7 percent and 84.8 percent, respectively. The irregular disbursements from the Liquid Fuels Tax Fund, mentioned earlier caused the large difference in the proportionate distribution of total expenditures for highway purposes in the last two biennia.

Relation of the Commonwealth's Receipts and Expenditures for Highways to its Total Receipts and Expenditures for All Purposes—1923-1943

In the twenty-year period, 1923-1943, one-third of the total expenditures of the Commonwealth for all purposes was for highways. Proportionately, expenditures for highway purposes were largest from 1923 to 1931, when biennial expenditures ranged from 42.3 percent of total Commonwealth expenditures in 1923-1925 to 47.7 percent in 1925-1927. In 1929-1931, immediately preceding the depression, the biennial expenditures for highway purposes amounted to 46.4 percent of the Commonwealth's total expenditures.

From 1923-1925 to 1929-1931 the total expenditures of the Commonwealth for all purposes increased from \$222.8 million to \$361.4 million, or 62.2 percent, while expenditures for highway purposes in the same period increased from \$90.5 million to \$155.8 million, or by 72.1 percent, as may be observed in the following table which presents total receipts and expenditures of the Commonwealth for all purposes between 1923 and 1943, as well as receipts and expenditures for highway purposes in the same period:

RECEIPTS¹ AND EXPENDITURES² OF THE COMMONWEALTH FOR ALL PURPOSES AND FOR HIGHWAY PURPOSES—ALL FUNDS—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total for All Purposes</i>	<i>Receipts</i>		<i>Expenditures</i>		
		<i>Highway Purposes</i>	<i>Percent of Total</i>	<i>Total for All Purposes</i>	<i>Highway Purposes</i>	<i>Percent of Total</i>
1923-1925	222,757	90,492	40.6	209,716	88,633	42.3
1925-1927	274,650	125,648	45.7	249,606	119,129	47.7
1927-1929	285,338	118,137	41.4	269,387	119,685	44.4
1929-1931	361,401	155,775	43.1	364,313	168,889	46.4
1931-1933	327,744	141,131	43.1	354,237	139,364	39.3
1933-1935	414,544	155,769	37.6	435,256	155,113	35.6
1935-1937	548,065	170,922	31.2	527,981	147,321	27.9
1937-1939	645,947	187,330	29.0	666,969	199,386	29.9
1939-1941	663,977	191,362	28.8	659,288	157,697	23.9
1941-1943	734,173	175,205	23.9	657,259	185,924	28.3
Totals	<u>4,478,596</u>	<u>1,511,771</u>	<u>33.8</u>	<u>4,394,012</u>	<u>1,481,141</u>	<u>33.1</u>

¹ Includes proceeds from road bonds.

² Includes debt service payments. See also page 33 of Part I in regard to duplication of expenditures.

From 1931 to 1935 decreased expenditures from state monies for highway purposes and assumption by the Commonwealth of an increasing burden of relief resulted in a decline in the proportion of highway expenditures to total expenditures for all purposes to 39.3 percent in 1931-1933 and still further to 35.6 percent in 1933-1935.

After 1935 the rate of increase of total expenditures of the Commonwealth was much greater than that for highway purposes, due chiefly to the state-federal public assistance programs, introduced in 1935-1937. Consequently, the proportion of expenditures for highway purposes to total Commonwealth expenditures declined further to 27.9 percent in 1935-1937. Since then, the highest proportion of expenditures for highway purposes total expenditures by the Commonwealth was in 1937-1939, when peak expenditures of \$199.4 million for highway purposes represented 29.9 percent of total expenditures by the Commonwealth of \$645.9 million for all purposes.

The history of the receipts for highway purposes shows the same general trends as that of expenditures. From 1923 to 1933, biennial receipts including bond proceeds for highway purposes were never less than 40.6 percent of the Commonwealth's total receipts and ranged as high as 45.7 percent. After 1933, the proportion of receipts for highway purposes to total receipts declined in each of the five biennia, dropping from 37.6 percent of the Commonwealth's total receipts in 1933-1935 to 23.9 percent in 1941-1943. In the two biennia, 1937-1941, the most normal period in the decade, receipts for highway purposes amounted to 29.0 percent of total receipts in 1937-1939 and 28.8 percent in 1939-1941. Receipts for highway purposes in the twenty-year period, 1923-1943, were 33.8 percent of the total receipts of the Commonwealth.

Total Expenditures of the Commonwealth for Highway Purposes —1923-1943

In the two decades, 1923-1943, the Commonwealth's total expenditures for highway purposes amounted to \$1,481 million. With the exception of the period, 1925-1929, when the major construction program was financed from the State Road Bond Fund, biennial expenditures were very irregular, despite an overall upward trend, ranging from a low of \$88.6 million in 1923-1925 to a high of \$199.4 million

in 1937-1939. In 1939-1941 total expenditures for highway purposes dropped to \$157.7 million, but, characteristically, rose again to \$185.9 million in 1941-1943.

Included in the total expenditures for highway purposes by the Commonwealth are regular disbursements, consisting of payments to the counties of their share of the liquid fuels tax, amounting to \$102.5 million or 6.9 percent of total highway expenditures from 1923 to 1943. The liquid fuels tax law required that 0.5 cent per gallon of the state's total tax on liquid fuels be deposited in a special fund for return to the various counties according to a legislative formula. As previously noted, the counties' use of this money is restricted to highway purposes.

The distribution of total expenditures of the Commonwealth for highway purposes among the funds is approximately the same as in the case of highway receipts. Of the Commonwealth's total expenditures of \$1,481 million, over the entire period the Motor License Fund expended \$1,213 million or 81.9 percent; the Liquid Fuels Tax Fund, \$102.5 million or 6.9 percent; the State Road Bond Fund, \$82.8 million, 5.6 percent; the National Industrial Recovery Highways Fund, \$58.2 million or 4 percent; and the General Fund, \$24.9 million or 1.7 percent. The biennial expenditures, by funds, are presented in the following table:

**TOTAL EXPENDITURES FOR HIGHWAY PURPOSES—
BY FUNDS—1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Total</i>	<i>Motor License Fund</i>	<i>State Road Bond Fund</i>	<i>N. I. R. Highways</i>	<i>General Fund</i>	<i>Liquid Fuels Tax Fund</i>
1923-1925	88,633	54,143	10,728	.....	19,604	4,158
1925-1927	119,129	51,494	57,169	.....	4,855	5,611
1927-1929	119,685	97,045	14,944	.....	440	7,256 ¹
1929-1931	168,889	159,764	.....	.....	24	9,101
1931-1933	139,364	129,459	.....	.....	.....	9,905
1933-1935	155,113	125,955	.....	21,552	.....	7,606
1935-1937	147,321	115,962	.....	16,461	.....	14,898
1937-1939	199,386	169,074	.....	16,524	.....	13,788
1939-1941	157,697	147,437	.....	2,838	.....	7,422
1941-1943	185,924	162,293	.....	868	3	22,760
Totals	1,481,141	1,212,626	82,841	58,243	24,926	102,505

¹ Expended by the General Fund this biennium.

Over the period, 1923 to 1943, total expenditures for highways by the Commonwealth increased from \$88.6 million in 1923-1925 to a high of \$199.4 million in 1937-1939. The total of \$185.9 million in 1941-1943, however, includes about \$8 million of disbursements, which are applicable to the preceding biennium, due to the payment to the counties in 1941-1943 of one year's liquid fuels tax receipts, which should have been disbursed from the Liquid Fuels Tax Fund in the preceding biennium. Nevertheless, the highway expenditure trend has been almost consistently upward and the Commonwealth's expenditures for highway purposes have more than doubled within a period of twenty years.

General Fund Receipts and Expenditures for Highway Purposes¹ —1923-1931

Until 1913 all expenditures for highways were made from the General Fund. The two highway funds, the Motor Fund, established unofficially in 1913 and the State Road Bond Fund, established in 1919, were restricted to expenditures for highway construction and improvement, or for maintenance and repair purposes, so that all departmental expenses for highways continued to be paid from the General Fund until 1923. In that year, the appropriation of motor registration and operators' license fees to the Department of Highways specified certain items of departmental expense, which could be paid from these revenues. The number of these items was increased, when the Motor License Fund was established in 1925, but it was not until 1931 that all expenditures for state highway construction, maintenance and improvement and departmental expenses were paid from the Motor License Fund.

In the 1923-1925 biennium the general fund's highway receipts consisted chiefly of the state's share of the gasoline tax, highway contributions from local governments, and federal highway grants. In the following biennium, the greater part of the gasoline tax receipts were placed by the General Assembly in the Motor License Fund, but other highway receipts continued to be placed in the General Fund until 1929-1931. The receipts and expenditures of the General Fund for highway purposes over the eight-year period were as follows:

¹ Includes amounts for aviation purposes.

RECEIPTS AND EXPENDITURES OF THE GENERAL FUND FOR HIGHWAY PURPOSES—1923-1931

(in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i>		<i>Expenditures</i>	
	<i>Amount</i>	<i>Percent of Total Highway Receipts</i>	<i>Amount</i>	<i>Percent of Total Highway Expenditures</i>
1923-1925	15,698	17.3	19,604	22.1
1925-1927	4,006	3.2	4,855	4.1
1927-1929	338 ¹	.3	440 ²	0.4
1929-1931	32	....	24	....
Totals	20,074 ¹		24,483 ²	

¹ Does not include \$7.6 million of gasoline tax receipts, deposited in the General Fund for return to the counties.

² Does not include \$7.2 million of gasoline tax receipts, disbursed to the counties.

An immediate decrease in general fund expenditures for highway operations is apparent after the establishment of the Motor License Fund in 1925. In the preceding biennium, 1923-1925, the General Fund expended \$19.6 million or 22.1 percent of the Commonwealth's total for highway purposes and, due to gasoline tax receipts, received \$15.7 million or 17.3 percent of total highway receipts. After 1925, when highway operations were consolidated in the Motor License Fund, the highway operations of the General Fund were soon abandoned.

Liquid Fuels Tax Fund—1923-1943

From the inception of the sales tax on gasoline in 1921, the Commonwealth has paid to the counties, according to the provisions of the law, an amount equivalent to one-half cent per gallon. Until 1929, when the Liquid Fuels Tax Fund was established, the law required only that these amounts be *credited* to the counties. These monies were segregated however, in a "Gasoline Tax Fund" from 1921 to 1927, when they were deposited in the General Fund for the 1927-1929 biennium only.

The amounts deposited in the several funds over the twenty-year period for return to the counties and the disbursements therefrom have been as follows:

RECEIPTS AND EXPENDITURES OF THE LIQUID FUELS TAX FUND FOR HIGHWAY PURPOSES—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i>		<i>Expenditures</i>	
	<i>Amount</i>	<i>Percent of Total Highway Receipts</i>	<i>Amount</i>	<i>Percent of Total Highway Expenditures</i>
1923-1925 ¹	4,308	4.8	4,158	4.7
1925-1927 ¹	5,767	4.8	5,611	4.7
1927-1929 ²	7,637	6.5	7,256	6.1
1929-1931	9,614	6.2	9,101	5.4
1931-1933	10,566	7.5	9,905	7.1
1933-1935	10,764	6.9	7,606	4.0
1935-1937	12,620	7.4	14,898	10.1
1937-1939	14,092	7.5	13,788	6.9
1939-1941	15,318	8.0	7,422	4.7
1941-1943	14,072	8.0	22,760	12.2
Totals	<u>104,758</u>	<u>6.9</u>	<u>102,505</u>	<u>6.9</u>

¹ The counties' share of proceeds from the gasoline tax was deposited in and disbursed from a fund known as the "Gasoline Tax Fund."

² The counties' share of proceeds from the liquid fuels tax was deposited in and disbursed from the General Fund in this biennium.

The use of the monies returned to the counties is restricted by statute to highway purposes, the payment of damage claims incidental thereto, and for payment of interest and sinking fund charges on county bonds, the proceeds of which were used for highway and bridge purposes.

The yields of this tax, shared by the Commonwealth and the counties, increased steadily until 1941. However, because the monies in the Liquid Fuels Tax Fund were often borrowed by the General Fund in periods of emergency, payments to the counties sometimes have been withheld, pending repayment of these loans. In the 1939-1941 biennium, for instance, only one of two years' receipts were returned to the counties while, in 1941-1943, three years' receipts were returned within the biennium. The contrast between receipts and disbursements in these biennia are apparent in the foregoing table. Both receipts and disbursements during the two decades, 1923-1943, amounted to 6.9 percent of the Commonwealth's total receipts and expenditures for highway purposes.

STATE ROAD BOND FUND—1923-1929

The State Road Bond Fund was established in 1919 to handle the Commonwealth's post-war highway construction program. The proceeds of the sale of the Commonwealth's first \$50 million road bond issue were deposited in this fund. After 1923, proceeds of the second series of state road bonds, amounting to \$20 million in 1923-1925 and \$30 million in 1925-1927, were the fund's chief receipts. Other sources of receipts were federal grants for highway construction and state highway construction refunds. Expenditures from the fund were limited by statute to improvement and construction of the highways of the Commonwealth. In 1925, expenditures from the Motor License Fund for these purposes also were authorized and, after the exhaustion of the bond proceeds in 1927-1929, the State Road Bond Fund became inoperative.

The receipts and expenditures of the State Road Bond Fund from 1923 to 1929 were as follows:

RECEIPTS AND EXPENDITURES OF THE STATE ROAD BOND FUND FOR HIGHWAY PURPOSES—1923-1929 (in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i>		<i>Expenditures</i>	
	<i>Amount</i>	<i>Percent of Total Highway Receipts</i>	<i>Amount</i>	<i>Percent of Total Highway Expenditures</i>
1923-1925	23,508	26.0	10,728	12.0
1925-1927	47,266	37.6	57,169	48.0
1927-1929	6,473	5.5	14,944	12.5
Totals	<u>77,347</u>		<u>82,841</u>	

The effect of the State Road Bond Fund on total highway receipts and expenditures was particularly marked in 1925-1927, when its expenditures of \$57.2 million represented 48.0 percent of total expenditures for highway purposes. In the following biennium, the last of its operation, expenditures amounting to \$14.9 million, 12.5 percent of the total for highway purposes, were made from this fund.

National Industrial Recovery Highways—1933-1943

A federal "work relief," highway program, instituted in 1933 under the supervision of the Department of Highways, was financed en-

tirely from federal funds. Expenditures were heaviest in 1933-1935, the first biennium of the fund, when they amounted to \$21.6 million, or 13.9 percent of the total expended by the Commonwealth for highway purposes. In each of the two following biennia, expenditures from this fund amounted to about \$16.5 million, but their proportion to total expenditures for highway purposes decreased from 11.2 percent in 1935-1937 to 8.6 percent in 1937-1939. The biennial receipts and disbursements of the National Industrial Recovery Highway Fund were as follows:

RECEIPTS AND EXPENDITURES OF THE NATIONAL INDUSTRIAL RECOVERY HIGHWAY FUND FOR HIGHWAY PURPOSES—1933-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i>		<i>Expenditures</i>	
	<i>Amount</i>	<i>Percent of Total Highway Receipts</i>	<i>Amount</i>	<i>Percent of Total Highway Expenditures</i>
1933-1935	21,866	17.8	21,552	13.9
1935-1937	16,493	9.6	16,461	11.2
1937-1939	17,497	9.3	16,524	8.6
1939-1941	1,829	1.0	2,838	1.9
1941-1943	329	0.2	868	0.5
Totals	58,014		58,243	

The National Industrial Recovery Highway Fund was discontinued by lapse of federal appropriation at the end of 1941-1943 biennium, leaving the Liquid Fuels Tax Fund and the Motor License Fund the only active highway funds in the Commonwealth.

Federal Grants for Highway Purposes—1923-1943

An analysis of all receipts of the Commonwealth for highway purposes shows that in the period, 1923-1943, 10.3 percent of the total was derived from federal grants to the various funds. The proportion of federal grants to all highway receipts increased at a greater rate than receipts from other sources, rising between 1923 and 1933 from 5.3 percent in 1923-1925 to 10.7 percent in 1931-1933. The first biennium of the National Industrial Recovery Highway Fund, 1933-1935, further increased the proportion of federal grants to 17.4 percent, the peak of the twenty-year period. From 1939 to 1943 federal grants to

the National Industrial Recovery Highway Fund declined sharply and other federal highway grants were reduced, due to the war. Consequently, the proportion of federal grants to all highway receipts of the Commonwealth dropped from 16.2 percent in 1937-1939 to 8.2 percent in 1941-1943. The proportion in the latter biennium, however, was still larger than that in any biennium prior to 1931-1933. Federal grants for highway purposes increased, irregularly, from a low of \$4.8 million in 1923-1925 to a high of \$30.4 million in 1937-1939. In the latest biennium, 1941-1943, total federal grants amounted to \$14.3 million. The biennial federal grants, received for highway purposes are presented, by funds, in the following table:

**FEDERAL GRANTS—ALL HIGHWAY FUNDS—FOR
HIGHWAY PURPOSES—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Total Receipts for Highway Purposes</i>	<i>Federal Grants</i>	<i>Percent Federal Grants of Total Receipts</i>	<i>Distribution of Federal Grants</i>			
				<i>Motor License Fund</i>	<i>State Bond Road Fund</i>	<i>N.I.R. Highways Fund</i>	<i>General Fund</i>
1923-1925 ...	90,492	4,819	5.3	1,873	2,022	.....	924
1925-1927 ...	125,648	8,852	7.0	275	8,576	.....	1
1927-1929 ...	118,137	6,910	5.8	3,748	3,162	.....	...
1929-1931 ...	155,775	9,926	6.4	9,926	.....	.....	...
1931-1933 ...	141,131	15,153	10.7	15,153	.....	.....	...
1933-1935	155,769	27,154	17.4	5,288	.....	21,866	...
1935-1937 ...	170,922	21,240	12.4	4,747	.....	16,493	...
1937-1939 ...	187,330	30,428	16.2	12,931	.....	17,497	...
1939-1941 ...	191,362	17,453	9.1	15,624	.....	1,829	...
1941-1943 ...	175,205	14,345	8.2	14,016	.....	329	...
Totals	1,511,771	156,280	10.3	83,581	13,760	58,014	925

An analysis of the above table shows the proportionate distribution of federal grants among the various funds during the twenty-year period to be as follows:

Motor License Fund	53.5%
National Industrial Recovery Highways Fund	37.1%
State Bond Road Fund	8.8%
General Fund	0.6%
	100.0%

The entire receipts of the National Industrial Recovery Highway Fund consisted of federal grants, with the exception of a small amount of interest, earned on federal monies on deposit and returned to the federal government.

Local Contributions for Highway Purposes

In addition to federal grants for highway construction, the Commonwealth received, from various units of local government, substantial contributions, representing their agreed shares of the costs of highway construction and maintenance, carried out by the Department of Highways within their respective jurisdictions. These local contributions varied greatly from biennium to biennium, due largely to changes in the state's highway policy. The largest biennial contributions amounted to \$13.1 million in 1925-1927. The two succeeding biennia also received contributions of more than \$10 million. From 1933 to 1939 the biennial contributions were less than \$1 million, but they increased to \$2 million in 1939-1941 and to \$2.5 million in 1941-1943, as may be noted in the following table:

LOCAL CONTRIBUTIONS FOR HIGHWAY PURPOSES ALL FUNDS—1923-1943 (in thousands of dollars)

<i>Biennium</i>	<i>Total Receipts for Highway Purposes</i>	<i>Total Local Contributions</i>	<i>Percent Local Contribution of Total Highway Receipts</i>	<i>Motor License Fund</i>	<i>State Bond Road Fund</i>	<i>General Fund</i>
1923-1925	90,492	5,250	5.8	1,254	1,014	2,982
1925-1927	125,648	13,122	10.4	2,934	7,989	2,199
1927-1929	118,137	11,635	9.8	8,231	3,066	338
1929-1931	135,775	10,141	7.5	10,141	.....	.....
1931-1933	141,131	3,646	2.6	3,646	.....	.....
1933-1935	155,769	815	0.5	815	.....	.....
1935-1937	170,922	474	0.3	474	.....	.....
1937-1939	187,330	942	0.5	942	.....	.....
1939-1941	191,362	2,042	1.1	2,042	.....	.....
1941-1943	175,205	2,520	1.4	2,520	.....	.....
Totals	<u>1,511,771</u>	<u>50,587</u>	<u>3.3</u>	<u>32,999</u>	<u>12,069</u>	<u>5,519</u>

From 1923 to 1931, local contributions provided an appreciable portion of all highway receipts, especially in 1925-1927 and 1927-1929, when they constituted 10.4 percent and 9.8 percent, respectively, of all highway receipts. From 1931 to 1939, the decreased importance of local contributions to total highway receipts was marked by their decline to 0.5 percent or less of total highway receipts. In 1941-1943, the proportion of local contributions increased slightly to 1.4 percent of total highway receipts.

The total contributions from local units of government in 1923-1943 amounted to only \$50.6 million, or 3.3 percent of the State's total receipts for highway purposes. The distribution of the receipts for the entire period among the funds show that the Motor License Fund received \$33.0 million or 65.2 percent; the State Road Bond Fund \$12.1 million, 23.9 percent; and the General Fund \$5.5 million, or 10.9 percent.

MOTOR LICENSE FUND¹ EXPENDITURES—1923-1943

During 1923-1925 the Department of Highways was the sole expending agency for the Motor (License) Fund. After 1925 other state agencies were authorized to spend Motor License Fund monies. Three of the seven added agencies, the Board of Finance and Revenue, the Department of Revenue, and the Pennsylvania State Police, made their expenditures under blanket appropriations, as previously noted; while four others, the Departments of Property and Supplies, State, and Commerce, and the Public Service Commission expended monies from the Motor License Fund under specific appropriations by the General Assembly.

In the following table the distribution of expenditures by the various state agencies from the Motor License Fund is presented for selected biennia:

MOTOR LICENSE FUND EXPENDITURES (in thousands of dollars)

<i>Agency</i>	<i>1923-1925</i>	<i>1931-1933</i>	<i>1941-1943</i>
Department of Highways	54,143	108,513	135,083
Department of Property and Supplies .....	.....	78	52
Department of Revenue .....	.....	6,975	5,228
Treasury Department .....	.....	13,677	13,049
Pennsylvania State Police .....	.....	.....	8,000
Department of Commerce .....	.....	.....	300
Department of State .....	.....	.....	580
Public Service Commission .....	.....	216	.....
Totals	<u>54,143</u>	<u>129,459</u>	<u>162,292</u>

The Department of Highways' expenditures from the Motor License Fund in 1931-1933 were twice those of 1923-1925, despite the

¹ The Motor Fund until 1925; the Motor License Fund thereafter.

expenditures from this fund in 1931-1933 by other authorized agencies. In 1931-1933 the Department of Highways was responsible for 83.8 percent of Motor License Fund expenditures, while in 1941-1943 the percentage was 83.2 percent.

Department of Highways

The Department of Highways is authorized by the Act of May 1, 1929 (P. L. 1048), as amended, to make expenditures out of allocations from blanket appropriations from the Motor License Fund for construction, reconstruction, improvement, and maintenance of all state highways, state aided highways, and other highways and streets, as well as any bridges, placed under its jurisdiction by law, and to maintain certain designated interstate bridges.

The department also administers, within statutory limits, various highway programs for state aid to local government, which are financed from the Motor License Fund by means of specific appropriations by the General Assembly.

The Department of Highways' expenditures from the Motor License Fund over the twenty-year period, 1923-1943, are shown in the following table:

DEPARTMENT OF HIGHWAY EXPENDITURES

1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>General Highway Purposes</i>	<i>State Highway Aid to Local Governments</i>	<i>State Publicity Commission</i>	<i>Miscellaneous</i>	<i>Transfers</i>	<i>Total</i>
1923-1925	52,854	1,289	....	....	....	54,143
1925-1927	33,640	7,868	....	....	....	41,508
1927-1929	67,807	13,365	....	....	....	81,172
1929-1931	100,496	38,179	....	227	....	138,902
1931-1933	105,341	3,164	....	8	....	108,513
1933-1935	100,570	5,068	....	1	57	105,696
1935-1937	83,658	10,873	....	3	....	94,534
1937-1939	132,302	11,215	499	....	....	144,016
1939-1941	110,923	9,085	1	7	....	120,016
1941-1943	136,367	8,487	....	....	229	135,083
Totals	913,958	108,593	500	246	286	1,023,583

The expenditures for general highway purposes under the department's "blanket" appropriation amounted to \$914 million in two decades, increasing from \$52.9 million in 1923-1925 to \$136.4 million in 1941-1943. During this period the character of the Department of Highways' expenditures changed several times.

From 1923 to 1929 its expenditures included the costs of (1) collection of Motor License Fund monies, (2) maintenance of the highway patrol, and (3) conduct of highway safety programs. In 1929 these three functions were transferred to the Department of Revenue and, thereafter, their costs were included in the expenditures of that department until 1937, when the Highway Patrol was transferred to an independent agency, the Pennsylvania State Police. The two other functions have continued to be administered by the Department of Revenue.

From 1923 to 1933 expenditures of the Department of Highways for purchases of materials and supplies were included in the department's expenditures for general highway purposes. Since the transfer in 1933 of all purchasing activities for the Department of Highways and the Department of Revenue to the Department of Property and Supplies, these purchase expenditures from the Motor License Fund have been made under specific appropriations to the latter department.

The costs of all publicity, relating to state highways, were included in the Department of Highways' general highway expenditures from 1923 to 1937, when they were transferred to the State Publicity Commission, and later, in 1939, to the Department of Commerce.

None of these changes, however, account for the wide variations in expenditures of the Department of Highways for general highway purposes from biennium to biennium. During the 1923-1943 period, the Department's biennial expenditures for general highway purposes ranged from a low \$33.6 million in 1925-1927 to a high of \$136.4 million in 1941-1943. In the first five biennia of the twenty-year period, expenditures of the Department increased from \$52.9 million in 1923-1925 to \$105.3 million in 1931-1933 or 98.1 percent. In the second five biennia, the expenditures increased from \$100.6 million in 1933-1935 to \$136.4 million in 1941-1943 or 34.7 percent. It will be noted

that during the three biennia, 1929 to 1935, biennial expenditures of the Department for general highway purposes were fairly even, varying between \$101 million and \$105 million per biennium.

State aid to local governments for highway purposes, distributed by the Department from the Motor License Fund, also has varied greatly. Such aid usually has consisted of the construction of highways by the Department under an agreement whereby the local government reimbursed the Department for a portion of the costs. From 1923 to 1943, the Department's gross expenditures from the Motor License Fund for state aid to local governments amounted to \$108.6 million. In the same period the Motor License Fund received from local governments contributions, reimbursements, and refunds for highway construction and maintenance in the amount of \$33.0 million, about 30.4 percent of the gross expenditures for state-aided projects, establishing the net expenditure from the Motor License Fund for highway aid to local governments as \$75.6 million. The contributions, reimbursements, and refunds received from local governments by the Motor License Fund were earmarked for further appropriation for highway aid to local governments.

Under the "miscellaneous items" only the expenditure of \$227 thousand in 1929-1931 for roads of state-owned institutions merits mention. In all subsequent biennia this item was included under general highway purposes. Other items of minor importance related to payments for property damage and insurance.

The item of "transfers," included in the preceding table, represents the return in 1933-1935 of an unexpended balance of \$57 thousand of State Emergency Relief Board monies, placed in the Motor License Fund for a highway work relief program, and the return of a credit balance of \$229 thousand to the National Industrial Highway Fund in 1941-1943.

Department of Property and Supplies

A statement of the expenditures under specific appropriation from the Motor License Fund by the Department of Property and Supplies is presented in the following table:

**DEPARTMENT OF PROPERTY AND SUPPLIES
EXPENDITURES FROM MOTOR LICENSE FUND—
1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>For Highway Purchasing</i>	<i>For Establishment and Maintenance of Airfields</i>	<i>Total</i>
1923-1925 .....	...	...	...
1925-1927 .....	...	...	...
1927-1929 .....	...	...	...
1929-1931 .....	...	7	7
1931-1933 .....	...	78	78
1933-1935	51	31	82
1935-1937	54	2	56
1937-1939	60	...	60
1939-1941	56	...	56
1941-1943	52	...	52
Totals	<u>273</u>	<u>118</u>	<u>391</u>

From the establishment of the Department of Property and Supplies in 1923 until 1933, a unit in the Department of Highways made purchases for the Department of Highways in the name of the Department of Property and Supplies. In 1933 the entire purchasing personnel of the Highway Department was transferred to the Department of Property and Supplies and, thereafter, specific amounts were appropriated from the Motor License Fund to that Department for this activity. The specific appropriations varied from \$51 thousand to \$60 thousand per biennium. During the ten-year period they aggregated \$273 thousand.

In 1929 the Department of Property and Supplies was authorized to establish and maintain airports. This function was transferred to the Department of Revenue in 1935. During the period, 1929-1935, the Department of Property and Supplies expended for this purpose about \$118 thousand under specific appropriations from the Motor License Fund by the General Assembly.

Department of Revenue

The Department of Revenue was not created until 1929, when it was delegated, along with other duties, the following functions: (a) collection of motor license fund monies, consisting largely of motor vehicle registration and operators' license fees and liquid fuels tax receipts, (b) operation of the highway patrol, and (c) conduct of

the safety work, incidental to the state highway system. Prior to this time, these functions had been performed by the Department of Highways and their costs included in the expenditures of that department as part of "general highway purposes." In 1933 the duty of administering and enforcing laws, relating to aeronautics, were placed in this department and the "blanket" appropriation from the Motor License Fund was amended to include all expenses in connection therewith.

A statement of the biennial expenditures by the Department of Revenue under blanket appropriations from the Motor License Fund is given below:

**DEPARTMENT OF REVENUE—EXPENDITURES FROM
MOTOR LICENSE FUND—1929-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Total Expenditures</i>
1929-1931	6,663
1931-1933	6,975
1933-1935	6,492
1935-1937	8,579
1937-1939	7,207
1939-1941	5,178
1941-1943	5,228
Total	46,322

A further shift of functions occurred in 1937, when the State Highway Patrol, which policed the state highways, was transferred from the Department of Revenue and merged with the Pennsylvania State Police. Due to the changing activities of the Department of Revenue, its biennial expenditures, financed from the Motor License Fund, have been quite irregular. From 1933 to 1939 the Department of Revenue expended \$696 thousand for a special safety campaign (\$530 thousand in 1935-1937). Since 1933 the Division of Aeronautics in the Department has expended \$1.9 million from the Motor License Fund, including \$1.2 million for acquisition and conditioning of air fields. The remainder was expended for administrative expenses of the Division of Aeronautics.

Treasury Department

A statement of expenditures from allocations to the Treasury Department from the Motor License Fund shows a range of biennial

expenditures from \$10 million to \$15.6 million. In each of the last two biennia, 1939-1941 and 1941-1943, expenditures amounted to \$13 million, as shown in the following table:

**TREASURY DEPARTMENT—EXPENDITURES FROM
MOTOR LICENSE FUND—1923-1943**

(in thousands of dollars)

<i>Biennium</i>	<i>Debt¹ Service on Road Bonds</i>	<i>Refunds of Motor License Fees, Liquid Fuels Taxes, etc.</i>	<i>Employes' Retirement Board</i>	<i>Miscel- laneous</i>	<i>Total</i>
1923-1925 .....	.....	...	...	..	.....
1925-1927	9,951	...	...	34	9,985
1927-1929	15,571	...	...	..	15,571
1929-1931	13,885	113	...	..	13,998
1931-1933	13,563	113	...	1	13,677
1933-1935	13,240	135	...	1	13,376
1935-1937	12,753	104	...	1	12,858
1937-1939	9,338	90	534	..	9,962
1939-1941	12,979	63	...	..	13,042
1941-1943	12,955	86	...	10	13,051
Totals	<u>114,235</u>	<u>704</u>	<u>534</u>	<u>47</u>	<u>115,520</u>

¹ See page 33 of Part I in regard to duplication of expenditures.

Road Bond Debt Service

The major items in the above table, representing the payment of debt service charges (administered by the Board of Finance and Revenue in the Treasury Department) accounted for \$114.2 million or 98.9 percent of the 1923-1943 total of \$115.2 million, expended from the Motor License Fund by the Treasury Department. Debt service payments were comprised of \$50.0 million deposited in the sinking fund for retirement of road bonds, \$64.0 million for payment of interest on bonded indebtedness; and \$200 thousand for incidental expenses, such as the fees of loan and transfer agents.

At the beginning of the 1923-1925 biennium, the outstanding gross bonded road debt, authorized by the Act of April 18, 1919 (P. L. 92), following an amendment to the Pennsylvania Constitution on November 5, 1919, was \$50 million and the net bonded road debt, \$46.9 million. In that biennium, however, \$20 million more of road bonds were issued, followed in 1925-1927 by an additional \$30 million.² Conse-

² These bonds were authorized by the Act of March 6, 1925 (P. L. 24), following a constitutional amendment, approved December 6, 1923, permitting the issue of an additional \$50 million of road bonds.

quently, at the end of the 1925-1927 biennium, the outstanding bonded road debt had reached a peak of \$97.9 million, while the net debt amounted to \$92.3 million.

The road bond debt was reduced in each of the following biennia, so that by the end of the 1941-1943 biennium the outstanding gross road bond indebtedness was \$53.4 million and the net debt \$36 million, which represented 53 percent of the total net bonded debt of the Commonwealth. All outstanding road bonds must be paid off by October 1, 1954,¹ in accordance with the terms of the bonds.

Specific appropriations from the Motor License Fund for debt service on road bonds have been made since 1925. Prior to that date appropriations had been made from the General Fund and deposited in the Sinking Fund. Since 1927 the appropriations have been made in accordance with a definite schedule, calculated to spread the burden of retirement of road bonds over a period of 30 years, ending in 1954. The biennial appropriations from the Motor License Fund to the Treasury Department for payments into the Sinking Fund are shown in the following table:

**BIENNIAL HIGHWAY DEBT SERVICE APPROPRIATIONS
AND PAYMENTS FROM THE MOTOR LICENSE
FUND—1923-1943**
(in thousands of dollars)

<i>Biennium</i>	<i>Amount Appropriated</i>	<i>Amount Paid in Current Biennium</i>	<i>Amount Paid in Subsequent Biennium</i>
1923-1925 .....	.....	.....	.....
1925-1927	11,386	9,936	1,450
1927-1929	14,076	14,076	.....
1929-1931	13,855	13,855	.....
1931-1933	13,533	13,533	.....
1933-1935	13,210	13,210	.....
1935-1937	12,723	12,723	.....
1937-1939	12,393	9,312	3,081
1939-1941	11,571	9,865	1,706
1941-1943	11,219	11,219	.....
Totals	<u>113,966</u>	<u>107,729</u>	<u>6,237</u>

The first appropriation from the Motor License Fund for debt service in 1925-1927 amounted to \$9.9 million, but was insufficient to

¹ See Report No. 1 of the Joint State Government Commission entitled, The Debt of the Commonwealth and Its Local Subdivisions, published December 16, 1943.

bring the assets in the Sinking Fund up to its requirements, as determined on an actuarial basis in 1927. Consequently, a deficiency appropriation of \$1.5 million was made from the Motor License Fund to adjust the condition of the Sinking Fund, as of May 31, 1927. In 1937-1939 and again in 1939-1941 part of the payments, due to the Sinking Fund from monies specifically appropriated by the General Assembly from the Motor License Fund, was withheld to a subsequent biennium, as shown in the foregoing table.

Payments to the Sinking Fund from the Motor License Fund in the period, 1923-1943, amounted to \$114 million or 9.4 percent of the Motor License Fund's total expenditures of \$1.2 billion. In 1941-1943 the sinking fund payments of \$11.2 million represented 6.9 percent of the Motor License Fund's expenditures of \$162.3 million. The largest biennial payment to the Sinking Fund from the Motor License Fund was in 1927-1929, when \$14.1 million or 14.5 percent of Motor License Fund's expenditures were necessary to provide \$8.6 million for interest charges and \$5.5 million for retirement of road bonds. Since that time the interest charges have become smaller each biennium. In 1941-1943 the total of \$11.2 million, paid to the Sinking Fund from the Motor License Fund for debt service, consisted of \$6.3 million for the retirement of road bonds¹ and \$4.9 million for interest.

Other Treasury Department Expenditures from Motor License Fund

In 1937-1939 the State Employees Retirement Board was in the Treasury Department and contributions on behalf of employes paid from the Motor License Fund, were made to the Treasury Department for deposit in the State Employees' Retirement Fund.

Prior to 1929 refunds of motor vehicle license fees and fines, liquid fuels taxes, etc., were paid by the Department of Highways from its "blanket" appropriation under the Motor License Fund, but since that date the Board of Finance and Revenue has made such refunds from allocations from the fund, approved by the Governor.

Pennsylvania State Police

Expenditures of the State Highway Patrol, as part of the Department of Highways, were included in the general expenses of that

¹ See page 33 of Part I in regard to duplication of expenditures.

Department from 1923 to 1929. In 1929 the Highway Patrol was merged with the Department of Revenue, which in that year took over all collection duties with respect to motor license fund receipts, formerly performed by the Department of Highways. From 1929 to 1937 expenses of the Highway Patrol were paid from specific appropriations to the Department of Revenue from the Motor License Fund. Consequently, they are included under the general expenditures of that Department from specific appropriations out of the Motor License Fund.

In 1937 the Highway Patrol was merged with the Pennsylvania State Police in an independent organization, then known as the Pennsylvania Motor Police, but later changed (in 1943) to the Pennsylvania State Police. Beginning in 1937-1939, allocations in partial support of this agency were made by the Governor from the Motor License Fund. They amounted to \$7.150 million in 1937-1939 and \$8.0 million in each of the two following biennia. The amounts, so allocated, were transferred to the General Fund, as credits to appropriations for the Pennsylvania State Police.

Department of Commerce

From 1923 to 1937 all publicity, relating to Pennsylvania highways, was carried on by a unit in the Department of Highways and all costs were included in that Department's expenditures. In 1937 the Pennsylvania Publicity Commission was created, with a specific appropriation by the General Assembly of \$500 thousand for this purpose from the Motor License Fund. Expenditures under this appropriation amounted to \$499 thousand in 1937-1939 and \$1 thousand in 1939-1941.

Since 1939 the General Assembly has made specific appropriations for highway publicity to the Department of Commerce, created in 1939, from the Motor License Fund in the following amounts: \$400 thousand for 1939-1941 and \$300 thousand for 1941-1943. These amounts are transferred to the General Fund and added to the Department's appropriation for this purpose.

Department of State

From 1923 to 1933 the state's share of retirement contributions for employes, paid from the Motor License Fund, was derived from

appropriations out of the General Fund. Beginning in 1933, however, appropriations were made to the State Employees' Retirement Board in the Department of State from the Motor License Fund in the following amounts:

<i>Biennium</i>	<i>Expenditures from Motor License Fund</i> (in thousands of dollars)
1933-1935	434
1935-1937	307
1937-1939 .....	...¹
1939-1941	575
1941-1943	579
Total	<u>1,895</u>

¹ In this biennium the State Employees Retirement Board was part of the Treasury Department (see Table on page 149).

Administrative Commissions and Miscellaneous Expenses

The biennial expenditures for administrative commissions and miscellaneous expenses under specific appropriations from the Motor License Fund were as follows:

<i>Biennium</i>	<i>Expenditures from Motor License Fund</i> (in thousands of dollars)
1927-1929	289
1929-1931	37
1931-1933	None
1933-1935	15
1937-1939	144
1939-1941	161
Total	<u>645</u>

The expenditures from 1927 to 1931 were under appropriations to the Pennsylvania-New Jersey Joint Bridge Commission. All but \$3 thousand of the \$326 thousand, expended in 1927-1929 and 1929-1931, was for the State's share of the cost of acquiring the Morrisville Bridge at Morrisville, Pennsylvania.

In 1933-1935 the sum of \$15 thousand was advanced from the Motor License Fund under a deficiency appropriation for the State Bridge Commission. Under the provisions of the Intra-State Bridge Revenue Bond Act of June 1, 1931 (P. L. 301), such advances were repaid from revenues from the Commission's operation of intra-state bridges.

In the two biennia following 1935, the State World's Fair Commission expended a total of \$304 thousand in 1935-1937 and 1937-1939 from Motor License Fund monies, appropriated by the General Assembly to this Commission.

RECEIPTS OF THE MOTOR LICENSE FUND—1923-1943

Among the funds of the Commonwealth, the receipts of the Motor License Fund have ranked second only to those of the General Fund in the twenty-year period, 1923-1943. Prior to 1925, certain receipts, derived chiefly from the licensing of motor vehicles and operators and from fines and penalties for violation of the Motor Vehicle Law, had been earmarked in the State Treasury for highway purposes. In 1925 the General Assembly by the Act of April 27, 1925 (P. L. 282) created the Motor License Fund and ordered such receipts deposited to the credit of that fund.

In the same session the State's share of the gasoline tax, theretofore placed in the General Fund, was also credited to the Motor License Fund by the Act of May 13, 1925 (P. L. 671). This tax was on gasoline at the rate of 1 cent per gallon, with 50 percent of the proceeds credited to the counties, wherein it was collected, for their use for highway purposes and payment of interest on county road bonds. Although the rate of the state tax was changed many times after 1921, the amount returned to the county has always been the equivalent of one-half cent per gallon. The formula for distribution of the proceeds of this tax was last revised by the Act of May 21, 1931 (P. L. 149) which provided that monies of the Liquid Fuel Tax Fund (except refunds) shall be paid to the counties in the ratio that the average return made to each county during the three preceding years bears to the average amount returned to all counties for those same years. The Act of 1931 permitted the counties to use these monies for payment of damage claims, resulting from highway construction. The Act of June 21, 1939, (P. L. 634) permitted the further use of the counties' share to pay sinking fund charges on any county bonds, the proceeds of which were *used* for highway or bridge purposes, or so much of such bonds as were used for highway or bridge purposes.

The receipts of the Motor License Fund for ten biennia, 1923-1943, have been as follows:

TOTAL MOTOR LICENSE FUND RECEIPTS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total Receipts</i>	<i>Taxes</i>	<i>Miscellaneous</i> ¹	<i>Sources of Receipts</i>		
				<i>Local Contributions</i>	<i>Federal Grants</i>	<i>Transfers From Other Funds</i>
1923-1925 ²	46,878	.....³	43,751	1,254	1,873	....
1925-1927	68,609	15,446	49,954	2,934	275	....
1927-1929	103,689	35,740	55,970	8,231	3,748	....
1929-1931	146,129	56,895	65,725	10,141	9,926	3,442
1931-1933	130,565	53,077	58,603	3,646	15,153	86
1933-1935	123,139	53,896	63,101	815	5,288	39
1935-1937	141,809	63,146	73,442	474	4,747	....
1937-1939	155,741	69,934	71,934	942	12,931	....
1939-1941	174,215	78,845	79,704	2,042	15,624	....
1941-1943	160,804	70,384	73,884	2,520	14,016	....

¹ Includes licenses and fees, fines and penalties, and miscellaneous revenue.

² Then known as Motor Fund; the Motor License Fund was established by Act of April 27, 1925 (P. L. 282).

³ In 1923-1925 the state's share of gasoline tax, \$11.8 million, was deposited in General Fund.

The major influences upon the receipts, shown in the above table, have been the constant expansion in the use of motor vehicles and liquid fuels and changes in the rate and distribution of the tax on gasoline (after 1923, the liquid fuels tax). Changes made in 1937 in amount of the fee for operators' licenses and the transfer, also in 1937, to the General Fund of receipts from fines for violations of the Vehicle Code have had less important effects.

From 1923 to 1933 the Motor License Fund had average biennial receipts of \$99.2 million. They ranged from a low of \$46.9 million in 1923-1925 to a high of \$146.1 million in 1929-1931. The high point in 1929-1931 was due largely to a 4 cent per gallon tax on liquid fuels, of which the Motor License Fund received 3.5 cents and the counties, 0.5 cents, in effect for one year during this biennium, and to a transfer of \$3.4 million from the General Fund during the 1929-1931 biennium. The major sources provided receipts during the period, 1923-1933, in the following proportion: taxes on liquid fuels, 32.5 percent; miscellaneous sources, such as motor registration and operators' license fees, fines for violation of the Motor Vehicle Law, and sales of publications, etc., 55.3 percent; highway construction and maintenance con-

tributions, refunds, and reimbursements from local governments, 5.3 percent; federal grants, 6.2 percent; transfers to the Motor License Fund from the General Fund, 0.7 percent.

From 1933 to 1943 the average biennial receipts of the Motor License Fund amounted to \$151.1 million, an increase of \$51.9 million or 52.4 percent over the average of the preceding decade. During the five biennia from 1933 to 1943 biennial receipts increased from \$123.1 million in 1933-1935 to a high of \$174.2 million in 1939-1941 before the decade ended with 1941-1943 receipts of \$160.8 million. The decrease in the last biennium was due largely to war-time restrictions on the use of motor vehicles.

In the decade, 1933-1943, receipts from highway construction and maintenance contributions from local governments decreased from a biennial average of \$5.2 million in 1923-1933 to \$1.4 million, as a result of the change in the state highway policy from state-local road programs, with costs shared by the state's political subdivisions, to the development of a state highway system with federal assistance. Transfers from the General Fund to the Motor License Fund were \$3.5 million less than in the preceding decade. The distribution of average receipts in 1933-1943 was as follows: taxes, 44.2 percent; miscellaneous, 47.9 percent; federal grants, 7.0 percent; and contributions from local governments, 0.9 percent.

Tax Receipts—1923-1943

Until 1931 all tax receipts of the Motor License Fund were derived from the gasoline or liquid fuels tax. By the provisions of the Act of June 22, 1931 (P. L. 694), however, the receipts from the Commonwealth's highway use tax on interstate motor carriers (gross receipts tax) was dedicated to the Motor License Fund. As may be noted in the following table, these receipts have amounted to only \$69 thousand in the six biennia, beginning with 1931-1933, or an average of \$11.5 thousand biennially.

TAX RECEIPTS—MOTOR LICENSE FUND—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Liquid Fuels Tax</i>	<i>Gross Receipts Tax</i>	<i>Total Tax Receipts</i>	<i>Percent of Total Fund Receipts</i>
1923-1925 ¹ .....	.....	..	.....	.....
1925-1927	15,446	..	15,446	22.5
1927-1929	35,740	..	35,740	34.5
1929-1931	56,895	..	56,895	38.9
1931-1933	53,075	2	53,077	40.7
1933-1935	53,890	6	53,896	43.8
1935-1937	63,134	12	63,146	44.5
1937-1939	69,912	22	69,934	44.9
1939-1941	76,833	12	76,845	44.1
1941-1943	70,369	15	70,384	43.8
Totals	<u>495,294</u>	<u>69</u>	<u>495,363</u>	<u>39.6</u>

¹ In 1923-1925 all gasoline tax receipts were deposited in the General Fund.

Variations in receipts from the liquid fuels tax show the effects of the various rates of the tax, levied upon the sale of gasoline or liquid fuels, as well as the normal growth in receipts, due to the general increase in the consumption of liquid fuels (until war-time restrictions affected the 1941-1943 period).

TAX RATES ON LIQUID FUELS—1923-1945

<i>Period in Force</i>	<i>Total Tax Rate</i>	<i>Rate Applicable to Funds</i>		
		<i>Motor License</i>	<i>Liquid Fuels</i>	<i>General</i>
From 7/ 1/1923 to 6/30/1925 .	1c	...	0.5c	0.5c
From 7/ 1/1925 to 6/30/1927 .	2c	1.5c	0.5c	...
From 7/ 1/1927 to 6/30/1929 .	3c	2.5c	0.5c	...
From 7/ 1/1929 to 6/30/1930 .	4c	3.5c	0.5c	...
From 7/ 1/1931 to 6/21/1935 .	3c	2.5c	0.5c	...
From 6/21/1935 to 5/31/1945 .	4c	2.5c	0.5c	1.0c

The increase in the rate applicable to the Motor License Fund for 1927-1929 from 1.5 cent per gallon to 2.5 cent was mainly responsible for the increase in the Motor License Fund's gasoline tax receipts from \$15.4 million in 1925-1927 to \$35.7 million in 1927-1929. In the next biennium the increased rate of 3.5 cents per gallon for one year was largely responsible for the 59.4 percent increase in liquid fuels tax receipts to \$59.6 million. The return to a 2.5 cent rate per gallon, as applicable to the Motor License Fund, on July 1, 1930, was partly responsible for a decrease in 1931-1933 receipts to \$53.1 million, although the depression was, doubtlessly, a strong factor. Thereafter, came a steady increase (despite a fixed rate insofar as the Motor License

Fund was concerned), culminating in 1939-1941 with liquid fuels tax receipts of \$76.8 million. In 1941-1943 the federal gasoline rationing program reduced the liquid fuels tax receipts in that biennium to \$70.4 million.

Miscellaneous Receipts—1923-1943

The major source of motor license fund receipts, despite the great proportionate increase in tax revenues from 22.5 percent in 1925-1927 to 43.8 percent of total receipts in 1941-1943, has been the miscellaneous receipts, including fees and licenses, fines and penalties, and other minor revenue items. In the decade, 1923-1933, miscellaneous receipts averaged \$54.8 million biennially and increased by 32.1 percent to a biennial average of \$72.4 million in 1933-1943, as compared to the biennial average of \$66.8 million from tax receipts in the latter decades.

Miscellaneous receipts increased from \$43.8 million in 1923-1925 to \$65.7 million in 1929-1931, before decreasing to \$58.6 million in 1931-1933. The upward trend was again resumed in 1933-1935 (with receipts of \$63.1 million) and reached a high of \$79.7 million in 1939-1941, before receding to the 1941-1943 receipts of \$73.9 million.

Over the twenty-year period, 1923-1943, licenses and fees accounted for \$619.1 million or 97.3 percent of total miscellaneous receipts; fines and penalties for \$5.7 million, 0.9 percent; and other items for \$11.3 million or 1.8 percent. The distribution is presented below:

MISCELLANEOUS RECEIPTS—MOTOR LICENSE FUND 1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Licenses and Fees</i>	<i>Fines and Penalties</i>	<i>Other Items</i>	<i>Total Miscel- laneous Receipts</i>	<i>Percent of Total Fund Receipts</i>
1923-1925	42,313	468	970	43,751	93.3
1925-1927	48,345	749	860	49,954	72.8
1927-1929	53,525	1,023	1,422	55,970	54.0
1929-1931	62,978	1,079	1,668	65,725	45.0
1931-1933	56,847	699	1,057	58,603	44.9
1933-1935	61,723	687	691	63,101	51.2
1935-1937	71,682	956	804	73,442	51.8
1937-1939	70,562	50	1,322	71,934	46.2
1939-1941	78,499	1	1,204	79,704	45.8
1941-1943	72,595	....	1,289	73,884	45.9
Totals	<u>619,069</u>	<u>5,712</u>	<u>11,287</u>	<u>636,068</u>	<u>50.8</u>

The decline in the proportion of miscellaneous receipts to the total motor license fund receipts between 1923 and 1927 marks the addition to the fund of the Commonwealth's share of gasoline tax receipts, beginning in 1925-1927.

The trend of increase, evident in the receipts from licenses and fees, was checked in 1931-1933, chiefly due to the depression, and again in 1937-1939. The Act of June 29, 1937 (P. L. 2329), amending the Vehicle Code, reduced the fees for operators' licenses by 33.3 percent (from \$3 to \$2) and for license renewals by 50 percent (from \$2 and \$1). The immediate result was apparent in the decline in receipts from licenses and fees.

After 1935-1937 receipts from fines and penalties for violations of the Vehicle Code were no longer deposited in the Motor License Fund. This was a consequence of a provision of the Act of 1937, cited above, which made all receipts from fines and penalties for such violations payable to the General Fund.

Under "other items" in the above table, appears a decided increase in receipts during 1927-1929 and the following biennia of the first decade. This resulted from the receipts of exceptionally large interest payments on motor license monies on deposit in commercial banks. The higher level of receipts, again noticeable in 1937-1939 and the following biennia, was caused mainly by the sale of motor vehicle inspection stickers, at the rate of 5 cents per vehicle, begun in that biennium.

Contributions from Local Governments—1923-1943

These earmarked receipts are contributions, reimbursements, and refunds from local governments for highway construction and maintenance, undertaken by the Department of Highways within the jurisdiction of various local units of government. In the decade, 1923-1933, they amounted to \$26.6 million, reaching a biennial peak of \$10.1 million in 1929-1931. In the decade, 1933-1943, total receipts amounted to only \$6.8 million, ranging from biennial receipts of \$474 thousand in 1935-1937 to \$2.5 million in 1941-1943.

These monies represented amounts received from local governments as payments for their shares of the costs of joint programs of highway construction and maintenance, carried out by the Department of Highways. From 1923 to 1943 such receipts from contributions,

refunds, and reimbursements amounted to \$33.0 million, while the department made gross expenditures from the Motor License Fund of \$108.6 million for this purpose. The contributions from local governments, therefore, amounted to 30.4 percent of the gross expenditures from the Motor License Fund for highway aid to local governments, reducing the expenditures in this period for this purpose from the Motor License Fund to a net of \$75.6 million for the period, 1923-1943.

The biennial contributions, refunds, and reimbursements from local governments to the Motor License Fund for state-local highway programs were as follows:

CONTRIBUTIONS FROM LOCAL GOVERNMENTS MOTOR LICENSE FUND—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Total Local Contributions</i>	<i>Percent of Total Fund Receipts</i>
1923-1925	1,254	2.7
1925-1927	2,934	4.3
1927-1929	8,231	7.9
1929-1931	10,141	6.9
1931-1933	3,646	2.8
1933-1935	815	0.7
1935-1937	474	0.3
1937-1939	942	0.6
1939-1941	2,042	1.2
1941-1943	2,520	1.6
Totals	32,999	2.6

Federal Highway Grants—1923-1943

Federal highway grants to the Commonwealth, deposited in the Motor License Fund, increased from \$31.0 million in the decade, 1923-1933, to \$52.6 million in 1933-1943, an increase of 69.8 percent. In both decades, additional federal grants for highway purposes were received by the Commonwealth in funds other than the Motor License Fund. From 1923 to 1933 such additional grants to the General Fund and the State Bond Road Fund amounted to \$14.7 million; while from 1933 to 1943, the National Industrial Recovery Highways Fund received \$58.0 million.

Included in the 1933-1943 total of federal grants to the Motor License Fund are \$2.2 million of P.W.A. (Public Works Administra-

tion) grants to the Department of Highways for building construction. The distribution of federal grants to the Motor License Fund by purpose for the ten biennia is as follows:

FEDERAL GRANTS¹—MOTOR LICENSE FUND—1923-1943
(in thousands of dollars)

<i>Biennium</i>	<i>Building (P.W.A.) Construction</i>	<i>Highway Construction</i>	<i>Total Federal Grants</i>	<i>Percent of Total Fund Receipts</i>
1923-1925 .....	.....	1,873	1,873	4.0
1925-1927 .....	.....	275	275	0.4
1927-1929 .....	.....	3,748	3,748	3.6
1929-1931 .....	.....	9,926	9,926	6.8
1931-1933 .....	.....	15,153	15,153	11.6
1933-1935 .....	.....	5,288	5,288	4.3
1935-1937	138	4,609	4,474	3.4
1937-1939	1,007	11,924	12,931	8.3
1939-1941	1,074	14,550	15,624	8.9
1941-1943 .....	.....	14,016	14,016	8.7
Totals	<u>2,219</u>	<u>81,362</u>	<u>83,581</u>	<u>6.7</u>

¹ For total federal highway grants to all funds, see table on page 141.

Transfers to the Motor License Fund

The Motor License Fund received \$3.6 million in transfers from other funds between 1929 and 1935. All but \$125 thousand of this amount was received in 1929-1931, when the Motor License Fund was reimbursed from the General Fund for monies advanced by the Department of Highways for construction of the North Office Building. The balance of this reimbursement, \$39 thousand, was received in 1933-1935.

The Motor License Fund also received \$86 thousand from the State Emergency Relief Board in 1931-1933 for highway unemployment relief projects. The sum of \$57 thousand of this amount was returned to the Board in 1933-1935 after the inception of the National Industrial Recovery Highways program.

SUMMARY

The State Highway Department was established in 1905 with the licensing of motor car operators among its duties. In 1909 the registration of motor vehicles, initiated by the State in 1903, was trans-

ferred to this department from the local prothonotaries and all fees from motor registrations and operators' licenses were required by statute to be paid into the State Treasury and used exclusively for road construction and maintenance. From 1913 to 1925 all such monies were deposited in the Motor Fund, although it was not until 1919 that a separate fund was authorized and the State's entire share of motor vehicle fines and penalties specifically dedicated to highway uses. In that year the State Road Bond Fund was created, as the depository for the proceeds of the Commonwealth's first \$50 million road bond issue. Proceeds from subsequent issues, deposited in this fund, amounted to \$20 million in 1923-1925 and \$30 million in the following biennium. In 1921 the first gasoline tax was levied at a rate of 1 cent per gallon and the receipts therefrom were shared equally between the counties and the Commonwealth's General Fund. Highway operations, however, continued to be financed, in part, from the General Fund until the 1929-1931 biennium, though gasoline tax receipts were paid into the Motor License Fund after its establishment in 1925. The counties' share of the gasoline tax—the liquid fuels tax after 1923—continued to be one-half cent per gallon, though there were successive increases in the tax rate to a high of 4 cents in 1929-1930 for one year. Thereafter, the liquid fuels tax for highway purposes remained at the rate of 3 cents per gallon.

The establishment of the Motor License Fund by the Act of April 27, 1925 (P. L. 282), which made it the depository for all monies from registration and license fees, fines and penalties for violations of the Motor Vehicle Act, and miscellaneous receipts, and the dedication of the State's share of the liquid fuels tax to the Motor License Fund finally fixed the pattern for the State's financing of its highway activities. In 1927-1929 the last expenditures for the highway construction program were made from the State Road Bond Fund and in 1929-1931 expenditures for highway purposes from the General Fund were discontinued.

Total Expenditures for Highway Purposes

Expenditures for highway purposes during the period, 1923-1943, amounted to \$1.5 billion or 33.7 percent of the total expenditures from the operating funds of the Commonwealth. The proportion of high-

way expenditures to the Commonwealth's total expenditures from the operating funds showed a general downward trend, dropping from a high of 47.7 percent in 1925-1927 to a low of 23.9 percent in 1939-1941. The 1941-1943 proportion of 28.3 percent is somewhat distorted, as is the highway expenditure total for this biennium, due to the disbursement of three years' liquid fuels tax receipts to the counties within this biennium.

Expenditures for highway purposes were distributed among five funds during the twenty-year period, although only three of these, the Motor License Fund, National Industrial Recovery Highway Fund, and Liquid Fuels Tax Fund, were of importance in the second decade. The National Industrial Recovery Highways Fund lapsed in 1941-1943, leaving only the Motor License Fund and the Liquid Fuels Tax Fund.

Over the two decades the Motor License Fund expended \$1.2 billion or 81.9 percent of the total disbursements for highway purposes; the Liquid Fuels Tax Fund, \$102.5 million or 6.9 percent; the State Road Bond Fund, \$82.8 million or 5.6 percent; the National Industrial Recovery Highways Fund, \$58.2 million or 4.0 percent, and the General Fund, \$24.9 million or 1.7 percent.

Expenditures for highway purposes increased 33.0 percent from \$635.7 million in 1923-1933 to \$845.4 million in the next decade. Biennial expenditures, while irregular, increased from \$88.6 million in 1923-1925 to a high of \$199.4 million in 1937-1939. In 1941-1943 biennial expenditures for highway purposes, amounting to \$185.9 million, were the second highest in ten biennia.

Federal Grants for Highways

The total federal grants, received for highway purposes during 1923-1943, amounted to \$156.3 million or 10.3 percent of total receipts of \$1.5 billion for highway purposes. The Motor License Fund received \$83.6 million or 53.5 percent of these grants and the National Industrial Recovery Highways Fund, which was a trust account for federal funds exclusively, received \$58 million, or 37.1 percent. The State Road Bond Fund and the General Fund each had receipts from federal grants for highway purposes in the amount of \$13.8 million and \$925 thousand, respectively. Biennial grants were largest from 1933 to 1939, when the National Industrial Recovery Highways Fund

was in full operation. In this period, 1933-1939, the biennial average of federal grants for highway purposes was \$26.3 million, compared with an average of \$15.6 million for the ten biennia from 1923 to 1943.

Local Contributions for Highway Purposes

In addition to the federal grants for highways, the Commonwealth received reimbursements and contributions from various political subdivisions for their agreed share of costs of highway construction and maintenance, performed for them by the Department of Highways. These local contributions amounted to \$50.6 million or only 3.3 percent of the Commonwealth's total receipts for highway purposes during the period, 1923-1943. They were of greatest importance from 1925 to 1931, when their biennial average was \$11.6 million. From 1933 to 1939 the receipts from local contributions were less than \$1 million biennially, but in the last two biennia of the twenty-year period, they increased from \$2.0 million in 1939-1941 to \$2.5 million or 1.4 percent of total receipts for highway purposes in 1941-1943.

MOTOR LICENSE FUND

The Motor License Fund of the Commonwealth, from which the state has financed its own highway activities since 1931, accounted for 81.9 percent of total expenditures and 82.8 percent of total receipts for highway purposes in the twenty-year period, 1923-1943.

Until 1929-1931 part of the expenditures, now made by the Motor License Fund, were financed by the General Fund and until 1927-1929 the State Road Bond Fund financed the Commonwealth's \$100 million road construction program, initiated in 1919.

The general trend of motor license fund receipts and expenditures has been upward. Receipts increased from \$46.9 million for the Motor Fund in 1923-1925 to \$68.6 million in 1925-1927, when the fund was renamed as the Motor License Fund, and then worked irregularly upward to a high of \$174.2 million in 1939-1941. In 1941-1943 the total receipts were second highest in the ten biennia, amounting to \$160.8 million. Over the twenty-year period Motor License Fund receipts of \$1,252 million exceeded expenditures of \$1,213 million by \$39 million.

Motor License Fund expenditures increased from \$54 million in 1923-1925 to a high of \$169 million in 1937-1939. In 1941-1943 ex-

penditures were second highest in the ten biennia, amounting to \$162.3 million.

Agencies Partially Supported by the Motor License Fund

Since the biennium, 1923-1925, when all expenditures from the Motor License Fund were made by the Department of Highways, there has been an increasing number of agencies receiving appropriations from the Motor License Fund. In 1931-1933 there were four such agencies, the expenditures for which accounted for 16.2 percent of the biennial total expended from the Motor License Fund. In 1941-1943 the number of agencies, in addition to the Department of Highways, had increased to six and their expenditures from the fund accounted for 16.8 percent of the total expended in that biennium from the Motor License Fund.

The departments, making expenditures for the various purposes from the Motor License Fund under "blanket appropriations," that is under statutory authorization, are the Treasury Department's Board of Finance and Revenue, for debt service on road bonds, the Department of Revenue for collection costs of Motor License Fund receipts, and the Pennsylvania State Police, for policing state highways. Three other state agencies in 1941-1943 received appropriations from this fund in specific amounts for specific purposes. These were the Departments of Commerce, State, and Property and Supplies. The Public Service Commission has also received specific appropriations from time to time from the Motor License Fund.

In 1931-1933 motor license fund expenditures for the four agencies, then authorized to make them, amounted to \$20.9 million. In 1941-1943 the six agencies, authorized to do so, expended \$27.2 million, an increase of 30 percent. In addition to the three departments, receiving blanket appropriations from the Motor License Fund, all expenditures for the Department of Highways are made under a blanket appropriation. From 1923 to 1943 motor license fund expenditures from blanket appropriations amounted to \$984.4 million, compared with \$228.3 million, expended under specific legislative appropriations. Over the twenty-year period the State expended more than four times as much from the Motor License Fund by blanket appropriation as was spent from this fund under specific appropriation.

Department of Highways

The Department of Highways' expenditures from the Motor License Fund in the twenty-year period amounted to \$1,023 million, or 84.4 percent of the total expended from the fund. By decades, the department's expenditures increased from \$424.2 million in 1923-1933 to \$599.3 million in 1933-1943, an increase of 41.3 percent. Biennial expenditures ranged from a low of \$41.5 million in 1925-1927 to a high of \$144.0 million in 1937-1939. In the two succeeding biennia a decrease to \$120.0 million was followed, characteristically, by a rise to \$135.1 million in 1941-1943.

The Department of Highways' expenditures for general highway purposes, chiefly for construction, improvement, maintenance, and repair of highways and bridges, and departmental expenses, amounted to \$914 million or 89.3 percent of the total expended by the department in 1923-1943. Expenditures for state highway aid to local governments amounted to \$108.6 million, or 10.6 percent of the total.

Road Bond Debt Service

To finance its road construction program, the Commonwealth issued road bonds of \$50 million in 1919, \$20 million in 1925, and \$30 million in 1926. The proceeds of these bonds were expended from the State Road Bond Fund, but, after the establishment of the Motor License Fund in 1925 and the transfer of liquid fuels tax receipts to this fund, debt service requirements were provided for by a blanket appropriation from the Motor License Fund. Since that time \$114.2 million have been paid out for debt service on road bonds. This amount was comprised of \$50.0 million, deposited in the Sinking Fund for the retirement of bonds, \$64.0 million for interest payments, and \$200 thousand for incidental expenses, such as the fees of loan and transfer agents.

At the end of the 1941-1943 biennium the gross bonded road debt amounted to \$53.4 million, but sinking fund assets of \$17.4 million reduced the net bonded road debt to \$36.0 million, which will be retired in full by October 1, 1954 under the present program.

Payments for debt service from the Motor License Fund in the period, 1923-1943, amounted to 9.4 percent of the fund's total expenditures. By 1941-1943 the proportion had decreased to 7.9 percent of

the total. It is of interest that, although these funds are available under the blanket appropriation for debt service requirements, specific appropriations of the necessary amounts have been made by the legislature since 1925.

Receipts of the Motor License Fund

Among the funds of the Commonwealth the Motor License Fund's receipts in 1923-1943 ranked second only to receipts of the General Fund. In total, they represented 27.9 percent of the receipts in this period of the Commonwealth's operating funds, but they have declined from more than 43.1 percent of such receipts in 1929-1931, the first biennium in which practically all receipts for state highway purposes were deposited in the Motor License Fund, to 21.9 percent in 1941-1943. In the more normal biennium, 1939-1941, receipts of the Motor License Fund were 26.2 percent of total receipts of all operating funds.

Total receipts of the Motor License Fund amounted to \$495.9 million in 1923-1933 and increased by 52.4 percent to \$755.7 million in the following decade. Biennial receipts ranged from \$46.9 million in 1923-1925 to a high of \$174.2 million in 1939-1941. In 1941-1943 receipts declined by 7.7 percent to \$160.8 million.

Tax receipts have been an increasingly important source of revenue of the Motor License Fund. In 1925-1927, the first biennium in which the liquid fuels tax receipts were paid into the Motor License Fund, they amounted to only 22.5 percent of the total receipts, while miscellaneous receipts were 72.8 percent; local contributions, 4.2 percent; and highway grants, 0.5 percent of the total. In 1941-1943 the proportion of receipts from taxes increased to 43.8 percent; miscellaneous receipts decreased to 45.9 percent; local contributions decreased to 1.6 percent; and federal grants increased to 8.7 percent of the biennial receipts of the Motor License Fund.

The great increase in tax receipts was due to a consistent increase in gasoline sales and, between 1923 and 1929, to increases in the tax rate. For one year, from July 1, 1929 to June 30, 1930, the tax rate on gasoline was 4 cents per gallon, with 3.5 cents going to the Motor License Fund and 0.5 cent to the Liquid Fuels Tax Fund. Since that time the rate for highway purposes has remained fixed at 3 cents, of which the Motor License Fund receives 2.5 cents.

Tax receipts of the Motor License Fund from 1923 to 1943 amounted to \$495.3 million, with all but \$69 thousand raised by the liquid fuels tax. The other tax receipts were those from the gross receipts tax, imposed as a highway use tax on interstate motor carriers. The liquid fuels tax receipts increased from \$15.4 million in 1925-1927 to a high of \$76.8 million in 1939-1941. In 1941-1943 the receipts were \$70.4 million, compared with a biennial average of \$66.8 million for the period, 1933-1943, in which the liquid fuels tax rate, as it applied to the Motor License Fund, remained constant.

Miscellaneous receipts for the twenty-year period amounted to \$636.1 million, 50.8 percent of the total receipts of the Motor License Fund in 1923-1943. Biennial receipts increased from \$43.8 million in 1923-1925 to a high of \$79.7 million in 1939-1941, before receding to \$73.9 million in 1941-1943. Despite an increase of 68.9 percent in miscellaneous revenues between 1923-1925 and 1941-1943, the growth of tax receipts and federal grants reduced their proportion of the Motor License Fund's total receipts from 93.3 percent to 45.9 percent in the respective periods.

Licenses and fees, chiefly motor registration and operator's license fees, accounted for 97.3 percent of miscellaneous receipts. In 1937-1939 the fees for operator's licenses were reduced and the receipts from this source declined slightly in that biennium. The revenue from fines and penalties for violations of the Motor Vehicle Law was taken from the Motor License Fund and placed in the General Fund in 1937-1939 and thereafter. The average biennial amount of such fines and penalties from 1923 to 1937 was \$810 thousand.

As already noted, contributions from local governments have been of little revenue importance, particularly in the decade 1933-1943. From 1923 to 1943 total contributions from political subdivisions, received by the Motor License Fund, amounted to \$33.0 million and represented only 2.6 percent of the fund's total receipts.

Federal grants to the Motor License Fund from 1923 to 1943 amounted to \$83.6 million. Until 1929 federal grants for highway purposes were also received by the General Fund and the State Bond Road Fund and from 1933 to 1943 the National Industrial Recovery Highways Fund received federal grants for a work-relief, highway construction program. The biennial amounts of the grants, deposited in

the Motor License Fund, therefore, have been very irregular, ranging from \$275 thousand in 1925-1927 to \$15.6 million in 1939-1941. From 1937 to 1943 federal grants to the Motor License Fund averaged \$14.2 million per biennium, or 8.7 percent of the biennial receipts in this period. Over the twenty-year period federal grants represented 6.7 percent of the total receipts of the Motor License Fund.

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APPENDIX A

SUMMARY OF RECEIPTS AND EXPENDITURES AND BIENNIAL BALANCES OF THE COMMONWEALTH'S OPERATING FUNDS—1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Receipts</i> ¹			<i>Expend- itures</i>	<i>Excess of Receipts Over Expenditures</i>
	<i>Revenues</i>	<i>Bond Issues</i>	<i>Total</i>		
1923-1925	202,757	20,000	222,757	209,716	13,041
1925-1927	244,650	30,000	274,650	249,606	25,044
1927-1929	285,338	.....	285,338	269,387	15,951
1929-1931	361,401	.....	361,401	364,313	— 2,912 ²
1931-1933	327,744	.....	327,744	354,237	—26,493 ²
1933-1935	339,544	75,000	414,544	435,256	—20,712 ²
1935-1937	548,065	.....	548,065	527,981	20,084
1937-1939	645,947	.....	645,947	666,969	—21,022 ²
1939-1941	663,977	.....	663,977	659,288	4,689
1941-1943	734,173	.....	734,173	657,259	76,914

¹ Tax anticipation notes, issued and repaid, and interfund loans are not included, for they were repaid each year.

² Excess of expenditures over total receipts.

APPENDIX B

BIENNIAL AND ACCUMULATED BALANCES OF THE COMMONWEALTH'S OPERATING FUNDS AND ANALYSIS OF LIQUID BALANCES

1923-1943

(in thousands of dollars)

<i>Biennium</i>	<i>Excess of Receipts Over Disbursements</i>	<i>Cash</i>	<i>Investments (Par Value)</i>	<i>Temporary Loans from Custodial Funds (Deduction)</i>	<i>Total</i>
May 31, 1923 ..	.....	18,756	675	.....	19,431
1923-1925	13,041	31,699	773	.....	32,472
1925-1927	25,044	56,442	1,075	.....	57,517
1927-1929	15,951	72,285	1,183	.....	73,468
1929-1931	— 2,912 ¹	69,291	1,264	.....	70,555
1931-1933	—26,493 ¹	42,698	1,364	.....	44,062
1933-1935	—20,712 ¹	23,324	26	.....	23,350
1935-1937	20,084 ²	44,391	63	1,000	43,454
1937-1939	—21,022 ¹	22,720	212	500	22,432
1939-1941	4,689	27,573	49	500	27,122
1941-1943	76,914	102,421	2,112	500	104,033

¹ Excess of disbursements over receipts.

² Does not include \$20 thousand par value of bonds deposited in Conrad Weiser Memorial Park fund, but not shown as a "cash receipt" on the financial records of the Commonwealth.

APPENDIX C

(Part a)

EXPENDITURES OF THE COMMONWEALTH'S OPERATING FUNDS, BY FUNDS—1923-1933

(in thousands of dollars)

<i>Name of Fund</i>	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Five Biennia Total</i>
General	135,250	128,506	151,103	187,677	208,402	810,938
Motor License	54,143	51,494	97,046	159,764	129,459	491,906
Liquid Fuels Tax				9,101	9,905	19,006
Liquor License						
Unemployment Comp. Admin.						
Federal Social Security						
Game	1,369	1,378	1,869	2,383	2,374	9,373
Fire Insurance Tax				1,541	1,353	2,894
Fish	23	624	678	841	937	3,103
Banking Department	669	1,021	1,163	1,335	1,508	5,696
Trust a/c N. I. R. Highways						
Flood Control						
Milk Control						
State Forest and Waters						
State School	5	45	100	90	142	382
State Farm Products Show				59	111	170
Special Grade Crossing						
Federal Rehabilitation				3	3	6
Veteran's Compensation						
Historical Commission						
Conrad Veiser Memorial Park						
Federal Vocational Education				14	17	31
Bureau of Employment						
State Stores Profit						
Federal Allotment—Forest Prot.				82	18	100
Securities Commission	91	163	201	207	8	670
Federal Forest Nursery				3	1	2
Soldiers and Sailors Memorial Bridge			315			315
Federal Plant Pest				1		1
Insurance Tax	1,270	1,436	1,577	1,199		5,482
Bedding and Upholstery	58	87	124	14		282
State Bond Road	10,729	57,169	14,943			82,841
Dog	1,278	1,409	260			2,947
Insurance Department		281	3			284
State Athletic Commission	51	106	2			159
Carbonated Beverage		39	1			40
Badge and Emblem			1			1
Standardization Laboratory	25	29	1			55
Gasoline Tax	4,158	5,611				9,769
Boiler Inspection		135				135
Alcoholic Permits		24				24
Bureau of Markets	1	14				15
Experimental Agriculture	63	13				76
Elevator Inspection	5	12				17
Engineers	62	7				69
Registered Names	2	3				5
Resident Fish License	389					389
Fish Propagation	54					54
Grade Crossing and Land Damage..	16					16
Game Damage	3					3
Game Fence	2					2
Normal School	1					1
Grand Totals	<u>209,716</u>	<u>249,606</u>	<u>269,387</u>	<u>364,313</u>	<u>354,237</u>	<u>1,447,25</u>

¹ Less than \$1 thousand.

(Part b)

EXPENDITURES OF THE COMMONWEALTH'S OPERATING FUNDS, BY FUNDS—1933-1943

(in thousands of dollars)

Name of Fund	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	Five	Ten
						Bienna Total	Bienna Total
General	217,905	360,008	442,289	476,654	442,273	1,939,129	2,750,067
Motor License	125,955	115,962	161,924	139,037	153,762	696,640	1,188,546
Liquid Fuels Tax	7,606	14,898	13,788	7,422	22,760	66,474	85,480
Liquor License	2,719	10,534	7,636	8,907	16,476	46,272	46,272
Unemployment Comp. Admin.	.....	702	13,381	11,541	7,982	33,606	33,606
Federal Social Security	.....	389	1,622	2,683	2,800	7,494	7,494
Game	2,238	2,444	2,984	2,999	2,694	13,359	22,732
Fire Insurance Tax	813	2,217	1,960	925	2,366	8,281	11,175
Fish	853	885	976	1,305	1,331	5,350	8,453
Banking Department	1,388	1,401	1,427	1,206	1,256	6,678	12,374
Trust a/c N. I. R. Highways	21,552	16,461	16,524	2,838	868	58,243	58,243
Flood Control	.....	4	1,042	722	760	2,528	2,528
Milk Control	58	214	241	321	603	1,437	1,437
State Forests and Waters	.....	116	331	342	477	1,266	1,266
State School	68	55	278	161	407	969	1,351
State Farm Products Show	124	132	144	186	292	878	1,048
Special Grade Crossing	.....	.....	8	390	73	471	471
Federal Rehabilitation	1	13	15	18	39	86	92
Veteran's Compensation	47,488	854	360	1,624	38	50,364	50,364
Historical Commission	.....	5	1	5	1	12	12
Conrad Weiser Memorial Park	.....	1	2	2	1	6	6
Federal Vocational Education Bureau of Employment	9	7	7	.....	.....	23	54
State Stores Profit	163	285	29	.....	.....	477	477
Federal Allotment—Forest Prot.	6,316	394	.....¹	.....	.....	6,710	6,710
Securities Commission	.....	.....	.....	.....	.....	.....	100
Federal Forest Nursery	.....	.....	.....	.....	.....	.....	670
Soldiers and Sailors Memo- rial Bridge	.....	.....	.....	.....	.....	.....	3
Federal Plant Pest	.....	.....	.....	.....	.....	.....	315
Insurance Tax	.....	.....	.....	.....	.....	.....	.....¹
Bedding and Upholstery	.....	.....	.....	.....	.....	.....	5,482
State Bond Road	.....	.....	.....	.....	.....	.....	283
Dog	.....	.....	.....	.....	.....	.....	82,841
Insurance Department	.....	.....	.....	.....	.....	.....	2,947
State Athletic Commission	.....	.....	.....	.....	.....	.....	284
Carbonated Beverage	.....	.....	.....	.....	.....	.....	159
Badge and Emblem	.....	.....	.....	.....	.....	.....	40
Standardization Laboratory	.....	.....	.....	.....	.....	.....	1
Gasoline Tax	.....	.....	.....	.....	.....	.....	55
Boiler Inspection	.....	.....	.....	.....	.....	.....	9,769
Alcoholic Permits	.....	.....	.....	.....	.....	.....	135
Bureau of Markets	.....	.....	.....	.....	.....	.....	24
Experimental Agriculture	.....	.....	.....	.....	.....	.....	15
Elevator Inspection	.....	.....	.....	.....	.....	.....	76
Engineers	.....	.....	.....	.....	.....	.....	17
Registered Names	.....	.....	.....	.....	.....	.....	69
Resident Fish License	.....	.....	.....	.....	.....	.....	5
Fish Propagation	.....	.....	.....	.....	.....	.....	389
Grade Crossing and Land Damage	.....	.....	.....	.....	.....	.....	54
Game Damage	.....	.....	.....	.....	.....	.....	16
Game Fence	.....	.....	.....	.....	.....	.....	3
Normal School	.....	.....	.....	.....	.....	.....	2
Grand Totals	<u>435,256</u>	<u>527,981</u>	<u>666,969</u>	<u>659,288</u>	<u>657,259</u>	<u>2,946,753</u>	<u>4,394,012</u>

¹ Less than \$1 thousand.

APPENDIX E
COMMONWEALTH OF PENNSYLVANIA
SUMMARY OF MAJOR SOURCES OF OPERATING FUNDS'
REVENUES, BY BIENNIA—1923-1943
(in thousands of dollars)

<i>Major Sources</i>	1923-1933					<i>Five Biennia</i>
	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	1923- 1933
Taxes						
Normal	134,986	157,205	186,978	242,696	210,009	931,874
Emergency	3,364	2,694	50	4	9,125	15,237
Liquor Store Profits						
Miscellaneous ¹	52,870	60,821	70,501	96,938	88,296	369,426
Total Direct Revenues	<u>191,220</u>	<u>220,720</u>	<u>257,529</u>	<u>339,638</u>	<u>307,430</u>	<u>1,316,537</u>
<i>Earmarked Receipts</i>						
State	5,524	13,632	19,545	10,233	3,667	52,601
Federal	6,013	10,298	8,264	11,530	16,647	52,752
Grand Totals	<u>202,757</u>	<u>244,650</u>	<u>285,338</u>	<u>361,401</u>	<u>327,744</u>	<u>1,421,890</u>

	1933-1943					<i>Five Biennia</i>
	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	1933- 1943
Taxes						
Normal	194,867	246,185	257,040	248,847	254,756	1,201,695
Emergency	684	127,614	156,449	167,848	213,441	666,036
Liquor Store Profits ²	6,316	24,393	32,000	34,000	41,000	137,709
Miscellaneous ¹	103,743	108,457	112,970	124,471	117,775	567,416
Total Direct Revenues	<u>305,610</u>	<u>506,459</u>	<u>558,459</u>	<u>575,166</u>	<u>626,972</u>	<u>2,572,856</u>
<i>Earmarked Receipts</i>						
State	4,961	4,933	6,589	9,223	10,404	36,110
Federal	28,973	36,483	80,899	79,589	96,797	322,741
Grand Totals	<u>339,544</u>	<u>548,065</u>	<u>645,947</u>	<u>663,978</u>	<u>734,173</u>	<u>2,931,707</u>

¹ Comprised of licenses and fees, fines and penalties, institutional reimbursements and sundry revenues.

² Includes, in 1933-1937, monies appropriated for pensions for the blind and emergency relief from State Stores Fund.

APPENDIX F
COMMONWEALTH OF PENNSYLVANIA
PERCENTAGE DISTRIBUTION, MAJOR SOURCES OF
OPERATING FUNDS' REVENUES,
BY BIENNIA—1923-1943

<i>Major Sources</i>	1923-1933					<i>Five</i>
	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	1923- 1933
Taxes						
Normal	66.6	64.2	65.5	67.2	64.1	65.5
Emergency	1.6	1.1	.1	....	2.8	1.1
Liquor Store Profits .....	....	....	....	....	....	....
Miscellaneous	26.1	24.9	24.7	26.8	26.9	26.0
Total Direct Revenues ...	94.3	90.2	90.3	94.0	93.8	92.6
<i>Earmarked Receipts</i>						
State	2.7	5.6	6.8	2.8	1.1	3.7
Federal	3.0	4.2	2.9	3.2	5.1	3.7
Grand Totals	100.0	100.0	100.0	100.0	100.0	100.0

	1933-1943					<i>Five</i>
	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	1933- 1943
Taxes						
Normal	57.4	44.9	39.8	37.5	34.7	41.0
Emergency .....	.2	23.3	24.2	25.3	29.1	22.7
Liquor Store Profits	1.9	4.4	5.0	5.1	5.6	4.7
Miscellaneous	30.5	19.8	17.5	18.7	16.0	19.4
Total Direct Revenues ...	90.0	92.4	86.5	86.6	85.4	87.8
<i>Earmarked Receipts</i>						
State	1.5	.9	1.0	1.4	1.4	1.2
Federal	8.5	6.7	12.5	12.0	13.2	11.0
Grand Totals	100.0	100.0	100.0	100.0	100.0	100.0

APPENDIX G
COMMONWEALTH OF PENNSYLVANIA
REVENUES OF THE OPERATING FUNDS, BY MAJOR
FUNDS, BY MAJOR SOURCES

1923-1933 AND 1933-1943

(in thousands of dollars)

		1923-1933				
<i>Major Funds</i>	<i>Taxes</i>	<i>Liquor Store Profits</i>	<i>Miscel- laneous</i>	<i>Earmarked State</i>	<i>Receipts Federal</i>	<i>Total Revenues</i>
General Fund	746,184	.....	67,904	14,024	2,434	830,546
Motor License Fund ..	161,158	.....	274,003 ³	26,206	30,975	492,342
State Bond Road Fund ¹	.....	.....	1,518	12,069	13,760	27,347
Totals	161,158	.....	275,521	38,275	44,735	519,689
<i>Shared Funds</i>						
Fire Ins. Tax	9,223	.....	42	.....	.....	9,265
Liquid Fuels Tax ² ..	30,257	.....	.....	.....	.....	30,257
Totals	39,480	.....	42	.....	.....	39,522
All Other Funds	289	.....	25,959	302	5,583	32,133
Grand Totals ..	<u>947,111</u>	<u>.....</u>	<u>369,426</u>	<u>52,601</u>	<u>52,752</u>	<u>1,421,890</u>
		1933-1943				
<i>Major Funds</i>	<i>Taxes</i>	<i>Liquor Store Profits</i>	<i>Miscel- laneous</i>	<i>Earmarked State</i>	<i>Receipts Federal</i>	<i>Total Revenues</i>
General Fund	1,457,833	131,000	124,302	28,983	157,458	1,899,576
Motor License Fund ...	334,204	.....	362,065 ³	6,793	52,607	755,669
<i>Shared Funds</i>						
Fire Ins. Tax	8,828	.....	2	.....	.....	8,830
Liquid Fuels Tax ...	66,866	.....	.....	.....	.....	66,866
Liquor License .....	.....	.....	48,017	.....	.....	48,017
Totals	75,694	.....	48,019	.....	.....	123,713
All Other Funds .....	.....	6,709 ⁴	33,030	334	112,676	152,749
Grand Totals ..	<u>1,867,731</u>	<u>137,709</u>	<u>567,416</u>	<u>36,110</u>	<u>322,741</u>	<u>2,931,707</u>

¹ From 1923 to 1929.

² Including Gasoline Tax Fund from 1923 to 1929.

³ Licenses and fees represent \$264,008 thousand of total in 1923-1933 and \$355,060 thousand in 1933-1943.

⁴ Liquor Store profits appropriated for pensions for the blind and emergency relief in the 1933-1935 biennium, accounting for \$6,316 thousand of the total.

APPENDIX H
COMMONWEALTH OF PENNSYLVANIA
PERCENTAGE DISTRIBUTION, REVENUES OF THE
OPERATING FUNDS, BY MAJOR FUNDS,
BY MAJOR SOURCES

1923-1933 AND 1933-1943

(in thousands of dollars)

		1923-1933				
<i>Major Funds</i>	<i>Taxes</i>	<i>Liquor Store Profits</i>	<i>Miscel- laneous</i>	<i>Earmarked State</i>	<i>Receipts Federal</i>	<i>Total Revenues</i>
General Fund	78.8	.....	18.4	26.7	4.6	58.4
Motor License Fund	17.0	.....	74.2	49.8	58.7	34.6
State Bond Road Fund ..	.....	.....	.4	22.9	26.1	1.9
Totals	17.0	.....	74.6	72.7	84.8	36.5
<i>Shared Funds</i>						
Fire Ins. Tax	1.0	.....	.....	.....	.....	.7
Liquid Fuels Tax	3.2	.....	.....	.....	.....	2.1
Totals	4.2	.....	.....	.....	.....	2.8
All Other Funds .....	.....	.....	7.0	.6	10.6	2.3
Grand Totals	<u>100.0</u>	<u>.....</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

		1933-1943				
<i>Major Funds</i>	<i>Taxes</i>	<i>Liquor Store Profits</i>	<i>Miscel- laneous</i>	<i>Earmarked State</i>	<i>Receipts Federal</i>	<i>Total Revenues</i>
General Fund	78.1	95.1	21.9	80.3	48.8	64.8
Motor License Fund	17.9	.....	63.8	18.8	16.3	25.8
<i>Shared Funds</i>						
Fire Ins. Tax .....	.5	.....	.....	.....	.....	.3
Liquid Fuels Tax	3.6	.....	.....	.....	.....	2.3
Liquor License .....	.....	.....	8.5	.....	.....	1.6
Totals	4.0	.....	8.5	.....	.....	4.2
All Other Funds .....	.....	4.9	5.8	.9	34.9	5.2
Grand Totals	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

APPENDIX I

(Part a)

COMMONWEALTH OF PENNSYLVANIA REVENUES OF THE OPERATING FUNDS, BY FUNDS, BY BIENNIA—1923-1933

(in thousands of dollars)

<i>Fund</i>	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Five Biennia 1923- 1933</i>
General	140,722	143,404	167,421	200,300	178,699	830,546
Motor License	46,878	68,610	103,689	142,687	130,479	492,343
State Bond Road	3,608	17,265	6,473	.....	.....	27,346
Totals	50,486	85,875	110,162	142,687	130,479	519,689
Liquid Fuels Tax ¹	4,308	5,767	2 ²	9,614	10,566	30,257
Fire Insurance Tax	1,738	1,834	2,091	2,032	1,570	9,265
Liquor License .....	.....	.....	.....	.....	.....	.....
Totals—Shared Funds	6,046	7,601	2,093	11,646	12,136	39,522
Game	1,351	1,457	2,193	2,497	2,494	9,992
Fish	535	625	852	918	844	3,774
Banking	652	1,041	1,143	1,332	1,497	5,665
State School	226	199	201	188	227	1,041
State Farm Products .....	.....	.....	.....	82	117	199
State Stores Profits ³ .....	.....	.....	.....	.....	.....	.....
Milk Control .....	.....	.....	.....	.....	.....	.....
State Forests and Waters .....	.....	.....	.....	.....	.....	.....
Special Grade Crossing	16	.....	.....	.....	.....	16
Veterans' Compensation .....	.....	.....	.....	.....	.....	.....
Flood Control .....	.....	.....	.....	.....	.....	.....
Historical Commission .....	.....	.....	.....	.....	.....	.....
Conrad Weiser .....	.....	.....	.....	.....	.....	.....
Abolished Funds	1,807	3,382	350	280	.....	5,819
Vocational Education	847	1,001	864	1,298	1,142	5,152
Industrial Rehabilitation	69	65	59	68	109	370
Trust Account—N. I. R.	.....	.....	.....	.....	.....	.....
Highways .....	.....	.....	.....	.....	.....	.....
Bureau of Employment .....	.....	.....	.....	.....	.....	.....
Unemployment Compensation Administration .....	.....	.....	.....	.....	.....	.....
Social Security .....	.....	.....	.....	.....	.....	.....
Federal Forest Nursery .....	.....	.....	.....	5	.....	5
Federal Forest Protection .....	.....	.....	.....	100	.....	100
Totals — All Other Funds	5,503	7,770	5,662	6,768	6,430	32,133
Grand Totals	202,757	244,650	285,338	361,401	327,744	1,421,890

¹ Includes Gasoline Tax Fund, 1923-1929.

² In 1927-1929 gasoline tax monies were deposited in General Fund.

³ Liquor store profits appropriated for pensions for the blind and emergency relief only.

APPENDIX I

(Part b)

COMMONWEALTH OF PENNSYLVANIA REVENUES OF THE OPERATING FUNDS, BY FUNDS, BY BIENNIA—1933-1943

(in thousands of dollars)

<i>Fund</i>	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	<i>Five Biennia 1933- 1943</i>
General	162,818	357,459	420,030	435,032	524,237	1,899,576
Motor License	123,100	141,809	155,741	174,215	160,804	755,669
State Bond Road						
Totals	123,100	141,809	155,741	174,215	160,804	755,669
Liquid Fuels Tax	10,764	12,620	14,092	15,318	14,072	66,866
Fire Insurance Tax	1,435	1,524	1,858	1,882	2,131	8,830
Liquor License	6,048	8,569	11,036	11,425	10,939	48,017
Totals—Shared Funds	18,247	22,713	26,986	28,625	27,142	123,713
Game	2,371	2,586	2,965	3,189	3,216	14,327
Fish	849	939	1,397	1,153	1,412	5,750
Banking	1,414	1,400	1,525	1,385	1,338	7,062
State School	313	102	725	408	412	1,960
State Farm Products	109	130	165	191	320	915
State Stores Profits ¹	6,315	393				6,708
Milk Control	66	215	335	260	365	1,241
State Forests and Waters		221	285	346	472	1,324
Special Grade Crossing			176	249	45	470
Veterans' Compensation	513	65	42	31	8	659
Flood Control			3	99	4	106
Historical Commission	35	2	2	2	2	43
Conrad Weiser		4	2	2	1	9
Abolished Funds						
Vocational Education	1,212	1,184	2,697	2,613	2,655	10,361
Industrial Rehabilitation	127	241	331	324	414	1,437
Trust Account—N. I. R.						
Highways	21,866	16,493	17,497	1,829	329	58,014
Bureau of Employment	189	289				478
Unemployment Compensation Administration		1,114	13,218	11,563	7,958	33,853
Social Security		706	1,825	2,462	3,039	8,032
Federal Forest Nursery						
Federal Forest Protection						
Totals—All Other Funds	35,379	26,084	43,190	26,106	21,990	152,749
Grand Totals	339,544	548,065	645,947	663,978	734,173	2,931,707

¹ Liquor store profits appropriated for pensions for the blind and emergency relief only.

APPENDIX J

(Part a)

STATEMENT OF GENERAL FUND CASH TRANSACTIONS

JUNE 1, 1923-MAY 31, 1933

(in thousands of dollars)

	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Total Five Biennia 1923- 1933</i>
<i>Receipts</i>						
State Revenues	136,539	141,068	168,083	200,072	178,686	824,448
Federal Grants Received	1,898	1,521	1,510	1,465	1,564	7,958
Sub-Totals	<u>138,437</u>	<u>142,589</u>	<u>169,593</u>	<u>201,537</u>	<u>180,250</u>	<u>832,406</u>
Highway Construction Refunds ..	2,982	2,199	339	.....	.....	5,520
Tax Anticipation Notes .....	.....	.....	.....	.....	.....	.....
Expense Bonds Proceeds .....	.....	.....	.....	.....	.....	.....
Inter-Fund Borrowings .....	.....	.....	.....	.....	10,000	10,000
Total Receipts	<u><u>141,419</u></u>	<u><u>144,788</u></u>	<u><u>169,932</u></u>	<u><u>201,537</u></u>	<u><u>190,250</u></u>	<u><u>847,926</u></u>
<i>Disbursements</i>						
From State Revenues .....	.....	.....	.....	.....	.....	.....
Applicable to 1933-1943—Approp. Expense Bonds .....	.....	.....	.....	.....	.....	.....
Applicable to 1923-1943 — All Others	103,255	121,807	148,937	190,683	206,894	771,576
Total Applicable to 1923-1943 Appropriation	103,255	121,807	148,937	190,683	206,894	771,576
Applicable to Appropriations Prior to June 1, 1923	28,453	2,921	321	543	23	32,261
Total Disbursements from State Revenue	131,708	124,728	149,258	191,226	206,917	803,837
From Highway Construction Re- funds	2,982	2,199	339	.....	.....	5,520
From Federal Grants	2,069	1,579	1,506	1,042	1,571	7,767
Sub-Total	<u>136,759</u>	<u>128,506</u>	<u>151,103</u>	<u>192,268</u>	<u>208,488</u>	<u>817,124</u>
Tax Anticipation Notes Repaid ..	.....	.....	.....	.....	.....	.....
Inter-Fund Borrowings Repaid ..	.....	.....	.....	.....	10,000	10,000
Total Disbursements	<u><u>136,759</u></u>	<u><u>128,506</u></u>	<u><u>151,103</u></u>	<u><u>192,268</u></u>	<u><u>218,488</u></u>	<u><u>827,124</u></u>
Difference between Receipts and Dis- bursements	4,660	16,282	18,829	9,269	-28,238 ¹	20,802
Cash Balance at Beginning	31	4,691	20,973	39,802	49,071	31
Cash Balance at End	4,691	20,973	39,802	49,071	20,833	20,833

¹ Denotes decrease.

APPENDIX J

(Part b)

STATEMENT OF GENERAL FUND CASH TRANSACTIONS JUNE 1, 1933-MAY 31, 1943

(in thousands of dollars)

	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	<i>Total Five Biennia</i> 1933- 1943	<i>Total Ten Biennia</i> 1923- 1943
<i>Receipts</i>							
State Revenues	162,566	345,742	394,776	398,576	464,414	1,766,074	2,590,522
Federal Grants Received..	1,455	13,274	34,654	47,770	71,572	168,725	176,683
Sub-Total	164,021	359,016	429,430	446,346	535,986	1,934,799	2,767,205
Highway Construction Re- funds							5,520
Tax Anticipation Notes ..		95,000	120,000	155,000	135,000	505,000	505,000
Expense Bonds Proceeds..	25,000					25,000	25,000
Inter-Fund Borrowings ...	16,443	33,116	26,750	75,100	5,000	156,409	166,409
Total Receipts	205,464	487,132	576,180	676,446	675,986	2,621,208	3,469,134
<i>Disbursements</i>							
From State Revenues							
Applicable to 1933-1943—							
Approp. Expense Bonds.	2,500	5,000	5,000	5,000	5,000	22,500	22,500
Applicable to 1923-1943—							
All Other	213,965	341,882	404,566	425,863	368,080	1,754,356	2,525,932
Total Applicable to 1923-1943 Appropri- ation	216,465	346,882	409,566	430,863	373,080	1,776,856	2,548,432
Applicable to Appropria- tions prior to June 1, 1923	4					4	32,265
Total Disbursements from State Revenue.	216,469	346,882	409,566	430,863	373,080	1,776,860	2,580,697
From Highway Construc- tion Refunds							5,520
From Federal Grants	1,475	13,277	34,723	45,791	71,145	166,411	174,178
Sub-Total	217,944	360,159	444,289	476,654	444,225	1,943,271	2,760,395
Tax Anticipation Notes Re- paid		95,000	120,000	155,000	135,000	505,000	505,000
Inter-Fund Borrowings Re- paid		29,343	19,716	31,750	75,100	155,909	165,909
Total Disbursements ..	217,944	484,502	584,005	663,404	654,325	2,604,180	3,431,304
Difference between Receipts and Disbursements	—12,480 ¹	2,630	—7,825 ¹	13,042	21,661	17,028	37,830
Cash Balance at Beginning ..	20,833	8,353	10,983	3,158	16,200	20,833	31
Cash Balance at End	8,353	10,983	3,158	16,200	37,861	37,861	37,861

¹ Denotes decrease.

APPENDIX K

(Part a)

BIENNIAL OPERATING RECORD ON APPROPRIATION BASIS, GENERAL FUND—1923-1933

(in thousands of dollars)

	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Total Five Biennia 1923- 1933</i>
Total Expenditures Applicable	114,357	123,598	151,890	191,268	209,366	790,479
Less Federal	2,069	1,579	1,506	1,042	1,570	7,766
Less Payments on Expense Bonds						
Net Expenditures	<u>112,288</u>	<u>122,019</u>	<u>150,384</u>	<u>190,226</u>	<u>207,796</u>	<u>782,713</u>
State Revenues	136,539	141,067	168,084	200,072	178,686	824,448
Surplus or Deficit	<u>24,251</u>	<u>19,048</u>	<u>17,700</u>	<u>9,846</u>	<u>-29,110</u>	<u>41,735</u>
<i>Reconciliation of State Disbursements and Expenditures</i>						
Net Expenditures Applicable	112,458	122,083	150,400	189,809	207,802	782,552
Adjustment for Unpaid Bills	-9,033	-213	-1,447	+457	- 900	-11,136
Total Disbursements Appli- cable	<u>103,425</u>	<u>121,870</u>	<u>148,953</u>	<u>190,266</u>	<u>206,902</u>	<u>771,416</u>
<i>Reconciliation of Federal Disburse- ments and Expenditures</i>						
Disbursements from Federal Grants	1,898	1,516	1,491	1,459	1,564	7,928
Adjustments	+ 171	+ 63	+ 15	-417	+ 7	- 161
Federal Expenditures Appli- cable	<u>2,069</u>	<u>1,579</u>	<u>1,506</u>	<u>1,042</u>	<u>1,571</u>	<u>7,767</u>
<i>Federal Grants Received and Dis- bursed</i>						
Federal Grants Received	1,898	1,521	1,510	1,465	1,564	7,958
Federal Grants Disbursed	1,898	1,516	1,491	1,459	1,564	7,928
Difference		<u>- 5</u>	<u>- 19</u>	<u>- 6</u>		<u>- 30</u>

APPENDIX K

(Part b)

BIENNIAL OPERATING RECORD ON APPROPRIATION BASIS, GENERAL FUND—1933-1943

(in thousands of dollars)

	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	Total Five Biennia 1933- 1943	Total Ten Biennia 1923- 1943
Total Expenditures Ap- plicable	234,666	348,513	452,733	478,209	427,327	1,941,448	2,731,927
Less Federal	1,475	13,277	34,723	45,791	71,145	166,411	174,177
Less Payments on Expense Bonds ..	2,500	5,000	5,000	5,000	5,000	22,500	22,500
Net Expendi- tures	230,691	330,236	413,010	427,418	351,182	1,752,537	2,535,250
State Revenues	162,566	345,741	394,776	398,576	464,414	1,766,073	2,590,521
Surplus or Deficit	<u>-68,125</u>	<u>15,505</u>	<u>-18,234</u>	<u>-28,842</u>	<u>113,232</u>	<u>13,536</u>	<u>55,271</u>
<i>Reconcilement of State Disbursements and Expenditures</i>							
Net Expenditures Ap- plicable	230,696	330,248	413,408	427,065	351,166	1,752,583	2,535,135
Adjustment for Un- paid Bills	-16,726	+11,645	- 8,444	- 1,566	+16,898	+1,817	-9,319
Total Disburse- ments Appli- cable	<u>213,970</u>	<u>341,893</u>	<u>404,964</u>	<u>425,509</u>	<u>368,064</u>	<u>1,754,400</u>	<u>2,525,816</u>
<i>Reconcilement of Fed- eral Disbursements and Expenditures.</i>							
Disbursements from Federal Grants ...	1,470	13,266	34,324	46,144	71,161	166,365	174,293
Adjustments	+ 5	+ 11	+ 399	- 353	- 16	+ 46	- 115
Federal Expendi- tures Appli- cable	<u>1,475</u>	<u>13,277</u>	<u>34,723</u>	<u>45,791</u>	<u>71,145</u>	<u>166,411</u>	<u>174,178</u>
<i>Federal Grants Received and Disbursed</i>							
Federal Grants Re- ceived	1,455	13,274	34,654	47,770	71,572	168,725	176,683
Federal Grants Dis- bursed	1,470	13,266	34,324	46,144	71,161	166,365	174,293
Difference	<u>15</u>	<u>- 8</u>	<u>- 330</u>	<u>- 1,626</u>	<u>- 411</u>	<u>-2,360</u>	<u>-2,390</u>

APPENDIX L

(Part a)

EFFECT OF GENERAL FUND FINANCIAL OPERATIONS BY BIENNIA—1923-1933

(in thousands of dollars)

	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	Total Five Biennia 1923- 1933
Changes in Appropriation Liability:						
Prior to June 1, 1923	28,453	2,921	321	543	23	32,261
1923-1943 Appropriations	—9,033	—213	—1,447	457	— 900	—11,136
Federal Grants		— 5	— 19	— 6	.....	— 30
Federal Reimbursements	171	63	15	—417	7	— 161
Total Appropriations Liabil- ity	19,591	2,766	—1,130	577	— 870	20,934
Inter-Fund Borrowings						
Expense Bonds						
Cash Balance	4,660	16,282	18,829	9,269	—28,239	20,801
Biennial Surplus or Deficit..	24,251	19,048	17,699	9,846	—29,109	41,735

APPENDIX L

(Part b)

EFFECT OF GENERAL FUND FINANCIAL OPERATIONS BY BIENNIA—1933-1943

(in thousands of dollars)

	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	Total Five Biennia 1933- 1943	Total Ten Biennia 1923- 1943
Changes in Appropria- tion Liability:							
Prior to June 1, 1923	4	.....	.....	.....	.....	4	32,265
1923-1943 Appropria- tions	—16,726	11,645	— 8,444	— 1,556	16,898	1,818	—9,319
Federal Grants	15	— 8	— 330	— 1,626	—411	—2,361	—2,390
Federal Reimburse- ments	5	11	399	— 353	— 16	46	— 115
Total Appropria- tion Liability. —16,702	11,648	— 8,375	— 3,535	16,471	— 493	20,441	
Inter-Fund Borrowings. —16,443	— 3,773	— 7,034	—43,350	70,100	— 500	— 500	
Expense Bonds	—22,500	— 5,000	5,000	5,000	5,000	—2,500	—2,500
Cash Balance	—12,479	2,630	— 7,825	13,043	21,661	17,030	37,831
Biennial Surplus or Deficit ... —68,124	15,505	—18,234	—28,842	113,232	13,537	55,272	

APPENDIX M

(Part a)

GENERAL FUND EXPENDITURES ON APPROPRIATION BASIS BY DEPARTMENTS—1923-1933

(in thousands of dollars)

	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Total Five Biennia 1923- 1933</i>
Governor's Office	109	158	311	378	375	1,331
Lieutenant's Office .....	.....	.....	22	23	22	67
Auditor General	1,196	1,218	1,296	1,216	1,567	6,493
Treasury	400	493	528	741	1,313	3,475
Agriculture	743	2,754	4,848	4,650	4,420	17,415
Banking	24	50	124	111	257	566
Commerce .....	.....	.....	.....	.....	.....	.....
Forest and Waters	2,215	2,365	4,289	4,883	4,352	18,104
Health	4,309	5,145	5,420	3,897	4,020	22,791
Insurance	176	.....	532	535	527	1,770
Internal Affairs	262	291	635	818	731	2,737
Justice	222	293	349	599	782	2,245
Labor and Industry	1,558	1,803	2,324	2,484	2,366	10,535
Military Affairs	1,296	1,622	3,018	2,340	2,534	10,810
Mines	591	601	714	693	641	3,240
Property and Supplies	3,914	3,983	5,571	31,526	15,226	60,220
Public Instruction	57,302	66,186	75,132	88,841	91,115	378,576
Public Utilities	640	771	928	985	943	4,267
Revenue .....	.....	.....	10	810	1,373	2,193
State	511	2,336	1,737	2,099	2,050	8,733
State Police	1,500	1,662	1,662	2,309	2,432	9,565
Welfare	15,499	21,147	26,424	30,789	32,032	125,891
Public Assistance	1,694	1,732	2,687	2,732	32,934	41,779
Milk Control Board .....	.....	.....	.....	.....	.....	.....
General State Authority .....	.....	.....	.....	.....	.....	.....
Council of Defense .....	.....	.....	.....	.....	.....	.....
Civil Service Commission .....	.....	.....	.....	.....	.....	.....
Parole Board .....	.....	.....	.....	.....	.....	.....
Miscellaneous	7,655	2,770	545	312	468	11,750
Total Executive	101,816	117,380	139,106	183,771	202,480	744,553
Legislative	1,203	2,276	1,489	1,511	1,999	8,478
Judicial	3,820	3,879	4,022	4,822	4,887	21,430
Grand Total	106,839	123,535	144,617	190,104	209,366	774,461

APPENDIX M

(Part b)

GENERAL FUND EXPENDITURES ON APPROPRIATION BASIS BY DEPARTMENTS—1933-1943

(in thousands of dollars)

	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	Total Five Biennia 1933- 1943	Total Ten Biennia 1923- 1943
Governor's Office	330	301	331	322	337	1,621	2,952
Lieutenant's Office	21	23	28	25	24	121	188
Auditor General	1,451	1,577	1,487	1,496	1,681	7,692	14,185
Treasury	5,057	16,863	17,931	16,693	16,984	73,528	77,003
Agriculture	3,280	2,293	3,343	3,125	3,055	15,096	32,511
Banking	187	118	161	108	103	677	1,243
Commerce		10	119	753	675	1,557	1,557
Forest and Waters	2,635	2,196	5,382	2,212	2,213	14,638	32,742
Health	3,681	5,536	6,159	6,099	7,400	28,875	51,666
Insurance	489	576	670	500	499	2,734	4,504
Internal Affairs	540	514	640	574	643	2,911	5,648
Justice	784	837	969	1,053	760	4,403	6,648
Labor and Industry	2,006	2,132	5,119	4,115	4,365	17,737	28,272
Military Affairs	3,154	3,122	2,982	3,130	2,632	15,020	25,830
Mines	555	535	680	615	695	3,080	6,320
Property and Supplies	6,231	6,116	5,308	9,807	11,164	38,626	98,846
Public Instruction	92,019	93,254	99,208	106,063	133,063	523,607	902,183
Public Utilities	1,074	1,382	2,798	1,737	1,731	8,722	12,989
Revenue	1,388	2,733	4,058	3,039	3,259	14,477	16,670
State	1,420	1,388	257	1,887	1,881	6,833	15,566
State Police	2,533	2,504	8,117	8,922	8,825	30,901	40,466
Welfare	31,548	33,011	37,485	41,006	49,881	192,931	318,822
Public Assistance	65,257	163,975	240,165	256,565	165,792	891,754	933,533
Milk Control Board	71	181	300	200	240	992	992
General State Authority			1,080	516	385	1,981	1,981
Council of Defense					341	341	341
Civil Service Commission					143	143	143
Parole Board					297	297	297
Miscellaneous	2,234	458	756	560	573	4,581	16,331
Total Executive	227,945	341,635	445,533	471,122	419,641	1,905,876	2,650,429
Legislative	1,779	1,970	2,082	1,956	1,988	9,775	18,253
Judicial	4,942	4,908	5,118	5,131	5,141	25,240	46,670
Grand Totals	234,666	348,513	452,733	478,209	426,770	1,940,891	2,715,352

APPENDIX N
MOTOR LICENSE FUND
BIENNIAL OPERATIONS—1923-1943
(in thousands of dollars)

<i>Biennium</i>	<i>Biennial Revenue</i>	<i>Biennial Expenditures</i>	<i>Biennial Operating Results</i>	<i>Accumulated Operating Results</i>
As of May 31, 1923 .....	.....	.....	.....	12,048
1923-1925	46,878	54,143	— 7,265 ¹	4,783
1925-1927	68,609	51,494	17,115	21,898
1927-1929	103,689	97,045	6,644	28,542
1929-1931	146,129	159,764	—13,635 ¹	14,907
1931-1933	140,565	139,459	1,106	16,013
1933-1935	123,139	132,195	— 9,056 ¹	6,957
1935-1937	146,949	134,078	12,871	19,828
1937-1939	174,957	186,574	—11,617 ¹	8,211
1939-1941	191,715	194,987	— 3,272 ¹	4,939
1941-1943	208,354	162,292	46,062	51,001

¹ Deficit.

APPENDIX O
(Part a)
MOTOR LICENSE FUND
RECEIPTS AND DISBURSEMENTS—1923-1933
(in thousands of dollars)

	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Total Five Bienna</i>
<i>Receipts</i>						
Revenues						
From State Sources ..	45,005	68,334	99,941	136,203	115,412	464,895
From Federal Grants ..	1,873	275	3,748	9,926	15,153	30,975
Sub-Totals	46,878	68,609	103,689	146,129	130,565	495,870
Inter-Fund Borrowings						
Repaid .....	.....	.....	.....	.....	10,000	10,000
Total Receipts	46,878	68,609	103,689	146,129	140,565	505,870
<i>Disbursements</i>						
Expenditures						
From Motor License Fund	54,143	51,494	97,045	159,764	129,459	491,905
Through General Fund .....	.....	.....	.....	.....	.....	.....
Sub-Totals	54,143	51,494	97,045	159,764	129,459	491,905
Inter-Fund Loans .....	.....	.....	.....	.....	10,000	10,000
Total Disbursements	54,143	51,494	97,045	159,764	139,459	501,905
Cash Balance at Beginning	12,048	4,783	21,898	28,542	14,907	82,178
Excess Receipts over Disbursements	7,265 ¹	17,115	6,644	13,635 ¹	1,106	3,965
Cash Balance at End	4,783	21,898	28,542	14,907	16,013	86,143

¹ Excess Disbursements over Receipts.

APPENDIX O
(Part b)
MOTOR LICENSE FUND
RECEIPTS AND DISBURSEMENTS—1933-1943
(in thousands of dollars)

	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	Total Five Biennia	Total Ten Biennia
<i>Receipts</i>							
Revenues							
From State Sources	117,851	137,062	142,810	158,591	146,788	703,102	1,167,997
From Federal Grants ..	5,288	4,747	12,931	15,624	14,016	52,606	83,581
Sub-Totals	<u>123,139</u>	<u>141,809</u>	<u>155,741</u>	<u>174,215</u>	<u>160,804</u>	<u>755,708</u>	<u>1,251,578</u>
Inter-Fund Borrowings Re- paid		5,140	19,216	17,500	47,550	89,406	99,406
Total Receipts	<u>123,139</u>	<u>146,949</u>	<u>174,957</u>	<u>191,715</u>	<u>208,354</u>	<u>845,114</u>	<u>1,350,984</u>
<i>Disbursements</i>							
Expenditures							
From Motor License Fund	125,955	115,962	161,924	139,037	153,763	696,641	1,188,546
Through General Fund			7,150	8,400	8,529	24,079	24,079
Sub-Totals	<u>125,955</u>	<u>115,962</u>	<u>169,074</u>	<u>147,437</u>	<u>162,292</u>	<u>720,720</u>	<u>1,212,625</u>
Inter-Fund Loans	6,240	18,116	17,500	47,550		89,406	99,406
Total Disbursements	<u>132,195</u>	<u>134,078</u>	<u>186,574</u>	<u>194,987</u>	<u>162,292</u>	<u>810,126</u>	<u>1,312,031</u>
Cash Balance at Beginning ..	16,013	6,957	19,828	8,211	4,939	55,948	138,126
Excess Receipts over Disburse- ments	9,056 ¹	12,871	11,617 ¹	3,272 ¹	46,062	34,188	38,953
Cash Balance at End	<u>6,957</u>	<u>19,828</u>	<u>8,211</u>	<u>4,939</u>	<u>51,001</u>	<u>90,936</u>	<u>177,079</u>

¹ Excess Disbursements over Receipts.

APPENDIX P

(Part b)

MOTOR LICENSE FUND EXPENDITURES BY DEPARTMENTS—1923-1933

(in thousands of dollars)

<i>Department or Agency</i>	1923- 1925	1925- 1927	1927- 1929	1929- 1931	1931- 1933	<i>Total Five Biennia</i>
Department of Highways	54,143	41,508	81,171	138,902	108,512	424,237
Department of Property and Supplies				7	78	85
Department of Revenue				6,663	6,975	13,638
Treasury Department		9,986	15,571	13,998	13,677	53,232
Pennsylvania Motor Police						
Department of Commerce						
Department of State						
Public Service Commission			15	157	216	388
Administrative Miscellaneous and Commissions			289	37		326
Biennial Totals	<u>54,143</u>	<u>51,494</u>	<u>97,046</u>	<u>159,764</u>	<u>129,459</u>	<u>491,906</u>

APPENDIX P

(Part b)

MOTOR LICENSE FUND EXPENDITURES BY DEPARTMENTS—1933-1943

(In thousands of dollars)

<i>Department or Agency</i>	1933- 1935	1935- 1937	1937- 1939	1939- 1941	1941- 1943	<i>Total Five Biennia</i>	<i>Total Ten Biennia</i>
Department of Highways ...	105,696	94,534	144,016	120,016	135,083	599,345	1,023,582
Department of Property and Supplies	81	56	60	56	52	305	390
Department of Revenue	6,335	8,207	7,728	5,186	5,228	32,684	46,322
Treasury Department	13,376	12,859	9,962	13,043	13,049	62,289	115,521
Pennsylvania Motor Police ..			7,150	8,000	8,000	23,150	23,150
Department of Commerce ..				400	300	700	700
Department of State	434	306		575	580	1,895	1,895
Public Service Commission ..	18		15			33	421
Administrative Miscellaneous and Commissions	15		143	161		319	645
Biennial Totals	<u>125,955</u>	<u>115,962</u>	<u>169,074</u>	<u>147,437</u>	<u>162,292</u>	<u>720,720</u>	<u>1,212,626</u>

