

# HOUSE . . . . No. 2175

---

## The Commonwealth of Massachusetts.

---

HOUSE OF REPRESENTATIVES, July 18 (P.M.), 1911.

The joint committee on Ways and Means, to whom was referred a message from the Governor transmitting a preliminary report relative to the commissions, departments and institutions of the Commonwealth (see House Journal of March 28), report that no legislation is necessary thereon, and submit the accompanying statement:—

The report of the expert, Harvey S. Chase, concerning the department of the treasurer and receiver general transmitted to the General Court with the Governor's message shows that he did not familiarize himself with the laws of the Commonwealth. Much space is devoted to a discussion concerning the appointment of a comptroller under whom the treasurer and auditor should be subordinate officials. He subsequently admits that this would be unconstitutional. The expert recommends a "balance sheet and the installation of what he terms an overhead or controlling ledger", yet the auditor, and not the treasurer, is the official bookkeeper of the Commonwealth, and is the only officer who has the necessary data for the establishment and carrying out of such a system.

The expert says "we have investigated the sinking funds in great detail", while a statement in another part shows that he had examined only portions of the sinking funds of the last two years. On another page, the report states "the sinking funds of the Commonwealth as a whole have been safely and conservatively handled, that they are in excellent

condition, and abundantly able to provide at maturity for each of the issues of bonds and that the 'margin of safety' has been taken so high that the credit of the Commonwealth has been conserved without the possibility of doubt or suspicion." Then the claim is made that the amounts in the sinking funds are "excessive" and that therefore the "State taxes of the past have been higher than was absolutely necessary". The facts are that large sums of money which have been received from the national government have, as the law directs, been placed in the sinking funds by the treasurer with the approval of the Governor and Council, and were spread to the maturity of the loans. This money, with other amounts received from the same source, has been invested in bonds whose yearly interest accumulations very materially reduce the amounts necessary to be appropriated by taxation. It is clear, therefore, that these funds are being handled in a way which results in a reduction of the State taxes instead of increasing them as is claimed in the report.

The expert placed in his report a chart showing how the Harbor Improvement Loan Sinking Fund should have been figured under his plan. This is a \$500,000 loan, the bonds having been sold in 1897 to run forty years. In his chart, he appropriated \$12,500 to the sinking fund the first year and reduced the annual appropriations \$500 each year and added the interest accumulations at 4 per cent., but did not carry his calculations through to the maturity of the loan, but only down to the close of the year 1910. While this plan, carried to the maturity of the loan, as must be done in figuring sinking funds, would result in taxing the people in twenty-five years for all the appropriations necessary to pay this forty year loan and more, thus making his last appropriation in 1921, fifteen years before the loan became due. The amount then in the fund with its interest earnings added, as he proposed, would increase this sinking fund so that at the maturity of the loan there would be \$562,794.84 accumulated with which to pay a \$500,000 loan, or a surplus of \$62,794.84, showing that the entire computation was erroneous and incorrect.

The expert expatiates concerning a new system of handling sinking funds which he said he had introduced in a number of

cities. The law not only would prohibit this method for the State, but, under chapter 27, section 12, of the Revised Laws such a method for cities and towns would be absolutely illegal. It is, therefore, clear that no such system is in vogue in any municipality in the State.

The expert's recommendations concerning serial bonds are entirely superfluous as the treasurer in his last annual report recommended that all the bonds of the Commonwealth be issued under the serial payment plan, and with the approval of the Governor and Council in January of this year all the bonds put out at the annual bond sale were in serial form.

The State sinking funds are very ably and safely handled and in splendid condition. The credit of the State of Massachusetts is as good as that of any other State in the Union, and stands high throughout the financial world, which attests the ability and efficiency of the treasurer and receiver general of the Commonwealth.

The joint committee on Ways and Means report no legislation necessary.

For the committee,

FRANK H. POPE.

