

METHODS OF COUNTY FINANCING IN RELATION  
TO COUNTY GOVERNMENT IN TEXAS

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July 22

APPROVED:

W. Larimer  
Major Professor

Jack Johnson  
Minor Professor

W. Larimer  
Director of the Department of  
Business Education

L. H. Sharp  
Chairman of the Graduate Council

METHODS OF COUNTY FINANCING IN RELATION  
TO COUNTY GOVERNMENT IN TEXAS

THESIS

Presented to the Graduate Council of the North  
Texas State Teachers College in Partial  
Fulfillment of the Requirements

For the Degree of

MASTER OF ARTS

By

Mrs. Gladys A. Yoakum, B. A.

Denton, Texas

August, 1939

76280

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## CHAPTER I

### INTRODUCTION: A SURVEY OF THE PROBLEM

#### The Problem

The specific aim of this study is to show the relation of the methods of county financing in Texas to the present form of County Government. Linked with this report and underlying it is the thesis that our present form of County Government in Texas is antiquated and therefore inadequate to meet the requirements of efficient administration of county financing.

Various authorities contend that our present form of County Government in Texas, as set forth in the State Constitution, has long since ceased to be useful for practical purposes. Forward thinking people advocate changes in the Texas Constitution that will permit counties to adopt methods of administration more in keeping with the modern trend.

William and Kathryn Cordell, in their article, "Taxpayer, Meet Your County," published in the August, 1936, Survey Graphic, express the sentiments of progressive thinking citizens in regard to ancient forms of county government:

Counties as we know them date far back. In the state of New York they were created by the Duke of York's laws, enacted in 1670. The political subdivisions of the states were continued

after the establishment of the union, and have gone on, amazingly unchanged, though now a taxpayer can cross the state in his car with less time and trouble than it cost his grandfather to drive to the county seat.

Originally organized to meet pioneer conditions of distance and slow transportation our 3,070 counties today vary greatly in size and population. The average area is 400 to 650 square miles, though the range is from New York County, N. Y., with 22 square miles, to San Bernardino County, California, with 20,175. While most counties have from 10,000 to 30,000 people, Armstrong County, S. D., boasted a population of 80 in 1930 as compared with Cook County, Ill., which had 3,982,123.

Two-thirds of the counties are rural with no cities over 5,000. About one-fourth have cities ranging from 5,000 to 25,000. Only in one-twelfth of the counties is the urban population preponderant. Texas has the largest number of counties, 254; while Rhode Island has 5 and Delaware only 3. The average number of counties per state is about 64.<sup>1</sup>

#### Justification of Problem

County government is the basis of representative government. It intimately touches the lives of more people than the national, state, or municipal governments. When the county government is antiquated and inadequate, the taxpayers and citizens of the county do not receive the services they are entitled to from the government. If the present method of county financing is the cause of inefficiency in county administration, it is to the interest of the whole people that this method be discarded and replaced by one that more nearly corresponds with modern methods of conducting a business. Since the people of a

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<sup>1</sup>William and Kathryn Cordell, "Taxpayer, Meet Your County," Survey Graphic, XXV (August, 1936), 464.

county reside in it and own property in it, they know more nearly its needs and possibilities than the people of a pioneer state almost one hundred years ago when they wrote a constitution which regulates in detail the methods of financing county government. Therefore, the problem of studying county financing may be justified because it so intimately embraces the lives of all of the people and their rights to uniform justice.

#### Scope of Problem

Because of the limitations of the thesis, it will not be possible to exhaust the subject of county financing. Moreover, the wide differences existing among the 254 Texas counties as to population, wealth, resources, revenues, and expenditures prohibit more than a brief review of the financial standings of a few counties. Brewster, Collin, Cooke, Denton, Grayson, Montague, and Rockwall counties have been chosen as specimens in this report. The activities of these counties are considered as being typical of the entire state. It will be noted that Collin, Cooke, Denton, Grayson, Montague, and Wise counties are similar in size, location, and physical properties, such as topography and agricultural possibilities. Because of these similar features it was thought best to compare these counties as to their actual possibilities and their financial problems.

On the other hand, although Rockwall touches Collin, it is not considered in the group of the latter because of the noticeable difference as to size. Rockwall, the smallest county in the state, however, is compared with Brewster County, the largest county in the state, in order to observe the relationship of their qualities to county government as vested in the Texas Constitution in comparison with the first group of counties mentioned.

#### Method of Gathering Data

The data for this thesis have been gathered mainly from financial reports furnished by various county auditors in the vicinity of Denton, Texas. As required by law, House Bill No. 296, passed by the 43rd Texas Legislature, all county auditors must submit a report of all financial transactions at the end of a fiscal year. Since it was desirable to depend upon authentic data, it was thought best to rely a great deal on these reports in determining the financial status of individual counties.

The strict questionnaire method of gathering data has been avoided in this problem because of the interference of the political tendency of biased thinking with the true condition of a county's financial status.

Also, it was noticed at the onset of this problem that personal interviews with county officials would not bring the desired outcome, that of unbiased, open-minded information.

In determining the quality of county administration in relation to a fixed governmental policy, both sides of the problem must be valued with equal judgment.

The Auditor of one county during an interview was asked how the credit of his county compared with an adjacent county; the answer was, "Now, you're getting into politics." Of course, his answer was, obviously, an evasive one. With certain limitations, according to the State Constitution, Article VIII, Section 9, counties are given the power to go in debt, provided the qualified voters assent on such issues. Some county officials pride themselves on staying within the limits of the law. The attitude of this Auditor, however, was evidence that he considered the credit of his county a political question, rather than one pertaining to efficiency of the technicalities of the law.

The Annual Report of one particular county revealed that no insurance was carried on the courthouse, which, besides being a very old structure, carried an indebtedness of \$16,000. Since reports examined from other counties had shown that their courthouses, even though they were old, were insured, the Auditor was questioned about the lack of insurance on this courthouse. He was taken aback by the question and hesitated over the answer, but a deputy in the office immediately stated that the courthouse was

insured. When it was pointed out that the county expenditure showed no item to cover this insurance, the Auditor acknowledged that no insurance had been carried on the building for several years. Before this, the deputy who had made this assertion had stated that the Annual Report which had been under study was entirely his work. Either he deliberately misstated the answer to the insurance query, or he was negligent to the extent that he could not remember details of an important report.

A county treasurer was interviewed in an effort to trace the channels of an expenditure from the time an order is made until it is consummated. The treasurer offered a warrant of seventy-odd dollars as an example, and stated that the amount filled in by the auditor was for jurors' fees. In reply to questions concerning the number of jurors and the time served by each, the Treasurer said that she had no knowledge concerning this phase of the matter, but that she supposed the Auditor did. According to her statement, no check had been made by her department on the warrants to see if errors had been made. Since the jurors who were paid had made no complaint concerning the amounts received, she had taken it for granted that the warrants were properly drawn.

No doubt the examples of carelessness given above are exceptions rather than the rule, but even an unprejudiced

person must restrain himself to avoid classifying other counties according to the practices observed in a few counties.

The remainder of the data was obtained from various newspapers, magazines, books, several issues of the Texas Almanac, Annual Reports of the State Comptroller for several years, and from counties in other states that have shown outstanding success in reorganized forms of county government.

#### Historical Background of County Government

The origin of the Texas county as a subdivision of the State is to be found in the Municipalities, or very large districts comprising a number of settlements and towns, established under Spanish and Mexican rule. As usually happens when a government is overthrown by aliens, political institutions, when Texas revolted and became independent of Mexico, were changed to conform to the ideas of colonists from the American states, although the Spanish names of rivers, creeks, towns, and even of civil divisions were retained.

Thus, if one judged by the names of places in Texas today, the impression might be that the Spanish form of government had been retained. On the contrary, local governmental institutions established by the Spanish and Roman civil law were completely discarded with the winning of Texas independence. While there is some resemblance between the Ayuntamiento, a council that ruled the municipality under the superior authorities of the Mexican regime, and the county board, established in 1836, the resemblance is so slight that the Spanish influence can be said to have been negligible.

#### Evolution of the county

The model for the governmental organization set up in 1836 is to be found, instead, in the

local political institutions already established in other southern states, from which most of the colonists came. These institutions were adaptations of the English county governmental organization which existed until 1838. Briefly stated, the county board in the South before the Civil War was composed of the justices of the peace, and this body had the authority to levy taxes and to supervise in a very general way the work of other county officers.

The organization established in independent Texas following the revolution provided a county court composed of a chief justice, elected by the two houses of the Congress of the Republic, and two associate justices, elected by the other justices of the peace from their own number. The entire body of justices, with the chief justice as chairman, constituted the county commissioners who had control of the roads and highways and who had the power to levy a tax "sufficient to discharge the demands of their respective counties."

The point to be emphasized in this connection is the fact that county affairs were closely interwoven with the judicial system, the business function being of such minor importance they were subordinate to the judicial functions.

Constitutional changes made in 1845, 1866, and 1869 affected only the internal organization of the board without disturbing the position of the chief justice (later the county judge) as a member of the board. This feature was carried forward in the Constitution of 1876, and at no period in the development of the county governmental organization have the administrative and judicial functions been separated.

In the Constitution of 1869 the position of county judge was lowered to that of an ordinary justice of the peace, thus bringing the organization back more in line with the county board as it was first developed in America.

Division of the county into four precincts from each of which a commissioner is elected was first provided in the Constitution of 1845, and, though the number of county divisions was increased to five by the Constitution of 1869, the original plan of 1845 was again set up in 1876 and continued today. The practice of electing other important county officers, such as the sheriff and the clerk, was begun in the days of the Republic, and the number of elected officers increased with each succeeding constitutional change.

At no time during the development of the county system has the name "county board" been applied to the bodies elected to shape county policies. In 1836 the name was "county commissioners"; in 1845, "county court"; in 1866, "police court"; and in 1869, "county court." When the present Constitution (1876) was drafted, the name was changed to "commissioners' court."

This brief summary of constitutional changes has been given to impress the fact that at no time in the history of Texas has there been a line of demarcation between administrative and judicial functions performed by county officers. It should be clear, however, that a separation of functions is a natural revision that has been made in many of the states of the Union.

The development of county administrative bodies distinct from the groups of justices may be said to have begun in New York in 1691 with the establishment of an elective county board of town supervisors who, in the course of the next fifty years, assumed the administrative duties formerly exercised by the justices of the peace. A similar development took place in Pennsylvania beginning in 1696 when a board of three county commissioners was elected. This board gradually took over the administrative functions of the justices, first assuming the duty of making tax assessments.

The Pennsylvania, rather than the New York, model has been the one more closely followed in western states. While, until the Civil War period, the county board in southern states was usually composed of the justices, the Reconstruction Period brought changes; and in some states the board was remodeled on the Pennsylvania plan. Following Reconstruction, when the people of the South had regained possession of their government, the old system of the justices was reestablished in many states, although the influence of occupation by the Northerners was not entirely effaced.

Since the Texas county board had contained some of the features of the Pennsylvania plan, no lasting radical changes were made during the Reconstruction Period. Thus the county board in Texas has continued to include in its membership at least one judicial officer, but its precinct commissioners have no connection with the judicial system.

The township plan, as developed in some of the middle western states, has never been introduced in

Texas, although counties have been divided into precincts for electing members of the commissioners' court and justices of the peace and for holding elections. In the practical operation of the government, especially during the last fifty years, commissioners' precincts have become important subdivisions of the county in the function of maintaining roads, since each commissioner is constituted by law the road supervisor of his district. The division of road funds upon the basis of the assessed valuation of each commissioner's precinct has set up in the county organization four individual governing authorities, the four commissioners, under the commissioners' court. No other important administrative functions, however, are performed by the political divisions of the county.

#### Present Texas Counties

The widest possible differences exist among Texas counties in population, wealth, resources, and other factors which should be taken into consideration in establishing a government suited to particular regions. The population ranges from 195 in Loving County to 359,323 in Harris County; the area, from 149 square miles in Rockwall County to 5,935 square miles in Brewster County; and the assessed valuation, from less than \$1,500,000 in Loving and Somervell counties to more than \$500,000,000 each in Dallas and Harris counties. Tax collections for 1931 range from \$11,572 in Loving County to \$3,890,467 in Harris County.

For each of these 254 counties the same governmental organizations is provided with but few changes. Each has a commissioners' court composed of the county judge and four commissioners, an assessor, a sheriff, a county clerk, justices of the peace, and constables. The only variations found in this rigid system may be cited briefly. First, in counties of 8,000 population or more there is a clerk of the district court, whereas in smaller counties a single officer performs the duties of clerk of both county and district courts. In counties with 10,000 population or more the office of tax collector, separate and apart from the sheriff's office, is provided. In those counties having 3,000 scholastics or more a superintendent of schools is elected, while in counties with a smaller scholastic population the county judge acts as school superintendent. Finally, in counties with 35,000 population or an assessed valuation of \$15,000,000 the office of county auditor has been established, and

in counties of 100,000 population or more (the rule applies to a few counties with smaller population) there is a chief probation officer.

Since all counties are required to have essentially the same form of government and practically the same officers, the revenues of counties lacking in wealth are absorbed in providing inadequate pay for the officers made mandatory by the Constitution and statutes.

#### Constitutional Restrictions

The Legislature is restricted in its authority to create and organize new counties by constitutional limitations regarding the size of counties and the location of county seats. No new county may be created with an area of less than 700 square miles. The Constitution further provides that no portion of a county may be joined to another county unless the proposition is submitted to the electors of both counties concerned and a majority of those voting favor the change.

Attention has been called to this provision of the Constitution in order to illustrate the difficulty in the path of those who may desire to detach cities from the county system in which they are located and make separate counties of them, as may be done in Virginia. The present county governmental organization is in the main also provided in the Constitution, leaving almost no latitude to the government best suited to particular counties. Practically the only question left for the Legislature is the amount of fees which may be collected in the several offices, compensation by fees being provided for in the Constitution.<sup>2</sup>

With a few minor exceptions, therefore, the entire county system is set out in the Constitution, a condition which takes from the people of the counties the control of their government and leaves them only the empty honor of electing candidates for the several offices each biennium. In such circumstances the word democracy loses its meaning.<sup>3</sup>

<sup>2</sup>This provision has been since revised. Sec. 61, Art. 16; adopted August 24, 1933.

<sup>3</sup>Wallace C. Murphy, County Government and Administration in Texas, Texas University Bulletin, No. 3324: June 22, 1933, pp. 9-14.

## CHAPTER II

### SELECTION AND COMPENSATION OF OFFICERS

#### Selection of Officers

The State Constitution specifies the method of selecting officers, the qualifications and duties of officers, the terms of office, the manner of removal from office, and the manner of filling vacancies.

With a few exceptions the typical Texas county is composed of a County Judge, Clerk, Attorney, Treasurer, School Superintendent, Health Officer, Tax Assessor, Tax Collector, Sheriff, Surveyor, District Judge, District Clerk, District Attorney, and four County Precinct Commissioners.

Besides these officers there are certain other elective precinct officers, in addition to the four commissioners, viz., constables, justices of the peace, and precinct weighers. Not many of the precinct offices last mentioned are filled in counties of below average size, population, and wealth, for the reason that they are on a fee basis of compensation and their income would be insufficient to warrant the expense of making a campaign. So, in many county precincts these offices, particularly justices of the peace, constables, and weighers, are vacant. One county judge expressed the

belief that the offices of justice of the peace and constable should probably be abolished in the interest of good county government and economy, but he was referring to his county in particular, which has a population of approximately 25,000.

Besides these elective officials other offices are filled by appointment through the Commissioners' Court, which each two years appoints a local physician as county health officer, a woman as county health nurse, a county librarian for the public library system, and a manager for the county farm for the aged and disabled. Then, when the need for assistants arises, each official's assistant is deputized.

Of course, the number of appointive offices varies with the needs of the county to some extent, but not all counties observe these restrictions. However, in counties of urbanized characteristics the number of officials necessarily varies with the extent of the population. It was found that the number of County Precinct Commissioners is always four, notwithstanding the fact that there are counties in Texas varying from 149 square miles to 5,935 square miles in area, and from 405,200 to 750 in population.<sup>4</sup>

Each elective official is independent of the rest and responsible only to the voters; he is responsible to some political organization to such an extent that he cannot

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<sup>4</sup>Texas Almanac, 1939-40, pp. 95-98.

render services indiscriminately to the voters except in a superficial way. Short terms of office mean frequent changes among office holders and deputies and result in lack of co-ordination.

Under the present system, offices overlap; inefficient officers are the rule rather than the exception; they are not strictly under the control of anyone but those who elect them, and the latter are usually not in a position to know the details that would show the former, either efficient or inefficient. Under such conditions the average official has small incentive to economize and large reason to waste.

The Commissioners' Court has the responsibility of budgeting and supervising expenditures of the county, but the control of this body is so limited as to be almost superficial in many instances. Their responsibility is great, but the requisite authority is lacking. Absurd as it may seem, the four precinct commissioners, together with the judge, form the Board of Tax Equalization, which meets to hear complaints of property holders who feel that their property has been assessed too high by the tax assessor.

The influence of a large property holder is very evident in restraining the commissioner of his precinct from allowing assessments of property to stand as the assessor values it. The Board of Equalization "is generally confined to lowering assessments when property owners have appealed

from the estimates turned in by the assessor.<sup>5</sup> The commissioners, as a general rule, "have had little or no experience in problems involved in assessing property;"<sup>6</sup> yet they are given the power to supersede the authority of the assessors and lower assessments for individual constituents to whom they owe political support. Thus, they are, in a sense, political slaves, or puppets, subject to the will of their masters or string manipulators. The poor, small property owner, being without political influence except the right to vote, must bear the brunt of the tax burden while his richer neighbor reaps the harvest.

The office of county sheriff is omnipresent. It is found in every state and is generally an elective one. This office was transplanted from England's system of county government. The sheriff's duties usually fall into three or four classes: keeping the peace, serving as a keeper of the county jail, where he sometimes serves meals, acting as officer of the courts, serving court orders and executing court judgment, and, in counties of less than ten thousand population, serving as collector and assessor of taxes. The relation of the county sheriff to the state administration is so marked as to make it difficult to classify this office as purely state or county, because the sheriff serves

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<sup>5</sup>Murphy, op. cit., p. 111.

<sup>6</sup>Ibid.

as an agent of both the county and the state in that the state looks to the sheriffs to enforce state laws within their jurisdiction.

Clerical work and the recording of public records is done by the county clerk and his assistants; and, if the population or assessed valuation of the county does not warrant its having a county auditor, the financial records are also kept by the county clerk.

In Texas the office of the auditor is very important. It is subject to appointment for a two-year term by the district judge having jurisdiction in the county where the appointment is made.

In all counties having a population of 35,000 or above, or with an assessed valuation of \$15,000,000 or more, the appointment of a county auditor is mandatory.<sup>7</sup> The auditor is not under the strict control of the county government, for the reason, no doubt, that the legislature believes his duties, which have to do mainly with the finances of the county, might conflict with various other offices and officers. His duties are sometimes unpopular because he is required to hold a tight rein on county spending and accounting.

Table I illustrates the strict requirements of the State Constitution in regard to the number of county

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<sup>7</sup>Vernon's Texas Statutes of 1936, Art. 1645, p. 378.

officials required in each county. No attempt has been made to exaggerate the findings. However, to make the number of officials more conservative, one official filling the capacities of several offices was counted only once.

TABLE 1  
THE NUMBER OF ELECTIVE COUNTY OFFICIALS  
IN RELATION TO SIZE OF COUNTY\*

County	Area: square miles	Population	Density per square mile	Rank in population 1930	Number elective officers
Andrews	1,565	736	.5	250	13
Brewster	5,935	6,624	1.1	190	13
Collin	878	46,180	52.6	23	14
Cooke	902	24,136	26.8	65	15
Dallas	859	325,691	379.3	2	23
Denton	952	32,322	54.5	40	15
Grayson	942	65,843	69.9	12	16
Harris	1,654	559,328	217.2	1	22
Loving	753	195	.3	252	13
Montague	929	19,159	20.6	89	15
Rockwall	149	7,658	51.4	179	13
Wise	865	19,178	22.2	88	14

\*Source: Texas Almanac and State Industrial Guide, 1939-40, pp. 95-98.

The previously mentioned rigid constitutional plan of governmental organization, uniform for all counties, stands as one of the chief obstacles in

the path of progress toward efficient government. Counties lacking in wealth are over-organized, and in wealthy counties it is not possible to rearrange the personnel to receive the maximum in service from the tax dollar. Herein lies a problem of the greatest magnitude. In most instances the per capita cost of government decreases in proportion to the wealth of the county, and the quality of the services rendered improves. In Harris County, with an estimated wealth of \$1,200,000,000, the per capita cost, excluding schools, is approximately \$10.90; in Randall County with estimated wealth of \$22,500,000, it is \$14.40. The institutions and services provided in Harris include a library system covering the entire county, homes for dependent and delinquent children, an efficient welfare organization, mothers' aid, an engineering staff, and paved roads covering more than one-third of the county. In Randall County, there is no highway engineer, and services in general extend no further than maintaining the dirt roads and providing a courthouse.<sup>8</sup>

The large, sparsely populated county of Brewster, it will be noticed, has the same number of executive officials as the small county of Rockwall, which is 149 square miles in area, or one-thirty-ninth the size of Brewster. It appears that these two counties have very little in common to warrant their having the same number of executive officials; yet the problem of adapting the number of county officers to the assessed value of the county has never received serious consideration in Texas.

From time to time various newspapers print articles in which some citizens have boldly advocated constitutional reform, county budget slash, etc. A look at our constitution should convince anyone that it is safe to print articles

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<sup>8</sup>Murphy, op. cit., pp. 17-18.

proposing salary cuts and personnel reductions, for we are a "long-suffering lot," and there is little likelihood that there will be any change for many decades to come. A recent article in the Dallas Morning News substantiates this statement:

Denton Record Chronicle: Speaking of saving in county government, the Whitewright Sun points out that the Legislature made it possible a few days ago for a county to adopt manager form of government as an economy measure, but thus far no county has done so. The Sun believes the manager plan would save the county about \$50,000 annually without impairing the efficiency of the government. Taxpayers would not object to such a saving, surely.

Taxpayers, unfortunately, are so many Casper Milquetoasts. They are a long-suffering lot, yet there seems to be no limit to the amount or degree of suffering they will endure. Newspapers, magazines, radio stations and political candidates give more time and space to the subject of high taxes than perhaps any other one topic of public concern. But it is safe to say--and it takes no elaborate research to prove it--that less is done about lowering taxes than on any great question. Only by proposing to boost taxes can the taxpayers be roused to much audible protest, and then not always effectively. Little is ever done toward lifting the present burden of taxes. Taxpayers rarely even consider that by taking thought and action on the matter, they might get a modicum of relief. Dallas County could save several times \$50,000 by adopting the county manager plan and by consolidating county and city governments, as is now permitted by state law. This statement held true and might have been written in 1930--as, in fact, it was. It will be just as true in 1940. Yet we doubt if anything radical toward lowering the costs of local administration will be done in Texas by 1950.<sup>9</sup>

On the other hand, if budget slashing should begin, a different wail would be heard. It is surprising, though,

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<sup>9</sup>Dallas Morning News, February 3, 1939, p. 2.

how often the public official tries to put on an act of grave concern at the loss to be incurred by the small taxpayer when public administration considers slashing its budget. Obviously, the official is not even concerned about the economic loss to the little man at such a time; it is his own job he is worried about.

The loss of a job is always painful, and sometimes is even tragic, to the person directly affected and to his family. And when many lose jobs, community buying power is lessened and business is hurt. But governmental units, like business and industrial firms, must balance their budgets: and if Dallas County cannot increase its income it must trim its expenditures to match the former. Probably county efficiency, as well as humanitarianism, would have been served by a slash on all salaries instead of a dismissal of at least 32 employees, but it is always easier to let some one else go than to trim one's own income.

On the other hand, some of the county departments probably have had more employees than they needed. Elective county officers, unchecked by Civil Service regulations, are tempted to pad their pay rolls with the salaries of lieutenants whose main qualification is political influence. There is no assurance, however, that the political appointees will be the ones to go. The present retrenchments offer a strong argument for a merit system for county personnel, a plan that thus far has been resisted successfully by Texas county officials.

Aside from its effect on individual office holders, the most harmful effects of the budget slash probably will be felt by some of those who need hospital care and relief help. The slash of the Parkland and welfare budgets leaves county appropriations far below those of the city, which it is under obligation to match, and decidedly below current needs. Because of tax delinquency and inefficiency in some county departments, many of those who need help from the county may be unable to get it. The slash does not solve the hospital and relief problems; it may make their ultimate solution all the more difficult.<sup>10</sup>

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<sup>10</sup>Dallas Morning News, December 7, 1938, p. 2.

### Compensation of Officers

Until 1935, most of the county officers were paid from fees collected in their offices. Such fees were deposited to their own bank account, reports being made at the end of the year to the Commissioners' Courts. It was found after many measures of revision had failed that the fee system was inadequate because there was no satisfactory system of checking the fees since many operations of the system were beyond the authorized jurisdiction of the auditors.

The fee system was a great incentive for becoming a county official, for it proved to be a great source of additional income to clerical officers, who became expert politicians instead of servants of the county. The amounts collected varied from year to year and depended upon the population of the counties and the officers. Even in poor counties the fee system netted more compensation to the officers than was paid for similar work in other lines. In Gillespie County, which has a population of 11,000, the tax collector's income was slightly more than \$4,000.<sup>11</sup>

The fee system resulted in a decentralized state of affairs, with every man for himself, and many salaried officials, dissatisfied with their incomes, sought means by which they could reap some of the fruits of the system.<sup>12</sup>

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<sup>11</sup>Murphy, op. cit., p. 75.

<sup>12</sup>Ibid., p. 76.

At last, in August, 1935, an Amendment to the State Constitution was made in regard to the fee system:

Sec. 61. CERTAIN OFFICERS, DISTRICT AND COUNTY, PLACED ON SALARY BASIS; DISPOSITION OF FEES OF OFFICE.--All district officers in the State of Texas and all county officers in counties having a population of 20,000 or more, according to the then last preceding Federal Census, shall from the first day of January and thereafter, and subsequent to the first regular or Special Session of the Legislature after the adoption of this Resolution, be compensated on a salary basis. In all counties in this State, the Commissioners' Court shall be authorized to determine whether precinct officers shall be compensated on a fee basis or on a salary basis; and in counties having a population of less than 20,000, according to the then last preceding Federal Census, the Commissioners' Court shall also have the authority to determine whether county officers shall be compensated on a fee basis or on a salary basis.

All fees earned by district, county and precinct officers shall be paid into the county treasury where earned for the account of the proper fund, provided that fees incurred by the State, county and any municipality, or in case where a pauper's oath is filed, shall be paid into the county treasury when collected and provided that where any officer is compensated wholly on a fee basis such fees may be retained by such officer or paid into the treasury of the county as the Commissioners' Court may direct. All Notaries Public, county surveyors and public weighers shall continue to be compensated on a fee basis.<sup>13</sup>

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<sup>13</sup>The Constitution of the State of Texas, (Sec. 61, Art. 16, adopted August 24, 1935).

## CHAPTER III

### THE REVENUE SYSTEM

If the blame for the financial condition of Texas counties could be traceable to any one defect, it could safely be attributed to the administration of the revenue system. This system embraces the assessments, collections, and expenditures of Government funds.

The State of Texas provides a system of common schools, supplies free textbooks, and develops a highway system; but with the exception of providing funds for these statewide enterprises, the Texas revenue system is almost wholly local in character. Decentralized, or localized, taxation thus is largely responsible for the absence of any state administrative control over local government. It also perpetuates the pioneer conception that each locality should provide its own governmental services; for, although the legal concept holds counties to be integral parts of the State set up for convenience in enforcing state laws, the administrative concept holds counties to be local corporations to be left (within the scope of the statutes) to their own devices and revenues to solve their own problems.

Revenues for county government are derived largely from the ad valorem tax. County road funds receive motor vehicle licence fees, which in poor counties are the chief source of revenue for that particular purpose. Some state aid is granted, as discussed later. In addition to these sources, relatively small amounts are received from (1) occupation taxes; (2) poll taxes; (3) court fines and jury fees; (4) excess fees of county officers; and (5) miscellaneous sources which include head-light testing fees and interest on daily deposits.<sup>14</sup>

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<sup>14</sup>Murphrey, op. cit., p. 81.

Ad Valorem taxes provide approximately 70 per cent of county revenues. Of the total of all revenue receipts, a large percentage is used for roads, the tax levy for this purpose being greater than for any other county purpose. In addition to local revenues, the road fund receives substantial additions from state motor vehicle license fees which make a total more than double the amount received for general county business. The low limit of the county general tax levy, considering the number of services that must be paid for out of this fund, has the effect of limiting county government in a majority of the counties to the performance of only those functions found necessary under pioneer conditions. Public health, hospitals, the proper care of indigents and juvenile delinquents, and libraries receive scant consideration except in counties sufficiently wealthy to overcome the limitations.

Court Expense. The distribution of tax levies perpetuates the idea that the functional goal of county government is to furnish a court-house, maintain a staff of officers, and keep the roads in repair. Furthermore, the present system lays a heavy weight upon the counties in maintaining the state system of courts. Here again the theory that counties are subdivisions of the State, created for the purpose of enforcing state laws, breaks down by reason of the fact that, since the expenses of the system are borne locally, each county is in a measure an enforcement unit. Only the salaries of district judges and the fees of sheriffs in felony cases are paid by the State. The expenditures made in enforcing the law form one of the principal items in the expense accounts of counties.<sup>15</sup>

The system of assessing and collecting taxes is open to the flagrant practices of political corruption. Because of the fact that office-holders owe their jobs to their political parties, they become easy targets for participation in questionable practices.

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<sup>15</sup>Murphrey, ibid., pp. 30-31.

Now office seekers with high ideals, who sometimes get what we call "lucky breaks" and do not especially owe their success to any particular party, are often drawn quite innocently into the web of political deceit. In many cases they may have no other alternative but to follow the course of the least resistance, for there is little incentive for one official to be honest, open, and above board, while his fellow officers reap the harvests.

Many people during recent years have been clamoring for a new Constitution. To the average person the present and ancient Constitution is quite inadequate for our present needs. However, it would be surprising to most people if they were required to read the many, many laws of our statutes and learn how many strict laws regulating the assessment of property are grossly violated every day by the tax assessors, tax collectors, and boards of equalization.

It would be impossible in a report of this length to give in detail the contents of many provisions of the tax assessing laws, but to impart an idea as to the strictness of some of these laws, a few will be given in detail.

Each assessor, collector, and the Board of Equalization is given strict instructions in booklet form to follow in assessing and collecting taxes. The following is addressed to the assessors:

Every tax assessor and deputy tax assessor in this State, in addition to the oath prescribed by the Constitution of this State, shall, before entering upon the duties of his office, take and subscribe to the following oath: 'I, I, Tax Assessor (or deputy Tax Assessor, as the case may be) in and for County, Texas, do solemnly swear that I will personally view and inspect all the real estate and improvements thereon subject to taxation lying in said county that may be rendered to me for taxation by any corporation or individual, or by their agent or representative, as fully as may be practicable, and that I will, as fully as is practicable, view and inspect all other taxable property in said county rendered to me as aforesaid; that I will to the best of my ability make a true estimate of the cash value, the market value of such property, if such property has a market value, and if it has no market value, then the real value of all such property, both real and personal, on the 1st of January next preceding; and that I will make up and attach to each assessment sheet made up and sworn to by the said property owners, their agents or representatives a true assessment and valuation of said property, together with a memoranda of all facts which I may learn bearing upon the value of said taxable property, and that I will make all possible inquiry relative to the true value of such property, and that I will attach said memoranda and statement of facts that I may ascertain as aforesaid to the said assessment sheets of the respective property owners. That I have read and understand the several provisions of the Constitution and laws of this State relative to the valuation of taxable property, and that I will faithfully do and perform every duty required of me as tax assessor (or deputy tax assessor) by the Constitution and laws of this State, so help me God.' This oath shall be administered by the county clerk and shall be in duplicate; the original shall be by the clerk filed and recorded in the records of the County, and the duplicate shall be retained by the assessor, or the deputy, as the case may be.

If any person who is required by law to list property shall be sick or absent when the assessor calls for a list of property, the assessor shall leave at the office or usual place of residence or business of such person a written or printed notice

requiring such person to meet him and render a list of his property at such time and place as the assessor of taxes may designate in said notice. In cases of non-compliance with such requirements or failure to obtain a statement of property from any cause it shall be the duty of the assessor of taxes to ascertain the amount and value of such property and assess the same at what he believes to be the true value thereof.<sup>16</sup>

To show the causes of financial difficulties in the counties, it will be necessary to make comparisons of various counties. It will be necessary to point out discrepancies in property valuations and give articles of the law to show that there is justification for the assertion made in the beginning of this chapter that if the blame for the financial conditions of the Texas counties could be traceable to any one defect, it could be attributed to the administration of the revenue system.

Since, as was stated in the beginning of this chapter, ad valorem taxes provide approximately seventy percent of county revenues, and the road fund is not supported by the ad valorem tax, the attention will be given primarily to the assessed valuations of property from which our ad valorem revenue is derived.

The public free school is supported by the ad valorem tax for school purposes, and it will be shown later that many counties have not met their shares of the school costs, but show deficits in that respect.

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<sup>16</sup>Vernon's Texas Statutes of 1936, Art. 7214, p. 1329.

The depression has done much to create a questioning attitude toward public finance, and the present administration has promoted a state of freedom in discussing tax matters that vitally concern the voters to such an extent that many promising and interesting proposals for changes and corrections have been submitted by tax officials and students of government.

Six counties of average size, and approximately equal in wealth and physical characteristics, have been selected as a basis for comparison, but it will be necessary to mention other counties at times to show justification for certain features of unusual character.

In Table 2, six counties of similar size, rainfall, and temperature were studied and compared as to their land values.

TABLE 2  
ASSESSED VALUATION OF LAND, 1937\*

County	Land		
	Acres	Price	Average Price Per Acre
Collin	556,337	\$11,795,170	\$21.20
Cooke	612,079	7,521,895	12.23
Denton	605,674.8	9,478,710	15.32
Grayson	608,821.8	14,425,220	23.69
Montague	586,475	5,725,345	9.76
Wise	542,770	4,917,650	7.97

\*Source: Annual Comptroller's Report, 1937, Table 69.

It was observed that a wide variation occurs in the average price per acre. The total average of these six averages was found to be \$15.04 per acre. Denton comes the nearest to falling in that classification. Grayson is eight dollars above this average. However, Grayson County is the most densely populated of the six counties named in this table. It appears from the various reports studied that value tends to increase with the density of the population.

Because of the varying qualities of land in Texas it is difficult to classify and value land of adjoining farms and ranches not to mention the difficulty of valuing land in counties lying contiguous to one another. To state that land was undervalued for taxation purposes in any one of the counties in Table 2, without further proof, would be only an assumption.

Since land is supposed to be valued according to the current market price and since figures are available from the United States Census Bureau which also bases valuation upon actual or market value, figures have been compared of land prices of the same years.

In 1930 the land in Tarrant County was assessed by Census Bureau at \$36,511,982,<sup>17</sup> as compared with the \$17,659,885 as assessed in 1937. The value of the 1937 assessment in relation to the Census value was 54.14 percent.

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<sup>17</sup>C. M. McFarland, Texas Taxation Tangles, Table 7, p. 85.

Dallas County may be treated the same way. The 1930 Census figures show that the land was valued in Dallas at \$52,853,614,<sup>18</sup> whereas it was assessed for tax purposes in 1937 at \$14,973,650, the assessed value being 28.32 percent of the Census Value.

When observing these figures the question arises in the minds of the students as to the value of these figures since they represent different years. This is a valuable argument since it is true that values have changed to a large degree during the past few years as a result of the economic depression which swept the country.

Reference to the Annual Comptroller's Report reveals that in Dallas County in 1930 land was assessed for taxes at \$15,574,150, or an average of \$29.78 per acre.<sup>19</sup> This figure, it will be recalled, is twenty-two cents below that of the 1937 assessment. Therefore, the assessed value of land in Dallas in 1930 was twenty-nine percent of the Census value for the same year, and varies so little from the 1937 figure as to be negligible.

It is well to emphasize that the recognition of the problem of unequal land assessments is wide-spread and has caused much concern to tax officials.

Table 3 speaks for itself. The data in this table were obtained by McFarland from the United States Bureau of Census

<sup>18</sup>Ibid.

<sup>19</sup>Comptroller's Annual Report, 1930, Table 80.

records and from the Annual Reports of the Comptroller.

TABLE 3

## LAND VALUES COMPARISON

County	1930 Census Land Values	1930 Assessed Values	Per Cent of Census Values	1934 Assessed Values	Per Cent of Cens. Val.
Brewster	14,416,700	3,072,265	22	3,570,025	49
Collin	40,531,351	15,448,730	38	18,030,945	39
Coahuila	19,625,373	9,204,601	41	7,570,220	33
Dallas					
Benton	30,495,961	10,995,690	36	9,517,375	31
Crayson	29,767,030	15,233,450	51	15,251,060	44
Montague	11,142,040	7,149,500	64	6,524,955	69
Rockwall	7,845,824	3,905,610	37	2,449,900	31
Tarrant					
Wise	12,247,426	6,301,060	51	5,460,230	44

Source: C. H. McFarland, Texas Taxation Tangles, Table 7, p. 85.

An examination of the table discloses that the practice of undervaluing land is typical of the entire state, although only a few examples are given in this report. McFarland found in his research into state property values that "the average assessed value of all real estate therefore would be about thirty-five to forty per cent of its real value."<sup>20</sup>

<sup>20</sup>C. H. McFarland, Texas Taxation Tangles, p. 8.

Table 4 is a comparison of taxable property valuations in Texas for three consecutive years. The figures were taken from the Comptroller's Annual Reports of the years mentioned. On examination of these figures we find that the income from real estate and taxable property has shrunk if these reports are to be taken as authentic. Real estate, the main basis hitherto for state taxation, has shrunk 2,319,620 acres between the 1935 and 1936 taxable years; at least, it has shrunk so far as being assessed for taxes is concerned. It was found that automobiles, too, have disappeared between 1935 and 1936 assessment periods. In 1935, there were 961,397 vehicles listed on the tax rolls; in 1936, there were 946,741, or a shortage of 12,656. A total of 120,583 fewer horses and mules were listed for assessment. There was a difference of 74,741 cattle between 1935 and 1936 assessments.<sup>21</sup>

It is easy to explain the shortage in cattle, horses, and mules that might occur between two consecutive taxable years, by saying that the market for cattle, horses, and mules was such that fewer were raised in anticipation of lower prices. However, acres of land do not disappear, are not eaten, nor can they be hidden in safety deposit boxes.

In 1937, according to Table 5, cattle in Cooke County were valued at \$12.34 per head, while in Denton County they were valued at \$24.42 per head. This appears unequal enough, but

<sup>21</sup>Annual Reports of the Comptroller of Public Accounts of the State of Texas, 1935, 1936, 1937, Tables 92, 103, 69, respectively.

TABLE 4

COMPARISON OF TAXABLE PROPERTY VALUATIONS IN  
TEXAS FOR THREE CONSECUTIVE YEARS\*

Property Reported For County Taxes	1935	1936	1937
Total Acres in Land	170,069,840.00	167,750,321.00	172,849,216.00
Total Value of Land	\$1,651,871,267.00	\$1,692,416,375.00	\$1,773,387,425.00
Average Value of Land (Per acre)	9.5952	10.02	10.32
Value of Town & City Lots	1,168,453,666.00	1,167,084,885.00	1,187,586,267.00
Vehicles (number)	961,597	948,741	974,810
Horses and Mules (number)	1,158,762	1,038,179	1,003,625
Number of Cattle	4,204,151	4,129,410	4,341,557
Number of Sheep	5,081,037	5,208,361	6,146,457
Number of Hogs	555,831	342,311	312,324
Goods & Merchandise (value)	\$ 131,896,386.00	\$ 127,660,699.00	\$ 141,892,804.00
Materials & Manufactured Articles	17,364,515	37,663,955	37,268,905
Money of Banks & Bankers	2,451,799	2,429,667	2,559,427
Other Money	1,344,405	1,066,498	1,351,860
Bonds and Stocks	2,959,603	5,571,715	6,114,509
Total Value of County Property	\$ 800,046,096.00	\$ 856,038,697.00	\$ 1,011,459,681.00
Average Value of Each County	14,960,811.49	15,184,404.31	16,186,849.14

\*Source: 1935 Annual Report, Table 103; 1937 Annual Report, Table 69.

according to McFarland's findings this is a mild example of tax inequality, for he used the 1934 Report of the Comptroller to point out some valuations of cattle in Collin County assessed at \$18.48 while the adjoining county of Denton assessed at \$2.99 per head.

TABLE 5  
VALUATION OF CATTLE\*

County	Cattle		Average per head
	Number	Value	
Collin	13,786	\$179,220	\$13.00
Cooke	19,072	235,430	12.34
Denton	15,400	376,000	24.42
Grayson	12,400	186,000	15.00
Montague	19,825	262,465	13.25
Wise	26,150	390,890	14.57

\*Source: Comptroller's Annual Report, 1937, Table 69.  
"The Census shows nearly twice as many cattle in Denton County as are found in Collin, yet Collin paid on this item \$1,761.18, while Denton, with twice as many cattle paid \$746.47,<sup>"22</sup> as found by McFarland in a study made in 1934.

At first glance the following information found in Table 6 appears to be incorrect, because it seems grossly inconsistent for one county to render cars at an average value of \$6.50, as did Grayson County, while another adjacent to it, Collin County,

<sup>22</sup>McFarland, op. cit., p. 14.

rendered them at \$109.00. It is found that this practice is common in Texas counties.

McFarland states:

'The Honor Roll' for low evaluations are here given to show that this evil of tax dodging is not sectional. Here are thirteen counties that rendered their vehicles at an average value of \$25 and less: Henderson \$10, Collin \$16, Franklin \$25, Gray \$10, Hunt \$23, Live Oak \$10, Matagorda \$6, Motley \$8, Navarro \$9, Upshur \$23, Washington \$23, Willacy \$11 and Zavalla \$20.

Cass, Swisher, Trinity, and Zapata Counties with a total registration of 7,587 vehicles never rendered a single car for taxation.<sup>23</sup>

TABLE 6  
ASSESSED VALUATION OF VEHICLES  
FOR 1937\*

County	Vehicles		Average Value Each
	Number	Value	
Collin	5,220	\$572,000	\$109.58
Cooke	2,349	238,980	123.03
Denton	9,870	621,230	62.94
Grayson	15,000	97,500	6.50
Montague	4,500	370,200	82.27
Wise	3,280	341,800	104.27

\*Source: Comptroller's Annual Report, 1937,  
Table 69.

<sup>23</sup>Ibid., p. 15.

Table 7 shows the assessed valuation of horses and mules for 1937. It so happens that the horses and mules in this particular group of counties have rather good average values, but this is not typical of the entire state.

TABLE 7  
ASSESSED VALUATION OF HORSES AND MULES  
FOR 1937\*

County	Horses and Mules		Average Value per Head
	Number	Value	
Collin	11,651	\$325,000	\$27.89
Cooke	5,865	190,700	32.51
Denton	9,550	32,160	33.68
Grayson	10,100	305,000	30.00
Montague	8,150	203,500	24.97
Wise	4,615	61,250	13.27

\*Source: Comptroller's Annual Report, 1937  
Table 69.

After getting the total average of the average column, it is found that \$27.05 is the average of the group taken as a whole. Collin County, then, comes nearest to that figure; however, \$13.27 is far below the average, and although it is low, many counties rendered horses and mules at a figure below this. McFarland found in his 1934 research that "Collin

and Denton Counties, each had about 4,000 head of horses and mules unrendered. Collin County paid the State \$4,040.57 taxes on its horses and mules, while Denton paid \$167.74.

Shades of Equal and Uniform Taxes!<sup>24</sup>

In his study, McFarland had the advantage over this report in that he skipped about more, whereas, this thesis is confined to only six counties; however, he says that "we find the same relative conditions existing all over the State. The above examples are given as typical and they can be substantially duplicated many times over, but lack of space prevents giving each case."<sup>25</sup>

Table 8 shows the amount of occupation taxes collected by the tax assessor-collector of the different counties for the period beginning July 1, 1936, and ending June 30, 1937.

For the entire state, the total amount of occupation tax collected was \$55,429.03. The table from which these figures were taken gave figures for the 208 counties which rendered an occupation tax, but there were 46 counties that did not render any occupational tax. The average, therefore, for each county was taken by dividing the total tax collected by 208 counties, which gave an average occupational tax of \$266.43 $\frac{1}{2}$ . It was noticed that this tax ranged from \$9,985.08 in Dallas County to 34 cents in Knox County.

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<sup>24</sup>Ibid., p. 13

<sup>25</sup>Ibid.

TABLE 8

AMOUNT OF OCCUPATION TAXES COLLECTED BY THE TAX  
ASSESSOR-COLLECTOR OF THE DIFFERENT COUNTIES  
FOR THE PERIOD BEGINNING JULY 1, 1936, AND  
ENDING JUNE 30, 1937\*

County	Amount	County	Amount
Brewster	\$ 10.00	Hunt	\$ 180.00
Collin	187.50	Clay	20.83
Cooke	116.25	Jack	55.00
Dallas	9,985.08	Wichita	1,313.26
Denton	103.63	Archer	20.00
Fannin	95.02	Tarrant	2,674.48
Grayson	512.16	Wise	12.50
Montague	98.50	Harris	4,877.27
Moore	2.08	Willacy	2.00
Knox	.84	Bexar	4,663.99

\*Source: Taken from Table No. 73, p. 256,  
Report of the Comptroller, 1937.

Observation of Table 9 reveals that no exception is made in the rendition of hogs for taxation, for they run from \$5.00 to \$9.07 each, showing a wide variation systematic with the usual trends found in property assessments.

It is interesting to observe, however, the results of a quick examination of the Annual Comptroller's Report of 1937, in regard to the assessments of hogs throughout the entire State.

TABLE 9  
VALUATION OF HOGS, 1937\*

County	Hogs		Average Value per Head
	Number	Value	
Collin	1,400	\$ 7,000	\$5.00
Cooke	.....	.....	.....
Denton	3,000	24,000	8.00
Grayson	1,800	9,000	5.00
Montague	200	1,000	5.00
Wise	2,150	19,500	9.07

\*Source: Comptroller's Annual Report, 1937, Table 69.

It was observed that McLennan County assessed 1,500 hogs at a total valuation of \$100,000. If these figures are correct an average of \$66.666 is obtained. How does it happen that hogs can be valued at this figure in one county and in another county, Angelina, at fifty cents? Also, it was observed that Dallas valued its hogs at \$2.55, and Tarrant County at \$3.00. Many counties rendered no hogs at all.<sup>24</sup>

It has been shown not only how easy it is to render tangible property at much less than its market value, but also how often it escapes taxation entirely. Intangible property

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<sup>24</sup>Comptroller's Annual Report, 1937, Table 69.

escapes taxation much more easily than does tangible property, for the reason that it can be moved about, unseen, deposited in safety deposit boxes, and invested in non-taxable securities. It is readily seen by this that taxation for public revenues is basely abused by those most able to pay. Murphy says, "Without fear of contradiction it can be said that the system invites favoritism, protecting the politically and financially powerful in their efforts to escape their tax burdens and penalizing the poor and honest."<sup>25</sup>

In regard to intangible properties McFarland found statistics substantiating the fact that on September 30, 1932, there was \$783,140,000.00 on deposit in the Texas banks. He did not find available figures for the 1934 deposits but estimated that the money on hand in Texas at that time was not less than one billion dollars.<sup>26</sup> He further states:

From the Comptroller's Report we find that three taxable items were rendered as follows: 'Money of Banks and Bankers' \$2,731,890.00; 'Money other than Banks' \$2,658,005.00; 'Money held on Deposit' \$10,558,425.00, aggregating \$15,948,320.00. This is approximately 1.5% of the total money on hand in the state.

The value of the above-mentioned items of taxable property aggregate nearly eight and a half billion dollars. Their assessed value in 1934 was \$2,433,973,256.00.<sup>27</sup>

In spite of the rigid wording of the law governing equal and uniform valuations, it is of very little value in effecting

<sup>25</sup>Murphy, County Government and Administration in Texas, pp. 93-94.

<sup>26</sup>C. M. McFarland, Texas Taxation Tangles, p. 10.

<sup>27</sup>Ibid.

its cause without a department to enforce it. As yet the county tax assessors are under no supervising authority, and almost everything they submit to the Comptroller of Public Accounts is accepted.

"This lack of State Supervision results in three-fourths of the counties paying less than their fair share of the taxes, while the other one-fourth pay more than their share."<sup>28</sup>

The Commissioners Courts of the various counties are required by an article of the law to make substantially the same oath with reference to property being put on the tax rolls at its fair market value, etc., that is required of the tax assessors. Whether or not they do this I, of course, have no way of knowing and could not know without going to the minutes of the Commissioners Court in each county, but the law plainly says that they must do this before resolving themselves into a Board of Equalization.<sup>29</sup>

According to the law, if these oaths of office which the assessors and Board of Equalization are required to take in regard to the equal and uniform valuation of property according to the market or real value are violated, the officers are subject to dismissal.<sup>30</sup> If such a procedure were ever taken, there is no record of it. It is felt, therefore, that the fault lies not with the form of the Constitution but with the administration of the fundamental law of the state.

Article 8, Section 20, of the State Constitution, in regard to the limitations of assessment values provides that:

<sup>28</sup> Ibid., p. 47.

<sup>29</sup> Ibid., p. 45.

<sup>30</sup> Vernon's Texas Statutes of 1936, Art. 7216, p. 1329.

No property of any kind in this state shall ever be assessed for ad valorem taxes at a greater value than its fair cash market value nor shall any Board of Equalization of any governmental or political subdivision or taxing district within this State fix the value of any property for tax purposes at more than its fair cash market value.<sup>31</sup>

Yet, according to a report made by an expert federal tax agent, real property is taxed quite often at a higher price than it could possibly sell for on the market.

According to his case investigations, he shows that the government requires the agent in valuing the property of a deceased person to reconcile all city, county, and state tax receipts on all property before arriving at a fair valuation of the estate for estate tax purposes.

This Internal Revenue Officer, upon recent investigation of a deceased person's estate, found that the decedent had good bonds worth \$250,000 which he had rendered at \$4,800 for ad valorem tax purposes. He left receipts showing that he had paid taxes on such an amount.

The information of this agent is considered of the best value because he has made investigations of this kind all over the state of Texas and habitually investigates records of the courthouses, safety deposit boxes, and, according to the law, has jurisdiction over all private matters concerning the estates which he is assigned to investigate. According to his experience the case above regarding the valuation of bonds is a typical one in Texas.

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<sup>31</sup>Texas Constitution, Article 8, Section 20.

In 1935 the lowest average at which land was rendered in the State was eighty cents per acre in Culberson County. The highest rendition for the same year was \$481.58 per acre in Gregg County. The average for the State was \$9.60 per acre.

A study of the valuation table of the 1935 Comptroller's Report revealed that out of ten counties picked at random, the lowest price at which horses and mules were rendered was \$2.34. The highest average in the ten counties was \$34.84. The median average for the entire State was \$20.45.

Cattle were observed also, without regard to any particular qualifications, the lowest average of which was \$2.22, and the highest, \$11.80. The median for the State was \$10.06.<sup>32</sup>

The above figures were obtained from the Comptroller's Annual Report for 1935, and are considered as accurate as can be obtained from the County Auditors of the various counties, since it is from these financial reports issued annually by the auditors that the State Comptroller compiles his annual report.

The fact that the practice of unequal assessment of property is repeated year after year is proof enough that the practice is not attributed to depression periods alone.

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<sup>32</sup>Comptroller's Annual Report, 1935, Table 92.

## CHAPTER IV

### COUNTY FINANCING

#### Collection of the Revenue

The county tax collector and his deputies collect the taxes for the county, the state, and the common school districts. The automobile license fees and poll taxes are also collected, for both the county and state, through the county agency.

Tax collections begin on October 1 of each year and extend to January 31 of the following year, within which time no penalty is assessed. The county collectors in this vicinity say that the majority of the collections occur during the latter half of this no-penalty period.

Taxpayers are notified of the date at which collections begin by the placing of notices in the newspapers, the mailing out of individual notices with tax bills attached, and the posting of notices in public places in each voting or justice precinct in the county.

Various funds are set up by the Commissioners' Courts in the several counties to which the revenues are credited as they are collected. The receipt, which is made out in triplicate, gives a list of the various funds maintained

in the budget, and as the tax money is received by the collector, he credits each fund with its allotment as is provided by the Constitution in regard to the state rates. In like manner he credits the county funds with the amounts as ordered by the Commissioners' Court.

A good example of this is the poll tax, since it is divided three ways, one dollar being credited to the available school fund, fifty cents to the state general fund, and twenty-five cents to the county general fund.

In regard to the State rates on other sources of revenues, the Constitution provides for the amounts to be assessed in particular cases; for instance, Article 7047h provides that all revenues derived and collected under the provisions of Article 7047, relative to occupational taxes, shall be deposited one-fourth to the credit of the Available School Fund, and the remainder to the credit of the General Revenue Fund of the State, except where otherwise specifically allocated.<sup>33</sup>

Further, the Constitution provides that an ad valorem tax of seven cents be assessed by the state for the Confederate Pension Fund; that there be assessed on petroleum products a gross receipts tax, which shall be divided principally among the general, school, and relief bond funds; that there be assessed an insurance company occupation tax,

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<sup>33</sup>Vernon's Texas Statutes, 1933 Supplement, Art. 7047h, p. 542.

which shall be divided three-fourths to the general revenue fund and one-fourth to the available school fund; that two-thirds of the cigarette tax shall go to the old-age assistance fund and one third to the available school fund; that there be assessed a gasoline tax of four cents a gallon, of which three-fourths shall go to the highway fund and one-fourth to the school fund.<sup>34</sup>

#### Disbursement of the Revenue

It is the duty of the Commissioners' Courts to approve the budget before any expenditures are made. Each commissioner is custodian of the revenues in his respective precinct, and is responsible for the expenditure thereof; for this reason, road fund accounts are usually approved by the commissioner against whose fund the bills for expenditures are drawn.

In counties that do not have auditors, the county clerk takes a record of the Commissioners' Court's proceedings, makes a record of the accounts allowed, and writes the warrants for such expenditures as are allowed. These warrants are exchanged for the treasurer's checks, which are presented for payment at the depository whose bid has been accepted by the court.

In counties having an auditor the procedure varies. In some counties the full responsibility falls upon the auditor, who issues the warrant and passes it to the clerk to be

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<sup>34</sup>Texas Almanac, 1939-40, p. 292.

countersigned, and in others the clerk begins the procedure, the warrant being countersigned by the auditor.

Commissioners often spend beyond their means and without regard to the needs of the department. This does not mean necessarily that their spending is done with intentions of fraud, but it so happens that a good politician is not always a good business manager.

On the other hand, it is observed by good authority that the authority vested in the Commissioner to approve his own account often results in ruthless practices, such as padding expense accounts and misuse of public funds.<sup>35</sup>

#### County Auditor's Report of Grayson County

Four county auditors submitted annual reports for this study. These reports represent Collin, Cooke, Denton, and Grayson counties. On the whole, these financial reports are presented in good, readable form, their financial statements being in perfect balance; but the average person would derive very little information from them that would lead to any definite conclusions regarding the financial conditions of the counties for which they were made. If errors or even misuses of funds occurred in the financial operations of the counties, these reports would not disclose such to the average person.

In Grayson County in 1937, the court ordered that the ad valorem tax on all assessed taxable property in the county

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<sup>35</sup>W. C. Murphy, County Government and Administration in Texas, pp. 133-134.

be divided in the following manner:

County General Fund.....	25 cents
County Jury Fund.....	5 cents
County Road and Bridge Fund.....	3 cents
County Repair Bonds, Series 1929.....	1 cent
County R. & B. Funding Warrants, Series 1935..	3 cents
County R. & B. Funding Warrants, Series 1936..	3 cents
County R. & B. Funding Warrants, Series 1937..	3 cents
Court House and Jail Fund Bonds.....	5 cents <sup>36</sup>

A total of forty-eight cents was collected for the county revenue on each \$100.00 of assessed property in the county.

There was also levied and collected an additional fifteen cents on each one hundred dollars of assessed taxable property, ten cents of which was for payment of the current interest and provision for a sinking fund for Grayson County Good Roads Bonded Indebtedness of the 1915 issue, and five cents of which was maintenance fee.

Moreover, it was ordered by the court that there should be levied, assessed, and collected twenty-two cents on each \$100 of the assessed valuation of Grayson County to pay current interest and provide a sinking fund for the Grayson County Road Bonded Indebtedness of the 1927 issue.

A total of eighty-five cents was assessed and collected on each \$100 assessed valuation of property in the county. Table 10 gives a summary of the assessed valuation of taxable property in Grayson County.

<sup>36</sup>B. M. Whiteacre, County Auditor's Annual Report, Grayson County, Texas, 1937, p. 4.

TABLE 10

ASSESSED VALUATION OF TAXABLE PROPERTY  
IN GRAYSON COUNTY, TEXAS, FOR 1937\*

Property	Valuation
Land . . . . .	\$14,427,340.00
City Property . . . . .	12,590,668.00
Personal Property . . . . .	6,146,330.00
Road Bed . . . . .	2,771,074.00
Rolling Stock . . . . .	234,470.00
Intangibles . . . . .	405,640.00
Street and Interurban R. W.	73,330.00
Tel. and Tel. Lines . . . . .	547,560.00
Pipe Lines . . . . .	245,100.00
Rank Shares . . . . .	431,250.00
Total Assessed Value . . . . .	<u>\$37,872,772.00</u>
Tax Rate . . . . .	.85
Total Amount Levied . . . . .	\$ 321,918.56

\*Source: B. M. Whiteacre, County Auditor's Annual Report, Grayson County, Texas, 1937, p. 4.

Table 11 gives the budget as it was made and accepted by the Commissioners' Court of Cooke County for 1937:

TABLE 11

STATE AND COUNTY TAX RATES FOR  
COOKE COUNTY, 1937\*

Type of Tax	Rate
General Ad valorem . . . . .	25 cents
Road and Bridge Special . . . . .	15 cents
Road and Bridge Regular . . . . .	14 cents
Jury . . . . .	.05 cents
Court House . . . . .	.03 cents
Total . . . . .	47 cents
State Rate . . . . .	49 cents
Road Dist. No. 2 . . . . .	50 cents
Occupation Tax--one-half amount levied by State.	

\*Source: R. A. McElrath, County Auditor's Report, 1937, p. 31.

The above schedule indicates the several divisions to which the whole county tax rate is apportioned. The tax receipt contains these funds in the column for that purpose, and it is the duty of the Tax Collector or his assistants to divide the revenues according to the planned schedule of the Commissioners' Court.

In addition to the county tax rate of forty-seven cents, the state rate is also assessed and collected by the County Tax Collector. His work is principally routine and requires very little special training.

The above budget is apportioned among several detailed funds out of which current expenditures are disbursed during the fiscal period.

Table 12 gives a summary of the receipts and disbursements of the various funds in the 1937 budget of Cooke County.

#### County Auditor's Report of Collin County

The County Auditor's Report of Collin County did not include the schedule of the county tax rate for 1937. However, the schedule for 1936, as shown in Table 13, was given as follows:

The county tax rate in Collin County for the last four successive years has been forty-seven cents. The state rate has varied somewhat, but the above report is typical of past procedure. This report was made out and approved by the Commissioners' Court at the end of the fiscal year, December 31, 1937.

TABLE 12

RECAPITULATION OF ALL FUNDS FOR  
COOKE COUNTY, 1937\*

Funds	Receipts	Disbursements	Ratio to Total Disbursements in per cent
Jury	\$ 6,714.13	\$ 3,318.00	3.89
Road and Bridge	27,990.28	93,973.79	44.04
General	48,629.28	45,446.89	31.30
Court House S. F.	8,171.52	3,898.75	1.82
Library	2,400.00	2,361.37	1.10
Charity	1,406.50	1,433.54	.68
Nurse	1,275.51	1,271.42	.63
Road District #1	3,382.96	4,197.91	1.96
Road District #2	11,759.97	6,081.41	2.85
Office Salaries	45,924.11	46,361.30	21.73
Total	\$236,500.57	\$213,346.38	100.00

\*Source: All figures compiled from Annual Report of Auditor of Cooke County, 1937.

Table 13 gives both state and county tax rate for the year 1938.

TABLE 13  
STATE AND COUNTY TAX RATE FOR YEAR 1938\*

Type of tax	Rate
General County Fund . . . . .	.25
Court House Warrant Fund. . . . .	.04
Road and Bridge Fund. . . . .	.13 3/4
Jury Fund . . . . .	.03
Highway No. 6 Sinking Fund. . . . .	<u>.01 1/4</u>
Total County Levy. . . . . . . . .	<u>.47</u>
State Revenue and School. . . . .	.42
Confederate Pension . . . . .	<u>.07</u>
Total State Levy . . . . . . . . .	<u>.49</u>
Total State and County Levy. . . . .	<u>.96</u>

\*Source: R. E. Beasley, County Auditor's Annual Report of Collin County Finances, 1937, P. 55.

Table 14 is a summary of all of the receipts and disbursements for the year 1937. Examination of the disbursement column reveals the amount disbursed in each fund.

#### County Auditor's Report of Denton County

The valuation of Denton County for the year 1937, according to the rolls of the Tax Assessor, was \$18,292,560. The tax rate of sixty cents on the \$100.00 valuation was assessed according to the schedule on page 54.

TABLE 14  
RECAPITULATION OF ALL FUNDS, 1937  
COLLIN COUNTY

Fund	Receipts
Advalorem tax, including penalty and interest	\$278,169.99
Occupation Tax. . . . .	<u>144.42</u>
	<u>\$278,304.41</u>
Automobile Registration. . . . .	79,668.72
<b>COUNTY OFFICIALS:</b>	
Excess Fees. . . . .	506.82
Delinquent Ex. Fees. . .	529.45
Fines. . . . .	5,150.61
Jury Fees. . . . .	67.00
Trial Fees . . . . .	3,246.00
Stenographer Fees. . . .	<u>390.45</u>
Depository Interest. . . . .	9,689.53
Rental on Machinery. . . . .	1,095.52
Refund Gas Tax . . . . .	1,407.00
Rev. from County Farm. . . . .	4,677.31
Refunds. . . . .	4,362.71
	149.88
Transfers--Road Dist. Funds. . . . .	1,162.65
Trans. to Com's. Accts. . . . .	124,623.05
Credits to Com's. Accts. . . . .	18.50
Special Highway S. F.. . . . .	2,912.65
Levee Adm. Fund. . . . .	7,097.92
Levee Main. Fund . . . . .	4,634.17
Surplus Bond Account . . . . .	617.03
Officer's Salary Fund. . . . .	56,469.76
Miscellaneous Credits. . . . .	1,370.04
Treasurer's Tax Account. . . . .	<u>350,237.08</u>
Balance all Funds, 1-1-37. . . . .	\$ 928,495.75
	<u>111,585.62</u>
	<u>\$1,040,079.37</u>

TABLE 14--Continued

Fund	Disbursements
Jury Fund. . . . .	\$ 7,380.65
General County Fund. . . . .	65,941.80
Road and Bridge Fund, General. . . . .	129,452.83
Road Districts, Operating Fund . . . . .	177.14
Road Districts, Sinking Fund . . . . .	138,146.81
Court House Sinking Fund . . . . .	8,899.69
Levee Improvement Dist. No. 1. . . . .	
Sinking Fund . . . . .	1,859.11
Collin County Levee District, . . . . .	
Administration Fund. . . . .	7,068.78
Collin County Levee District, . . . . .	
Maintenance Fund . . . . .	4,656.81
Commissioners' Precincts . . . . .	122,872.92
Highway No. 6, Sinking Fund. . . . .	5,391.55
Officers' Salary Fund. . . . .	58,041.15
Treasurer's Tax Account. . . . .	352,500.12
	\$ 898,369.56
	141,710.01
	\$1,040,079.37

The tax rate in Denton County was assessed as follows:

Jury Fund. . . . .	.06. . . . .	\$10,975.54
Road and Bridge Fund . . . . .	.25. . . . .	.45,731.40
General Fund . . . . .	.25. . . . .	.45,731.40
Courthouse Sinking Fund No. 4. . . . .	.006 . . . . .	1,097.55
Courthouse Sinking Fund No. 5. . . . .	.009 . . . . .	1,646.33
Bridge Bond Sinking Fund No. 6. . . . .	.0005. . . . .	91.46
Permanent Improvement Fund . . . . .	.0245. . . . .	4,481.68
\$18,292,560.00 at	.6000¢	\$109,755.36

Valuations and tax assessed against the four Road Districts:

No. 1 . . . .	\$ 1,603,657.00	25 cents . . .	\$ 3,688.41
No. 2 . . . .	456,245.00	No Assessment	*****
No. 3 . . . .	14,504,203.00	No Assessment	*****
No. 4 . . . .	1,398,845.00	55 cents . . .	7,693.65
<hr/>			
Totals .	\$17,962,950.00		\$11,382.06 <sup>37</sup>

Upon examination of the above report, we find a marked similarity to the other three reports that have been given regarding Cooke, Collin, and Grayson Counties. The same form is used and some of the funds maintained are budgeted for the same amounts. This is true of the General Fund, twenty-five cents being assessed for the fund in each of the four schedules.

Table 15 gives a summary of all funds which were taken from the footings of the various funds in the auditor's report.

These recapitulations of the funds of the four counties represented are of very little value in themselves, since they do not reveal the expenditure accounts as set up in each fund. These summaries merely illustrate the practice in County Auditing of setting up funds out of which disbursements are made for current expenditures.

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<sup>37</sup> Guy Turner, County Auditor's Annual Report of Denton County Finances for Fiscal Year Ending December 31, 1937, p. 14.

TABLE 15

RECAPITULATION OF ALL FUNDS, 1937  
DENTON COUNTY\*

Fund	Receipts	Disbursements
Jury	\$10,679.01	\$ 8,651.02
Road and Bridge	122,978.03	108,743.21
General	49,063.61	36,604.57
Court House Sinking Fund 4th Class	2,435.70	2,296.75
Court House Sinking Fund 5th Class	2,022.20	4,630.85
Bridge Bond Sinking Fund 6th Class	29.98	60.35
Road Dist. No. 1, Int. & S. F.	5,774.97	3,789.76
Road Dist. No. 2, Int. & S. F.	630.58	215.17
Road Dist. No. 3, Int. & S. F.	20,687.27	20,777.86
Road Dist. No. 4, Int. & S. F.	7,644.33	6,552.21
Road Dist. No. 2	518.11	417.20
Road Dist. No. 3	22,852.02	31,559.76
Road Dist. No. 4	6,396.34	6,374.71
Permanent Improvement Fund	1,420.69	1,387.77
Partial Payment Fund	10,403.53	3,389.47
Officers' Salary Fund	44,268.00	52,604.23
County Farm	691.25	3,403.53
Denton County School Fund	160,176.46	153,480.61
Denton County Permanent School	1,532.50	.....
County Library Fund	1,592.64	1,564.52

\*Source: Guy Turner, County Auditor's Annual Report of Denton County Finances, 1937, pp. 3-26.

It is understood that all funds are not supported by donations, as the illustration below may imply; but, owing to its particular adaptation to Public Welfare, the County Library Fund is partly supported by philanthropic individuals and organizations. On the whole the pattern is illustrative of the typical plan of county auditing in the counties whose reports were obtained.

Appropriate account titles are set up in each fund, expenditures of which are credited to their appropriate accounts.

To illustrate this procedure, Table 16, showing the Library Fund of Denton County, is used as an example.

TABLE 16  
COUNTY LIBRARY FUNDS

Receipts	Amount
From Common School Districts . . . . .	\$ 895.25
From Independent Districts . . . . .	31.52
Donations by City of Denton . . . . .	600.00
From Entertainments . . . . .	42.93
A. A. U. W. Donations . . . . .	15.00
Miscellaneous Donations . . . . .	7.94
Receipts for the Year . . . . .	<u>\$1,592.64</u>
Balance, September 1, 1936. . . . .	134.11
Total . . . . .	<u><u>\$1,726.75</u></u>

Disbursements	Amount
Paid for Books. . . . .	\$1,079.95
Magazine Subscriptions. . . . .	28.70
Paper and Printing. . . . .	160.50
Glue, Tape, Plates, and Other Repair Material . . . . .	260.97
Stencils. . . . .	12.40
Stamps. . . . .	14.00
Typewriter Rent and Ribbons . . . . .	8.00
Disbursements for the Year. . . . .	<u>\$1,564.52</u>
Balance, August 31, 1937. . . . .	<u>162.23</u>
Total . . . . .	<u><u>\$1,726.75</u></u>

\*Source: Guy Turner, County Auditor's Report of Denton County Finances, 1937, p. 26.

Analyses of the various funds maintained in the financial systems of counties in general reveal that most funds are practically exhausted at the end of each fiscal period. Counties make a gesture at a budget system as a means of balancing expenditures with anticipated revenues, but their efforts are only luke warm, for it is observed that few counties stay

within the limits of their anticipated budgets.

Authorities state that the reports and the assessors' rolls are accepted with little regard as to their accuracy by the State Comptroller at Austin, who compiles his Annual Report from their data. He has no authority whatsoever to reject them if they are incorrect.<sup>38</sup>

Since this is true, it is hardly worth his time, in such a short report, to attempt to discover errors or discrepancies in the county auditors' reports.

Table 17 gives a comparison of the expenditures for fuel and lumber in the road and bridge funds for 1937.

TABLE 17

COMPARISON OF EXPENDITURES FOR FUEL AND  
LUMBER IN THE ROAD AND BRIDGE FUNDS  
1937\*

County	Fuel and Grease	Lumber
Collin	\$26,572.10	\$26,345.86
Cooke	12,440.06	7,742.41
Denton	14,493.65	12,216.57
Grayson	22,784.58	20,820.88
Total	\$76,299.39	\$67,125.74

\*Source: County Auditor's Report of Collin, Cooke, Denton, and Grayson Counties, 1937

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<sup>38</sup>C. H. McParland, Texas Taxation Tangles, p. 47.

An examination of the Annual Reports of Collin, Cooke, Denton, and Grayson Counties reveals no outstanding differences that cannot be justified by their individual differences, except in their fuel and lumber expenditures in the Road and Bridge Funds.

These expenditures in Collin and Grayson Counties appear out of proportion as compared with those of Cooke and Denton Counties. However, the roads in Collin and Grayson Counties are of much better quality than the roads in Cooke and Denton. For many years Cooke and Denton Counties have needed better roads, but they have continued to patch up the old ones, a fact which may be attributed to the relatively lower road tax rates assessed the taxpayers of these counties.

#### Delinquent Taxes

The State Constitution provides that all property be subject to seizure and sale for the payment of all the taxes and penalties due by a delinquent, under such regulations as the Legislature may provide.<sup>39</sup> However, the Legislature has provided that any sale of property is subject to be redeemed by the delinquent owner within two years of the sale for taxes, if he complies with certain regulations within the required time.<sup>40</sup> This legislative provision is a good one, in that it safeguards the rights of citizens regarding their property,

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<sup>39</sup>Texas Constitution, Article 8, Section 15.

<sup>40</sup>Ibid., Sec. 13.

since in times of financial stress people often find it impossible to pay their taxes; but the provision has its weak points as well as its strong points, since property is seldom a desirable investment if the delinquent owner exercises his constitutional right to redeem it. And even if the former owner of the property in question never exercises his right to redeem his property, the laws of the state require that all technicalities of the law be exercised before a valid deed can be issued to the purchaser.<sup>41</sup>

These technicalities are so minute that most tax deeds are later found to be faulty, and, as a result, few sales are held. One detail which nullifies many tax deeds is that notice must be given to all persons having an interest in the land to be sold, including actual owners as well as owners of record and those having any form of lien against the property.<sup>42</sup>

Taxes become delinquent the first day of February of each year, and during the months of February and March, the Collector prepares two lists of delinquents. To one list, containing the delinquents who own real property, the name "Delinquents" is applied; and to the delinquents who do not own real property, the name "Insolvents" is applied. Not enough of the latter type of delinquents pays taxes as to be worthy of lengthy comment. Of this type, only about fifty per cent of the taxes outstanding are collectible.<sup>43</sup> Of the "Delinquent"

<sup>41</sup> W. C. Murphy, County Government and Administration in Texas, p. 125.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid., p. 137.

type, which is characterized by the ownership of real property, about fifteen per cent is non-collectible.<sup>44</sup>

The following statement was addressed to Honorable F. E. Wilcox, District Judge, by the County Auditor of Collin County, January 1, 1938.

I herewith file my Annual Report for fiscal year ending December 31, 1937.

At the close of the Assessor-Collector's fiscal year, June 30, 1937, approximately sixteen per cent of uncollected taxes remained on the 1936 tax rolls of Collin County.<sup>45</sup>

Of the four Auditors' Reports examined, Collin County alone submitted any information as to the condition of delinquent tax rolls.

Local delinquent ad valorem taxes for all Texas counties for the fiscal year of 1937, according to the State Auditor's Annual Report of June 1, 1938, amounted to \$22,969,590.00; and the total accumulated delinquent taxes from 1919 to 1937 amounted to a grand total of \$136,577,836.00.<sup>46</sup>

#### County Indebtedness

Road and bridge indebtedness.--The subject of county indebtedness can hardly be approached without associating it with the costs of public roads and public schools, for it is to these worthy causes that the majority of county costs is

<sup>44</sup>Ibid., p. 122.

<sup>45</sup>R. E. Beasley, County Auditor's Annual Report of Collin County, 1937, p. 1.

<sup>46</sup>Texas Almanac, 1939, p. 302.

attributed. It is not to be assumed, however, that these public services do not justify their existence merely because of their inability to support themselves. In spite of their heavy costs and their responsibility for the indebtedness of the local administration, they are indispensable to the progress of the society they serve.

Many counties are heavily in debt for roads constructed many years back; but, due to the unusual increase in current expenses, they have had to rely upon the state for aid more and more, until at last the state no longer asks for local aid in the construction and maintenance of designated state highways. Several attempts were made in the past by the State Highway Department to divide the expense of construction and maintenance of highways among the Federal, County, and State Departments in an equitable manner, but these arrangements resulted in confusion and unimproved gaps which the state had continually to piece out.<sup>47</sup>

In 1932 an act of the Forty-second Legislature provided that the State Highway Department should assume the interest and sinking fund obligations for all bonds voted by civil subdivisions for the improvement of state highways, provided that one cent of the gasoline tax was diverted by the state for that purpose.<sup>48</sup>

<sup>47</sup> Texas Almanac, 1939-40, pp. 258-29.

<sup>48</sup> Ibid., p. 259.

The State Constitution limits the amount of debt of each county to twenty-five per cent of the assessed value of the real estate for the construction, maintenance, and operation of macadamized, graveled, or paved roads and turn-pikes, or in aid thereof. A two-thirds majority vote of the resident property tax payers voting thereon, who are qualified electors, is required to authorize the county to issue bonds of indebtedness against the county.<sup>49</sup>

The authorization of local debt is classified in two ways:

(1) Those authorized by a vote of the electors concerned; and (2) those contracted by the governing authority without a popular vote. The latter type is further divided into two classifications: term indebtedness and current indebtedness.<sup>50</sup>

In his research in regard to debts which can be contracted by the governing authority without a popular vote, Murphy found that the law allows more latitude in the creation of temporary and short-term indebtedness than in long-term indebtedness.

The statutes restrict the powers of local governments in the creation of debt by specifying that 'the bonds of a county or an incorporated city or town shall never be issued for any purpose unless a proposition for the issuance of such bonds shall have been first submitted to the qualified voters who are property taxpayers of such county, city or town.' However, this does not prevent the governing authorities from

<sup>49</sup>Texas Constitution, Art. 3, Sec. 52.

<sup>50</sup>Murphy, County Government and Administration in Texas, pp. 155-157.

increasing the debt load by issuing other evidences of indebtedness in the form of warrants. The law has been exceedingly lax with reference to the issuance of warrants, although theoretically such debts are to be created only in case the governments are engaged in some work looking to temporary improvements or to the purchase of machinery and supplies when the local revenues are, for the time being, inadequate.<sup>51</sup>

Governmental exigencies make borrowing necessary on the part of the governing agencies,<sup>52</sup> and it was with this fact in mind that a certain latitude was allowed in the wording of the law regarding the creation of short-term indebtedness. However, governing bodies have violated the law in a round-about direction by stretching out work so that its total cost far exceeds statutory limitations in regard to individual contracts, which must not exceed \$2000 unless notice is published in the newspapers once a week for four consecutive weeks prior to letting the contract. To avoid this last requirement, smaller contracts have been made by the Commissioners' Courts with little discretion as to the outcome,<sup>53</sup> until huge debts have been accumulated against many counties. As a result of this unscrupulous practice, a large part of the financial responsibility of the Road and Bridge Fund that was formerly carried by local revenues has been assumed by the State.

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<sup>51</sup> Ibid., p. 157.

<sup>52</sup> Ibid., p. 158

<sup>53</sup> Ibid.

Table 18 shows the county and district road bonds indebtedness of several counties in Texas.

TABLE 18  
COUNTY AND DISTRICT ROAD BONDS INDEBTEDNESS  
OF SEVERAL COUNTIES IN TEXAS\*

County	Road Bonds County and District	County	Road Bonds County and District
Andrews	\$ 46,000.00	Fannin	\$ 966,000.00
Bexar	2,670,000.00	Grayson	2,753,500.00
Brewster	192,000.00	Hunt	1,473,000.00
Clay	517,000.00	Knox	309,500.00
Collin	3,079,905.00	Montague	367,510.55
Cooke	139,000.00	Rockwall	476,500.00
Dallas	9,526,500.00	Tarrant	6,157,000.00
Denton	774,000.00	Wise	325,000.00

\*Source: Annual Report of the Comptroller of Public Accounts of the State of Texas, 1937, Table 63, p. 120.

The above table contains only one item of indebtedness with regard to road bonds. Other debts of various kinds and amounts of these counties were included in the table from which the above item, Road Bonds, County and District, was taken; but their column heads did not reveal the nature of their uses, making it difficult to classify them as other road debts.

Due to the practice of commissioners of issuing warrants for short-term indebtedness in small contracts, the grand total of which amounts to long-term indebtedness, it is difficult to distinguish between debts that have been authorized by a two-thirds majority vote of the property owners as provided in the Constitution, and unauthorized debts for roads and bridges. County Auditors' reports do not reveal the ratio of county bonded indebtedness to the amount of real estate assessed in the precinct for which credit was obtained.

According to the statistics, the average assessed value of each Texas County is \$14,960,811.40. According to Table 19, Cooke is the average county in respect to valuation. As to the ratio of indebtedness to assessed value, Cooke is lowest in the six counties studied, while Collin is highest. Notwithstanding its high rate of indebtedness, Collin levied a lower county tax rate than Grayson, which has the highest rate in the group.

The average debt of each county when the sum of the county debts is divided among the 247 counties having indebtedness is \$1,072,285.55. According to this average, Denton comes nearest to being the average county.

Table 19 shows the ratio of total indebtedness to total assessed values.

TABLE 19  
RATIO OF TOTAL INDEBTEDNESS TO TOTAL  
ASSESSED VALUES\*

County	Total Assessed Value	Total Indebtedness	Ratio to Value	County Tax Rate
Collin	\$21,075,260	\$2,284,625	10.3%	.62
Cooke	14,771,910	252,175	1.7%	.47
Denton	17,954,455	1,078,000	6.0%	.60
Grayson	36,466,504	3,205,437	8.0%	.86
Montague	10,707,190	591,599	5.5%	.70
Wise	10,015,915	570,412	5.6%	.75

\*Source: Texas Almanac, 1936, p. 296-300.

Table 20 gives a comparison of counties as to their outstanding indebtedness as of 1937. In this group, urbanized counties have the heaviest debts. It is interesting to note that Dallas County's debt is three times that of Tarrant County, and Denton's debt is four times that of Cooke County.

This table does not reveal the counties' valuations in comparison with their indebtedness, but it does stress the mounting burdens of county indebtedness which have been brought so forcefully to the attention of the public by Governor O'Daniel who reminded Texas citizens that

"There is one county in Texas," he said, "where the local debt exceeds the valuation of all the property in the county. Another county has debt of \$96.81

for each \$100 of tax-rendered value, another of \$79.57 and another of \$74.68.<sup>54</sup>

TABLE 20

REPORT OF COMPTROLLER OF ALL OUTSTANDING INDEBTEDNESS  
OF SEVERAL COUNTIES FOR THE YEAR ENDING JUNE 30,  
1937, AS SHOWN BY ANNUAL REPORT OF TREASURER\*

County	Total Debt	County	Total Debt
Andrews	\$ 46,000.00	Grayson	\$ 3,150,690.00
Bexar	4,465,679.86	Harris	21,414,500.00
Brewster	300,000.00	Hunt	1,854,000.00
Clay	537,552.84	Jefferson	4,764,200.00
Collin	5,345,029.00	Knox	570,425.00
Cooke	208,525.00	Montague	564,547.81
Dallas	18,600,186.00	Rockwall	580,250.00
Denton	955,000.00	Tarrant	6,179,500.00
Fannin	1,321,254.72	Wise	463,000.00

\*Source: Comptroller's Annual Report, 1937, Table 63,  
p. 120.

The eighteen counties in Table 21 are arranged according to their rank in population; and likewise, their respective ranks according to their indebtedness are arranged in the column to the right. The population of each county is divided into the amount of indebtedness in that county to get the amount of debt of each person in the county.

<sup>54</sup>Dallas Morning News, July 24, 1939, p. 10.

TABLE 21  
THE RELATION OF COUNTY INDEBTEDNESS  
TO POPULATION\*

County	Rank in Population	Population per square mile	Rank in amount of indebtedness	Average debt per person
Harris	1	217.2	5	\$52.84
Dallas	2	379.2	4	57.11
Bexar	3	231.6	17	13.74
Tarrant	4	218.8	15	28.02
Jefferson	5	145.0	11	32.74
Grayson	6	69.9	7	47.54
Hunt	7	54.9	9	37.42
Collin	8	52.6	2	72.43
Fannin	9	49.1	12	31.81
Denton	10	34.5	13	29.09
Cooke	11	26.8	18	8.63
Wise	12	22.2	16	23.09
Montague	13	20.6	14	28.94
Clay	14	12.6	10	36.95
Knox	15	13.2	6	50.18
Rockwall	16	51.4	1	75.76
Brewster	17	1.1	8	45.28
Andrews	18	0.5	3	62.50

\*Source: Figures were computed from statistics obtained from Texas Almanac, 1939-40, pp. 95-98, and from Comptroller's Annual Report, 1937, Table 63, p. 120.

It is interesting to study the table and compare the debt per person column with the other two columns. Andrews County is large in area, small in population, and third in amount of indebtedness. Collin County is eighth in population, or almost average or median, and her rank in indebtedness is second. Also, it is interesting to observe that the smallest county in the state in area, Rockwall, ranks highest in indebtedness. The population of Rockwall County is 7,568, with an area of one hundred forty-nine square miles. The amount of indebtedness for each person, \$75.76, appears appalling in comparison with the per capita indebtedness of the other counties in this group.

According to this table, it would be difficult to say definitely that county expenditures per capita tend to decrease with an increase in population.

Public school indebtedness.--Public school indebtedness is next to public road indebtedness in importance.

The great increase began with the adoption of an amendment to the Constitution in 1904 which permitted counties and roads and school districts to be bonded in an amount equal to one-fourth of the value of the real estate in the district.<sup>55</sup>

Not all counties have accumulated debt at the same rate, but the present capita debt of \$38.18 is an average for the entire state.<sup>56</sup>

<sup>55</sup>Murphy, County Government and Administration in Texas, p. 155.

<sup>56</sup>Texas Almanac and State Industrial Guide, 1939-40, p. 306.

About twenty-five years ago most of the funds for the operation of public schools came from local sources. Ten years ago the appropriations of the state and county were approximately equal. At the present time, however, the contribution from the state is far greater than the contribution from local sources.<sup>57</sup>

Two limitations in issuing bonds are placed upon school districts: (1) the limit of 25 per cent of the real property; and (2) the limit of \$1.00 on the \$100 assessed valuation for the total combined school tax for maintenance and bond purposes in any district except those that have been given added authority by special act of the Legislature. The law further provides that in case a proposed maintenance tax and the bond tax should exceed \$1.00, the maintenance portion of the tax will be automatically reduced so that the total will come within the \$1.00 tax limit.<sup>58</sup>

In regard to the life of bonds issued for school buildings, it is specified by an act of the Legislature that if the materials used in the construction of school buildings are brick or stone, forty-year bonds may be issued, but if the building is made of wood, twenty-years is the limit. Now, this rule is an exception, for in no other provision is there any restriction as to the type of building construction to be used for which bonds are issued for payment thereof.<sup>59</sup>

In regard to school finances, L. A. Woods, Texas State Superintendent of Public Schools, has this to say:

There are five sources of revenue for the support and maintenance of our public schools in

<sup>57</sup> Ibid., 1936, p. 346.

<sup>58</sup> Murphy, op. cit., p. 162.

<sup>59</sup> Ibid., p. 163.

Texas, which are as follows:

1. Federal Funds which amount to about \$1,140,000 are matched by the state according to the terms of the federal laws. These funds are used for vocational courses--such as agriculture, home-making, trades and industries, rehabilitation, and for crippled children and constitute approximately 1½ of the amount which is spent for the public schools.

2. County funds which play a very small part in the financial scheme of the schools for the reason that many of the counties which have been organized since Texas became a state have not profited from the distribution of public lands, from which the county available funds are derived. There are some few counties, however, which have set up for themselves county equalization funds, like Rusk and Montgomery, where the amount distributed amounts to \$4.00 or \$5.00 per capita.

3. Philanthropic funds which make up a still smaller amount of the annual income. Included in these funds are special sources of income, such as the Rosenwald Fund, the Jeannes Fund, and gifts made to local schools by some local philanthropies.

4. The local funds of the 7,000 school districts which amount to approximately \$34,000,000 and constitute 45 per cent of the amount spent on real and personal property, the rate being fixed by the people themselves. Money derived from this source can be used for current needs such as teachers salaries, janitors, health examination and sanitary supplies, libraries, transportation, insurance, teaching equipment and supplies and for paying interest on short time loans and on bonds, and for redemption of bonds issued for building purposes.

5. State funds which amounted to approximately \$35,000,000 in 1936-37, and \$40,000,000 in 1937-38. The paramount question right now is the continuation of this support by the state, to the end that our schools shall not suffer.

The money supplied by the state is from two funds. One of these is known as the available fund, the other as the equalization fund.<sup>60</sup>

Generally speaking, the administration of the public schools is in charge of the state and independent district agencies, the latter of which may be created in a county by

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<sup>60</sup>L. A. Woods, "Financing Our School System," Texas Outlook, XXII (Sept., 1938), p. 51.

complying with certain stipulations:

Independent districts may be created in any of the following ways: (1) by the county board of trustees upon a petition of a majority of the taxpaying voters and a majority of the district trustees of the common school district to be incorporated; (2) any common school district having as many as 700 inhabitants may be incorporated as an independent school district by a majority vote of the qualified voters of the district; (3) any city or town may acquire exclusive control of the public free schools within its limits by a majority vote of the property taxpaying voters.<sup>61</sup>

Table 22 shows the available school fund direct tax in several counties in 1934.

TABLE 22

AVAILABLE SCHOOL FUND DIRECT TAX IN  
SEVERAL COUNTIES IN 1934\*

County	Total Credit	Balance		Scholastic Population 1934 Census
		Surplus	Deficit	
Brewster	\$ 37,463.95	\$ 7,252.45	\$ .....	1,831
Collin	152,684.16	.....	62,145.84	13,020
Cooke	99,309.52	.....	11,702.48	6,628
Denton	119,997.10	.....	20,120.90	8,492
Grayson	235,174.25	.....	50,127.25	17,291
Montague	71,747.58	.....	20,586.42	5,596
Rockwall	26,945.96	.....	5,707.54	1,979
Wise	62,657.31	.....	21,657.69	5,110

\*Source: C. M. McFarland, Texas Taxation Tangles, Table 8.

<sup>61</sup>Murphy, op. cit., p. 285-86.

The above table shows a deficit balance in the available school fund to be common in Texas counties. Although this table shows a summary of only eight counties, further investigation reveals that of the 254 counties, eighty-nine had a total surplus of \$2,681,469.14 for the year 1934, while one hundred sixty-five had a total deficit of \$4,710,601.68. The total credit of each county is comprised of the gasoline tax, the estimated average value of which is \$5.75 per car; the cigarette tax, estimated at 58 cents per capita; the school poll tax for 1934; and the school ad valorem tax. The per capita apportionment was \$16.50 for the year 1934. Thus, it is seen that the scholastic population of Brewster County, which was 1,831 for that year, times \$16.50 equals a deficit of \$30,211.50 to the schools in Brewster County. Brewster is credited with \$37,463.95, and the difference between the apportionment and the credit would be a surplus of \$7,252.45. It is observed that of eight counties listed in the table, only one had a surplus account.

Only eighty-nine counties in Texas, according to the table given by McFarland, paid to the state the apportionment for their various counties and contributed that sum over and above the education of their own children. Further explanation by McFarland reveals that:

In the other 165 counties deficits are shown ranging from a few dollars up to the maximum of

\$120,840.55. The total deficit in the 165 counties being \$4,710,601.68. These 165 counties therefore, took out of the Available School Fund in the aggregate the sum of \$4,710,601.68 more than they paid into it.

The total amount expended by the state on the per capita apportionment was \$25,747,227.00. The credits given the counties in the gasoline and cigarette taxes, ad valorem and School Poll aggregate approximately \$23,000,000.00, therefore, this analysis covers approximately 90% of the Available School Fund spent directly back in the counties.

In many of these counties showing deficits I find that the estimated credit given to the county on the gasoline tax far exceeds the sum paid into the Available School Fund on the ad valorem tax on the property in the county.<sup>62</sup>

It is only fair that honorable mention be given to counties bearing their just load, but it is interesting to observe that these counties showing a considerable surplus over their educational needs are situated in the urbanized sections of the state. Dallas, Galveston, Harris, Gregg, Tarrant, Jefferson, Rusk and Montgomery Counties are not handicapped by sparsely settled communities. In regard to this, McFarland says:

It will be noted that the counties in which the larger cities of the state are located all show a substantial surplus with the exception of Bexar County and El Paso County. Bexar County shows a deficit of \$39,231.04 and El Paso shows a deficit of \$107,823.99.<sup>63</sup>

Table 23 reveals that of the four counties studied, Cooke County has the smallest debt for education, and Collin County the largest. It does not reveal any particular conclusion

<sup>62</sup>C. M. McFarland, Texas Taxation Tangles, pp. 26-27.

<sup>63</sup>Ibid., p. 28.

except that both Cooke and Collin, in many tests of a similar type, consistently fall in this bracket of being lowest and highest respectively.

TABLE 23

OUTSTANDING SCHOOL INDEBTEDNESS OF COLLIN,  
COOKE, DENTON, AND GRAYSON COUNTIES  
1938\*

Districts	County			
	Collin	Cooke	Denton	Grayson
Independent School District Debt	\$193,800	\$37,500	\$169,280	\$142,153
Common School Debt	65,411	39,400	61,317	36,415
Total	\$259,211	\$76,900	\$230,597	\$228,568

\*Source: Texas Almanac and State Industrial Guide, 1939-40, pp. 303-6.

When the terms of the Constitution were drawn up, provision was made for equal rights to free public instruction. The Legislature of Texas was given complete responsibility in securing the public school revenues. The provision in the Constitution guarantees that:

A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.<sup>64</sup>

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<sup>64</sup>Texas Constitution, Art. 7, Sec. 1.

No discrimination was intended to be made between the educational opportunities of the white people and the colored, as is borne out by the words to that effect in the State Constitution:

Separate schools shall be provided for the white and colored children, and impartial provision shall be made for both.<sup>65</sup>

Data gathered from fifty districts in a recent research reveal that the educational opportunities of the negro in Texas are not equal to those of white children. Using the same basis of evaluation, the compiler found that, contrary to the provisions of the State Constitution, negro public education is far below the standards of the white children. He stressed that inequalities in the valuation of taxable property could be blamed for the unequal educational advantages made available for these pupils. The following conclusions were drawn from the extensive research mentioned above:

I. The building value per pupil enrolled in the white schools was over three times as much as the building value per pupil enrolled in the colored schools.

II. Nearly twice as much was spent to transport a white child to school as was spent to transport a colored child to school.

III. The libraries in the white schools had five times as many volumes per pupil enrolled as did the libraries in the colored schools.

IV. The value of libraries, per pupil enrolled, was about five times as much in the white schools as in the colored schools.

V. The white schools had an annual teachers' salary of about 1.5 times that of the colored schools.

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<sup>65</sup>Ibid., Sec. 7.

VI. A higher percentage of the white teachers than the colored teachers held certificates based on a college degree.

VII. The colored teachers had longer teaching experience than the white teachers.

VIII. The colored teachers had longer tenure than the white teachers.

IX. The white pupils had a higher average daily attendance than the colored pupils.

X. The colored schools had a higher teacher-pupil ratio than the white schools.

XI. The white schools had a higher annual cost of instruction per pupil enrolled than the colored.

XII. The percentage of retardation is greater in the colored schools than in the white schools, and the percentage of accelerated pupils is greater in the white schools than in the colored schools.

XIII. The colored pupils had a higher graduating age than the white pupils.<sup>66</sup>

This is just another example substantiating the fact that ample laws have been passed, but that as far as enforcing them goes, they have been forgotten.

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<sup>66</sup>Bruno A. Kattner, A Comparison of the White and the Colored Schools of Texas, pp. 58-59.

## CHAPTER V

### CONCLUSIONS AND RECOMMENDATIONS

At the outset of this study the statement was made that our present form of county government in Texas is antiquated and, therefore, inadequate to meet the requirements of efficient county financing. Various accepted writers have studied the situation, having in mind the constant change of economic and social barriers by progress, and have observed the effect of the patchwork design of the constitution upon these changes. They have marveled at the practically inelastic provisions of the State Constitution, and numerous articles have appeared in the newspapers advocating a new State Constitution.

However, a new constitution would be of little value if its laws were abused, as are those of the present one.

This study has revealed many defects in the methods of county financing as well as in the laws upon which county financing is founded. The most glaring defects in county financing appear to be in relation to raising revenues with which to finance the counties' obligations. The discrimination favorable to politically influential property owners by tax assessors and boards of tax equalization is contrary to the law which guarantees equal taxes for all.

On the other hand, the formers and enforcers of this law and other laws have failed in their responsibility to enforce equal taxation by allowing violators of the law to offend the law repeatedly without apprehension. It was observed that such practices are general, and laxity in the law enforcement department has encouraged open practice of violation of these laws. It seems reasonable to conclude that, owing to these open practices, the principal complaint against county government is the definite lack of a law enforcing department.

The present mounting demands of the public upon public funds has tended to increase the burden of taxation on those least able to support it.

Certain laws have specified the extent to which counties may extend their credit. These laws have carried little weight in some counties. It was found that some county commissioners have managed to heap large debts upon the counties without proper authorization from the qualified voters in such counties. These practices in some counties have made it necessary for the state to assume payment of large loans which the counties could not finance themselves without increasing the tax rates beyond the limitations of the constitution, which strictly regulates the rates for specific local tax purposes. Not only did the state assume these unauthorized debts, but the roads for which the loans were procured were so badly constructed that they had to be replaced long before

the retirement date of the bonds. The practice of financing local government on a credit basis is not sound. A cash basis is the safest way under the present spoils system of local government.

In North Carolina, the State Constitution prohibits the state, or any county or city within it, from borrowing during any two years more than two-thirds of what was paid on the public debt during the preceding two years.<sup>67</sup>

In many cases local debts frequently do not represent the wishes of the citizens of the county. This practice of pledging the county's credit without proper authorization from the qualified voters is bad, and the Constitution should be amended so as to prevent the simultaneous operation of several laws which deal with county indebtedness. All old laws should be repealed before new laws of the same tenor become effective.

It was observed that the state can finance public services, such as education, highways, health, and charity, with more efficiency than each county unit alone. This is possible because of the ability of the state to buy on a large scale, and also because of the reduced number of employees required. Counties, however, may exercise this privilege, although it is not mandatory. Because of political graft and poor business acumen, or lack of interest, the county commissioners oppose centralized buying departments for county supplies.

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<sup>67</sup> Denton Record Chronicle, July 17, 1939, p. 8.

Since the responsibility of school financing has been assumed to a large extent by the state, more efficient service has been rendered to the public. The efficiency with which the department of education has managed such a heterogeneous group of school situations has been commended as a good example of how a partly decentralized local unit may be dealt with by a centralized department. When local government fails to render adequate public service, the state must step in and supplement where the local unit fails; and, in some instances, the former must assume the entire weight of the responsibility.

Contrary to the article of the Constitution which guarantees equal educational opportunities to all, many schools are receiving inadequate service. This condition is especially acute among the underprivileged negroes.

It was observed that writers believe that four-year terms of office for county officials would be an advantage over the two-year terms, which are too short to give a public official sufficient breathing space between elections in order to formulate a consistent policy. The short tenure prevailing generally in Texas is partly responsible for the demagoguery that is characteristic of Texas politics. Constant change results in haphazard accounting methods and reveals a tendency for officials to stay in a rut. It is not easy for officials to try new plans, organize for efficiency, or take

personal pride in a position which changes so frequently.

The road and bridge fund should not be divided among the four commissioners to spend as they see fit, but should be handled by an engineer of finance who is under the direction of a board of supervisors who are responsible to all the people. The spending of money for road supplies and building materials should be closely supervised in order to get the maximum of service and satisfaction from the tax-payers' money. The construction of bridges and roads should be regulated according to state government specifications.

A uniform plan of government for local units as diversified in location, wealth, area, and extent of population as those of Texas is almost impossible to follow. It would be unreasonable to expect every county to attain the same degree of efficiency under such an inelastic pattern.

Almost without exception a specific number of officials is elected to county offices regardless of the sparsity of population, extent of wealth or area of the county. It appears reasonable, according to good business principles, that the number of officials should vary with the needs of the county, and not according to theory.

Because of the unjustness of the spoils system, the merit system is recommended as a solution to the present practice of political graft. Civil Service examinations on a competitive basis tend to raise the standard of efficiency

and to minimize inefficient personnel.

It appears that the unusual importance attached to the routine office of tax collecting has tended to minimize the importance of tax assessing to such an extent that this office has been a target for political corruption which has resulted in undervaluations of property belonging to influential voting property owners and overvaluation of property belonging to voters of less influence.

The opinion of government students now is that tax collecting should be subordinated to tax assessing, since this latter office requires experience and accurate judgment in valuing properties for tax purposes, while collecting taxes is only a routine matter requiring few more special abilities than being an ordinary cashier.

Many writers, students of government, and other citizens blame a great deal of the so-called inefficient management of county finances on the limitations and antiquity of the State Constitution, but the whole blame should not be placed on the administrators of county finances since the legislative body or law enforcing department is not following the letter of the law. It is true that the defects of one department are not justified because of the defects of another, but each must be a complement of the other, since neither can stand alone if a perfect state is attained.

The need for law enforcement is very pressing. This condition is especially serious in the case of property

valuation for tax purposes. It is recommended that laws pertaining to uniformity in property valuation for advalorem tax purposes and educational opportunities either be strictly enforced or be removed from the Constitution.

The high cost of county financing appears to be a common complaint among taxpayers. An expert on county financing should replace each county auditor. This expert should be especially and specifically qualified for his job. He should require an inventory of all supplies of the county. Each official should be made responsible for all supplies in his department and be charged for all items not properly accounted for.

A budget of expenditures should be made at the beginning of each year and strictly followed. All items purchased by the county should be on a wholesale basis just as though it were in business to make a profit. It is more important for the taxpayer citizen to make a profit than for a few selfish officials to do so.

An accounting system should be installed under the supervision of an efficient state tax board which is responsible to the state auditor and to whom all local tax assessors are responsible. This tax board should enforce the law which guarantees equality in tax assessments. It should systematize a basis by which property may be valued equitably. When the oath of office is violated by a tax official, he should be removed from office just as the law says he shall.

In a recent report, Governor O'Daniel stated that because of ignorance on the part of officials, weak accounting systems and inefficiency are more costly to local governments than dishonesty.<sup>68</sup>

Attempts at solving the delinquent tax problem have met with little success. Tax sales appear to be too severe in cases where failure to pay taxes is due to failure in crops, business, or health; this appears to be the wrong solution to this situation. In another way the measure fails in its effect because the buyer of tax property receives a questionable title to the property sold for taxes. Laxity in the tax law tends to create indifference toward paying taxes and results in heavy back taxes. Henrico County, Virginia, reports that

Tax delinquency has been reduced from 22.1 per cent for the year 1935 levy, to 14.9 per cent for the 1935 levy--by requiring County employees to pay their taxes before they draw their pay, and insisting that vendors and persons to whom the county is indebted pay their taxes before they get their money.

. . .the sustained effort to collect taxes and the growing realization by the taxpayer that the County government intends to collect taxes, impartially, (no exceptions), courteously, and efficiently has resulted in a greater collection of current taxes. LOWER TAX DELINQUENCY MEANS LESS MONEY IS REQUIRED FROM THE TAXPAYER WHO PAYS PROMPTLY!<sup>69</sup>

Some counties have reported that their delinquent tax problems were reduced by listing the names of all delinquents

<sup>68</sup>Dallas Morning News, July 17, 1939, p. 2.

<sup>69</sup>Economical in Operation, mimeographed material from the offices in Henrico County, Virginia, p. 1.

in the local newspapers. This method appeals to the tax-payers' pride and results in increased revenue.

Real estate and live stock, if it is possible to classify them uniformly at all, may be classified according to use.

While not as scientific as a classification according to economic returns, this is, nevertheless, much more easily arrived at and is a fair approximation of a suitable tax base. At least, such a classification according to use would be better than the guess-work system under which county assessors now operate. Furthermore, it could be made uniform for the various counties, and it would serve thus to equalize the state tax burdens now borne by the counties.<sup>70</sup>

One of the popular arguments is that county units are too small for the present day means of transportation. The present county unit was designed for pioneer conditions of travel. Today one may cross the state with less time and trouble than the pioneer could travel to the county seat when the county unit was new.<sup>71</sup> According to this statement it seems reasonable to conclude that rapid transit has reduced the size of the county unit to approximately twenty per cent of its original size. Assuming that this estimate is approximately correct, it should be reasonable to assume that the state of Texas, in order to meet with the conditions of the constitution as originally planned, could reduce the number of county units to 50.8 and still maintain an efficient a form of government as the formers of the Constitution originally had

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<sup>70</sup>Wallace C. Murphy, County Government and Administration in Texas, p. 102.

<sup>71</sup>Cordell, op. cit., p. 464.

in mind. This figure is based on an estimate made in Kentucky.

"It has been estimated that a reduction in the number of counties of Kentucky from 120 to 20 would result in a saving of \$3,000,000."<sup>72</sup> By the same token, it should be reasonable to reduce the number of Texas counties from 254 to 45, but to be conservative 50.8 or a reduction of 80 percent was suggested in the preceding paragraph.

Some common arguments for and against county consolidation are interesting. A few of these opinions are worthy of attention. ". . . The existing number of counties is not only unnecessary; it is financially impossible to support so many counties without state subsidization."<sup>73</sup>

. . . Consolidation of counties is as vital as rehabilitation of their internal structure. . . Reorganization of county boundaries, to coincide with regions of economic and social significance, comes first. It is the starting point for internal reorganization. Retention of marginal county governments means not only inefficiency, but it means abandonment of farms.<sup>74</sup>

Sparse population, low evaluation, poor soil are among the factors that emphasize the need for county consolidation in this area. These statistics do not demonstrate that these four particular counties should be consolidated one with another. Perhaps more logical consolidations could be arranged between them and other counties adjacent. But the need for consolidation stands in bold relief. State aid is being pumped into these counties, keeping them alive by artificial respiration. Were state aid of all types withdrawn, these and many other counties would have to fight for their lives.<sup>75</sup>

<sup>72</sup>Arthur W. Bromage, American County Government, p. 212.

<sup>73</sup>Ibid., p. 198.

<sup>74</sup>Ibid., pp. 198-99.

<sup>75</sup>Ibid., pp. 223-224.

The consolidations in Tennessee and Georgia point to a happy solution of the problem of poor counties on the outskirts of urban and more prosperous neighbors. This does not solve the troubles of strictly rural regions. So far, the merger of counties in rural districts has made little or no headway. Where it is most needed, consolidation is most violently opposed.<sup>76</sup>

Saving the taxpayer's money is not the only reason for consolidation. Existing counties are too often artificial units. Their boundaries rarely conform to natural trade areas. They tend to divide economic and sociological regions into several bodies politic and quasi-corporate. Consolidated counties could be made to coincide more closely with actual community areas. This involves detailed studies of geographical features, road facilities and trade areas. Recognition of trade areas is the natural basis for county consolidation. This implies deliberate and comprehensive regrouping of rural regions. In the case of counties that actually have consolidated, the process has more often been one of expediency.<sup>77</sup>

. . . Political expediency has been the guiding force of a few small counties in shuffling off their governmental fabric to consolidate with a more imposing urban neighbor. That county consolidation has proceeded with such measured steps is indicative of the powerful political and practical obstacles in its path. It takes more than a little agitation by clubs and organizations to effect general consolidation. Public opinion must be well formulated, determined and aggressive.<sup>78</sup>

Instead of complete consolidation of county governments, consolidation of specific county functions has been tried. A single group of administrators handles a particular function for a district covering more than one county. Under this plan, counties unite to maintain, for example, a district health organization, a hospital, or an almshouse. Functional consolidation is based, first, upon the theoretical principle that each function needs a different geographical area, and, second, upon the pragmatic principle that it can be accomplished more readily than general governmental consolidation.

<sup>76</sup>Ibid., p. 220.

<sup>77</sup>Ibid., p. 214.

<sup>78</sup>Ibid., pp. 230-231.

Each area can be cut to fit the particular service rendered. This type of consolidation of functions has found wider use than general consolidation. Should counties consolidate into large units, or should they cooperate with others in joint functional undertakings?<sup>79</sup>

The following reasons are usually encountered in a county when the question of county consolidation is being considered:

1. Intensity of local pride prevents people from wanting their county name changed.
2. It upsets the political continuity of their lives to have changes in boundary lines.
3. Mergers may mean that relatives or friends may no longer be able to hold county offices.
4. Merchants lose trade by removal of the seat of county government to another community.
5. County officials lose their jobs.
6. There are lawyers connected with the courthouse whose interests would be affected by its closing.
7. New property for housing the new unit must be acquired. The abandonment of old buildings is expensive.
8. Variations between existing counties in taxable wealth, tax rates, public indebtedness, and public improvements would result in inequality for counties of better conditions.
9. The state constitution usually requires a referendum for the transfer of county seats.
10. Some feel that if government is efficient it will encroach upon private enterprises.<sup>80</sup>

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<sup>79</sup>Ibid., pp. 199-200.

<sup>80</sup>Ibid., pp. 207-210.

Since the county consolidation plan of government is better adapted to conditions of sparse population and low valuations, and since the details involved in county consolidation are so complicated it is suggested that an optional plan of county government be considered. The arguments against county consolidation are not easy to surmount for an age that changes its traditions so slowly. County consolidation is a far step which may not be accomplished for a long time yet.

On the other hand, the county manager plan is feasible, and is more apt to appeal to the majority of people who are interested in a reform program. This system, studies reveal, is more adapted to counties of high valuation and dense population than the county consolidation plan of government.

The Texas Constitution is so amended as to permit counties to adopt the manager plan,<sup>81</sup> but according to a recent comment on this question, no county in Texas has done so. It has been stated that "Dallas County could save several times \$50,000 by adopting the county manager plan and by consolidating county and city governments, as now permitted by state law."<sup>82</sup>

The following is an account of the adoption of a County Manager Plan of government in Henrico County, Virginia. This plan was adopted in 1933 because of a severe financial strain resulting from a deficit of \$8,000 in the county treasurer's

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<sup>81</sup>Cordell, op. cit., p. 465.

<sup>82</sup>Dallas Morning News, February 3, 1939, p. 2.

department.

A department of finance took over the work of the county treasurer and the commissioners of revenue whose offices were abolished by the statute setting up the county manager form of government. The director of finance at the head of the new department was appointed at a salary of less than one-fourth that of the two officials replaced and the department was operated the first year at a saving of more than \$11,000 over the cost of the former system.

Four deputy treasurers or tax collectors were dispensed with. The manager found that taxes could be collected more effectively by sending out a series of tax collection letters and enforcing the tax laws which provided that vendors selling supplies to the county and also county employees must pay their taxes before they could receive warrants in payment of their accounts or services. A 'tax budget' plan under which taxpayers were permitted to pay their taxes in ten installments helped considerably. Tax delinquency which had been steadily increasing over a five-year period before the county manager began work, was checked and at the end of the first year of manager government a decrease in uncollected taxes of 5.25 percent was noticed.

The four district road forces were abolished and a county unit system adopted composed of two maintenance crews and a construction force covering all new road work in the county. Under this system one less road superintendent was needed and the road equipment utilized more economically. An equipment depot was constructed for the maintenance and repair of all road equipment and for motor equipment of other departments including school buses. Formerly the equipment was maintained and repaired at private repair shops throughout the county. Gas and oil is now purchased at wholesale.

Centralized purchasing was installed covering supplies used by all departments including the schools. Cash discounts for prompt payment in one year amounted to \$1,167 and funds on time deposit in the banks earned \$872 interest.

A department of public welfare was established utilizing the organization built by the Henrico Emergency Relief Administration and a program of work relief on the county roads and repairing and maintaining county school buildings was set into operation quickly.

The police force was reorganized under the direction and control of the sheriff. Nine police cars were equipped with radio operating in cooperation with a new short-wave station installed by the city of Richmond.

A local health unit was set up in the county to be administered by the county. Two additional trained health nurses were added to the staff giving more complete supervision of cases of communicable disease and making possible the extension of all lines of public health activities in the county.

Expenditures for the first year of manager government were approximately \$37,000 less than the receipts. Three debt deficits inherited from the former administration were reduced and one wiped out.

Less cost and more service for his tax dollar sound good to John Jones in Henrico. Let people say that the county manager plan is new fangled and unworkable. John Jones knows better.<sup>83</sup>

Some students of governmental institutions point out the possibilities of the county home rule plan. Those who object to drastic changes might consider such a plan in preference to other plans mentioned. An amendment to the State Constitution permits counties within specific limitations to adopt a County Home Rule Charter form of county government.<sup>84</sup>

Reform of the county through adoption of the county manager system or through transfer of certain county functions to state authorities present definite, realizable goals for the work of civic-minded organizations. Improvement in county administration through constitutional amendments providing for county home-rule, is less direct. Associations of county officials are never so vehemently opposed to measures looking toward the adoption of home-rule as they have shown themselves to be toward the county manager plan or county consolidation. At its best the county home-rule plan is a compromise measure, appealing to many people because it supposedly preserves 'the local liberties,' the favorite argument in its favor; in reality it usually

<sup>83</sup>Cordell, op. cit., p. 463.

<sup>84</sup>Texas Constitution, Art. 9, Sec. 3.

preserves only the liberties of the county political rings and those dependent on their favors.<sup>85</sup>

If the present questionable practices of county officials are continued with such open violation, and civic-minded people are not able to overthrow adverse political influence during voting campaigns, it seems only fair that the interests of such a subordinated group be represented by a leader who can enlighten the local citizens as to their rights as property owning voters and who will lead them to see the light. Where waste and graft are definitely found in local government, it should not be ignored by citizens who stand for equality of rights.

People are naturally reticent about changing traditions and good politicians, knowing this, play upon the emotions of people and bring about the defeat of vital issues which are detrimental to political hangers-on. One reason that traditions are held so sacred is that they are kept alive in the minds of people by others who gain by them.

As long as people are willing to accept the myth that county government is too far above their intelligence for them to understand, it will continue to be a complication that no one can understand except the officials who make it that way and who work zealously to keep it that way. There is no reason why county financing cannot be made more simple. A well-organized accounting system should be so simple that a seventh grade student could understand it. Even an average

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<sup>85</sup>Cordell, op. cit., p. 466.

mind can grasp the fact that buying in large quantities and consolidation of certain functions result in greater savings.

The future of county government could be directed through a process of education which advocates a thorough knowledge of local government, its foundation and its defects. To patronize one's community is one thing; but to excuse wilful waste and fraud in county financing in this community is ignorance or indifference. The education of future public leaders should emphasize the importance of every human being and his responsibility to society in a unified and equitable community situation.

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