

Baltimore Morning Herald
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His Honor's Discovery

Finds a New Clause in His Own Charter

With Aid of Mr. Gans

Believes Some Surplus Can Go Into the Treasury

Would Reduce Tax Rate

Mayor Hayes Writes for the Herald How \$1,250,000 Is Already Raised for 1902

Mayor Hayes took a peep into the city charter Saturday night, and as a result of what he read His Honor thinks the tax rate for 1902 may be \$1.40.

Though the mayor's finger was in the charter-making pie, a certain phrase in section 36 made him gasp with surprise. All along he had believed that the surpluses of the various departments should go into the sinking fund. His predecessor and his subordinates and advisers thought the same.

"The departmental surpluses," he read between the lines, "should be placed in the city treasury. This means that the sinking fund loses and the treasury gains the greater part of the \$495,675.35 surplus of 1900. And it also means that the \$473,450.63 surplus of 1898 must be rescued from the sinking fund and placed in the treasury. This will be \$1,250,000 found--\$1,250,000 less to be raised by taxation in 1902—a reduction in the tax rate of 45 cents."

His Honor's Reasoning

After he had revolved this startling discovery in his mind the mayor wrote the following account of it for the Herald:

"The language of section 36 has led me to believe that the surpluses of the various departments and the surplus of actual over estimated collections does not go to the sinking fund, as I had heretofore supposed. Only the surplus of actual over estimated revenue from licenses, fees, rents, franchises, minor privileges and taxes in arrears goes to the sinking fund. All other balances go to the city treasury and may be spent at the proper time to meet appropriations made by the ordinance of estimates. The language of section 36 is as follows:

" 'In case of any surplus arising in any fiscal year, by reason of an excess of income received from the estimated revenue over the expenditures for such year, the said surplus shall be passed to the commissioners of finance to be credited to the general sinking fund.'"

Revenue and Taxation

“This phrase ‘estimated revenue’ is given in section 40 as well as in section 36, a meaning closely distinguishable from income derived from taxation,

“The city has two sources of income: one from taxation for the current year and the second from fees, back taxes, etc., which is designated ‘reserve’ as distinguished from ‘taxation.’ This is shown in the clause in section 36 relating to temporary loans where this language is used “no temporary loan shall be authorized or made to pay any deficiency arising from a failure to realize sufficient income from revenue and taxation to meet the amounts provided for in said ordinance of estimates.’

“If this construction is considered correct by the law department—to which I shall refer it and ask for its opinion—then the city will be able always to use the annual surplus except that from revenue, to meet its current expenses.

“Take the surplus this year of over \$00,000. All of this but a small amount is now available to meet current expenses, if this construction is correct. The result of such a construction, if correct, will be helpful to the finances of the city, because this surplus, instead of going in its entirety to sinking fund, where it is not needed, can be used to lessen taxes by paying a part of the current municipal expenses.”

Startling Effects

If the law department agrees with the mayor the effect of his discovery will be tremendous. As stated above, about \$1,250,000 in annual surpluses has been turned into the sinking fund since the new charter became effective. All of this money will be rescued and placed in the general treasury and thereby the tax rate will be reduced.

“Who would have thought it?” said the mayor, smilingly. “Here I have followed the precedent set by Mayor Malster without even reading what the charter said about it. Saturday the matter was brought to my mind by Mr. Edgar H. Gans.

“What becomes of the surplus?” he asked me.

“‘It goes into the sinking fund,’ I replied.

“And then my answer set me thinking. ‘Was I right?’ I asked myself. The more I thought of it the more doubtful I became, and when I went home Saturday night I looked up the law. What I discovered surprised me very much, I assure, you.

“If it is true that the sinking fund should receive only the excess of actual overestimated revenue, its annual gains will be small. In 1899, for instance, this surplus was about \$13,000. The entire municipal surplus was \$473,450.63. Should the mayor be declared in the right by the courts \$460,000 of this amount will be taken from the sinking fund.

“Do you propose to rectify these past mistakes?” the mayor was asked.

“Wait a while,” he replied with a smile. “We must first talk about the 1900 surplus.”

The loss to the sinking fund would not be much felt, as provision has been made to keep the fund in good condition, independent of any unexpected additions. What effect His Honor’s discovery will have upon the municipal muddle remains to be seen.

“If I’m right,” he said last night, “there will be no need to bother about the delayed levy. We won’t need to borrow money. There will be \$1,250,000.”

And the mayor took up the charter and read Section 36 again.