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"Cost of State Government" Pt. 5**

Radio Address, Albany, July 7, 1932

THE COST OF STATE GOVERNMENT—DEPARTMENTS OF TAXATION AND
FINANCE AND DEPARTMENT OF STATE

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Most of these talks about the cost of New York State government, the reasons for its increase and the questions which must be decided if that cost is to be reduced, have dealt or will deal with the State's strictly spending and service departments. They spend the money which provides the things you have directed the State government to provide.

As we discuss these activities by which your children are educated, the roads in front of your house paved, the wards of the State sheltered, clothed and fed, and hundreds of other duties attended to, there perhaps comes to your mind, as there comes to mine, the question: "Where and how does the State get all this money?" That is one of the phases of the State's work which we shall discuss tonight. We will lift it from its humble place in the background of the picture, and examine it by itself.

Do you know the name of the department that collects the money, that keeps the machinery of the State government in motion? It, the Department of Taxation and Finance, is the one to which the few of you who pay

direct State taxes send the check. It is the collection department of our State business corporation. How well does it do its work? Are its cost of collection increasing or decreasing? We are searching for places at which the cost of operating the State's business may be reduced. Is this one of them?

For the sake of convenience in appraising its efficiency, let us look at it in two sections. First, the administration of general tax laws, in which some interesting facts and comparisons appear. Second, the management of the many tax and regulatory laws which have grown up alongside our change as a nation from a race of pedestrians to one of automobile riders.

Back in 1922, when our State's business was of more modest proportion the department had to dig up \$108,000,000 a year of revenues as its contribution toward making the State's income balance the outgo. In 1931 its task, not an easy one in such times, was to find \$251,000,000 annually. How many businesses do you know of that have that large a volume?

Ten years ago, it cost about \$2,000,000, to assess and collect the revenues then required. Last year it cost about \$40,000 more than it did 10 years ago. That is interesting to me. Then it cost \$1.89 to collect every \$100 of revenue received. In 1931, it cost 83 cents per \$100, less than half as much. If you are a merchant, a manufacturer, or a railroad or public utility officer, has that been your experience? A comparison here between public and private business is interesting indeed.

The reduction of unit costs of collecting is particularly noticeable in the work of bureaus which administer particular tax laws. Here for instance is the Personal Income Tax Bureau. The amount of money collected 10 years ago, now has nearly doubled. But the cost of collecting it has gone down 27 per cent. The number of the staff needed to do the work has dropped from 433 to 275. It now costs \$1.24 to assess and collect \$100 of personal income tax, less than half what it cost in 1922. Instead of encountering the usual question of whether we can cut back some cost that has increased during the past 10 years, we are dealing in this and other important bureaus of this department with the accomplished fact of costs already having been sharply reduced. It is clear that out of these facts economy has been practiced. The only question for the taxpayer is whether we can make further administrative savings.

I hope it is as refreshing to you as a taxpayer, as it is to me as Governor, to encounter in the next bureau of this department a unit which not only has reduced its costs and trebled its collections during the past 10 years, but also has been patiently but vainly asking the permission of the Legislature to save another \$200,000 a year. Yes, you heard that statement correctly. The Transfer Tax Bureau, costing less than \$600,000 a year now, wants the right to cut its costs by one-third, and has been turned down by the Legislature.

It is the bureau which collects what we commonly call "inheritance taxes." Where it cost \$4.73 in 1919, and \$3.07 in 1922 to get \$100 of revenue from this source, it now costs \$1.09, less than one-third as much. In the main, that progress has been achieved by employing people at moderate full-time salaries to do work for which fees once were paid. The bureau wants to extend that same process. It asks authority to appraise estates itself, rather than paying surrogates and their employees to do it. And the amount involved is about \$200,000. Here, then, instead of framing a searching question, our task is to note a question already asked and answered by the bureau itself. All that is needed is an act which the Legislature has thus far refused to pass.

BUREAU OF MOTOR VEHICLES

Where up to this point I have been dealing with work which while increasing in volume, has changed in nature so little that effective cost controls could be developed and applied, I encounter just the opposite condition in the Bureau of Motor Vehicles. New legislation covering the regulation and taxation of motor vehicles has been developed quite rapidly. Automobile travel has expanded so swiftly as to be one of the marvels of our economic era. Accordingly, the work of this bureau repeatedly has been changed in

its fundamental nature long before it had opportunity to reduce to a routine basis the work previously assigned to it. But the record will tell the fact.

In 1922, the State of New York spent \$669,000 for the registration of motor vehicles, the licensing of chauffeurs, the issuance of operators' licenses in New York City only, and the collection of \$12,700,000 in tax revenues. Acting in response to what it regarded as the necessities of the situation, the Legislature constantly has expanded the functions of this work. In addition to the activities formerly conducted in this bureau, it now inspects motor vehicles to see that they are safe, enforces motor vehicle laws, holds hearings incident to the suspension and revocation of operators' licenses, receives reports on 125,000 accidents a year, provides copies of records in accident cases, enforces the Financial Responsibility Law, licenses operators over the entire State, collects \$41,800,000 of revenue, and, on top of all that, licenses 1,350,000 more automobiles, 415,000 more chauffeurs, and 2,015,000 more operators than it did 10 years ago. Whether the new duties have been added wisely is a matter of opinion. That their execution has occasioned the spending of more money is plain on the record. The cost has nearly trebled in 10 years. If we were to go back to the degree of regulation of the motor vehicle that we had in 1922, if we were to abandon all the supervisory, regulatory, enforcement activities decreed by successive Legislatures, we could perhaps save in the neighborhood of \$1,000,000. If no more new duties are added, the gradual assimilation by the bureau of its more recently imposed duties probably would permit the reduction of much of the work to a routine basis, with consequent improvement in the cost showing. There are very real questions of policy and necessarily bound up in decisions in this field. What course would you regard as wise?

DEPARTMENT OF STATE

After that excursion into a very rapidly expanding field of presumably necessary public activity, we return briefly now to another department which has been able to systematize its affairs to such a degree during the past 10 years that its costs present an interesting study from an economy point of view.

In 1922, the Department of State cost about \$879,000. In 1931 its cost had been reduced to \$679,000. The revenue collected by the department from fees prescribed by the many laws under its administration, increased during the 10-year period from \$700,000 to \$3,200,000. A 23 per cent reduction of cost, even in the face of expanding duties on continuing functions, would be noteworthy enough, but it is all the more significant when we realize that during the 10-year period, two new functions were assigned to the department. They are the licensing of real estate brokers and agents, and the supervision of housing conditions in the cities. If the two new functions had not been added, the cost in 1931 would have been \$164,000 less, one-fifth of the department's total expense. The performance of these new functions adds something to the net revenue of the State treasury. Therefore, it would scarcely be fair to say that their abolition would permit the saving of their entire cost of \$164,000. But if they were relinquished, there would be a net loss in a somewhat less amount. Should those new functions, supervision of housing and licensing of real estate agents, be discontinued?

In these three sections of the State government, Taxation and Finance, Motor Vehicle Division, and Department of State, we have seen a new and infrequently explored side of government. It is not the side of serving the public, but the side of government keeping its own financial house in order so that its other departments may have the funds to pay for their services to the public. Considering the increased volume of revenue involved, the new duties prescribed from time to time, and the generally decreasing unit costs of collecting revenue, what do you think of the State of New York as a housekeeper? What economies occur to you as being feasible?

Those questions are pertinent to our general inquiry. In this series of talks, we in the State government are endeavoring to compare present costs with those of 10 years ago, and to identify the questions which must

be dealt with if those costs are to be reduced in any considerable degree. We are seeking your views and opinions on these questions before we draft the 1933 budget, rather than after it is fairly well along toward adoption.

On previous Thursdays, we have sought your counsel on service activities in which some or all of you presumably are interested. We will examine more of such service activities in the future. Tonight, we have endeavored to see another side of the picture, the side of internal administration. What do you think of it? How could it be done more economically?

I have made clear three points: First, that the cost of collecting the tax dollar has been reduced by more than one-half in 10 years; second, that the increased cost of the Motor Vehicle Bureau is due to the imposition of many new duties on it and to the fact that it now has to issue 3,750,000 more licenses than in 1922, and third, that the Department of State has greatly cut costs even though two new functions have been added to it.

As you answer these questions of policy, you will satisfy yourself that government cannot constantly expand functions, add services and extend old activities without increased cost, any more than your family can increase in size and improve its standard of living over a period of years without those trends showing up on the stubs of the family checkbook. Likewise, you will be in a position to render genuine assistance to those who deal with those questions in connection with their public offices. It is plain that if you want taxes reduced, you can help us accomplish that result by telling us which services you wish curtailed and which abandoned.